中国农业银行

AGRICULTURAL BANK OF CHINA

Stock Code: 1288



AGRICULTURAL BANK OF CHINA LIMITED

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

GLOBAL OFFERING

Joint Global Coordinators

CICC 中金香港证券 | Goldman Sachs | Morgan Stanley | 農銀國際 ABC INTERNATIONAL

Joint Sponsors and Joint Bookrunners

CICC 中金香港证券 | Goldman Sachs | Morgan Stanley | Deutsche Bank 德意志银行 | J.P.Morgan | MACQUARIE | 農銀國際 ABC INTERNATIONAL

IMPORTANT: If you are in any doubt about this prospectus, you should obtain independent professional advice.

中国农业银行
AGRICULTURAL BANK OF CHINA

AGRICULTURAL BANK OF CHINA LIMITED
中國農業銀行股份有限公司

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

GLOBAL OFFERING

Number of Offer Shares in the Global Offering	:	25,411,765,000 H shares (subject to the over-allotment option)
Number of Offer Shares in the International Offering	:	24,141,175,000 H shares (subject to adjustment and the over-allotment option)
Number of Hong Kong Offer Shares	:	1,270,590,000 H shares (subject to adjustment)
Maximum Offer Price	:	HK$3.48 per H share, plus 1% brokerage, SFC transaction levy of 0.004%, and Hong Kong Stock Exchange trading fee of 0.005% (payable in full on application in Hong Kong dollars and subject to refund)
Nominal value	:	RMB1.00 per H share
Stock Code	:	1288

Joint Global Coordinators

China International Capital Corporation Hong Kong Securities Limited	Goldman Sachs (Asia) L.L.C.	Morgan Stanley Asia Limited	ABC INTERNATIONAL

Joint Bookrunners

China International Capital Corporation Hong Kong Securities Limited	Goldman Sachs (Asia) L.L.C.	Morgan Stanley Asia Limited	Deutsche Bank AG, Hong Kong Branch	J.P. Morgan Securities Ltd.	Macquarie Capital Securities Limited	ABC INTERNATIONAL

Joint Sponsors

China International Capital Corporation Hong Kong Securities Limited	Goldman Sachs (Asia) L.L.C.	Morgan Stanley Asia Limited	Deutsche Bank AG, Hong Kong Branch	J.P. Morgan Securities (Asia Pacific) Limited	Macquarie Capital Securities Limited	ABCI Securities Company Limited

Hong Kong Exchanges and Clearing Limited, The Stock Exchange of Hong Kong Limited and Hong Kong Securities Clearing Company Limited take no responsibility for the contents of this prospectus, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this prospectus.

A copy of this prospectus, having attached thereto the documents specified in "Appendix X—Documents Delivered to the Registrar of Companies," has been registered by the Registrar of Companies in Hong Kong as required by Section 342C of the Hong Kong Companies Ordinance. The Securities and Futures Commission and the Registrar of Companies in Hong Kong take no responsibility for the contents of this prospectus or any other document referred to above.

The Offer Price is expected to be fixed by agreement between the Joint Bookrunners (on behalf of the underwriters) and us on the Price Determination Date, which is expected to be on or around July 7, 2010 and, in any event not later than July 14, 2010. The Offer Price will be not more than HK$3.48 and is currently expected to be not less than HK$2.88. If, for any reason, the Offer Price is not agreed by July 14, 2010 between the Joint Bookrunners (on behalf of the underwriters) and us, the Global Offering will not proceed and will lapse.

The Joint Bookrunners, on behalf of the underwriters, may, where considered appropriate, reduce the number of Hong Kong Offer Shares and/or the indicative offer price range below that stated in this prospectus at any time prior to the morning of the last day for lodging applications under the Hong Kong Public Offering. Further details are set forth in "Structure of the Global Offering" and "How to apply for Hong Kong Offer Shares."

We are incorporated, and substantially all of our businesses are located, in the PRC. Potential investors should be aware of the differences in the legal, economic and financial systems between the mainland of the PRC and Hong Kong and that there are different risk factors relating to investment in PRC-incorporated businesses. Potential investors should also be aware that the regulatory framework in the PRC is different from the regulatory framework in Hong Kong and should take into consideration the different market nature of the shares of the Company. Such differences and risk factors are set out in "Risk Factors," "Appendix VII—Summary of Certain Legal and Regulatory Matters" and "Appendix VIII—Summary of Articles of Association."

The obligations of the Hong Kong underwriters under the Hong Kong underwriting agreement are subject to termination by the Joint Bookrunners (on behalf of the underwriters) if certain grounds arise prior to 8:00 a.m. on the Listing Date. See "Underwriting—Hong Kong Public Offering—Grounds for Termination."

June 30, 2010

EXPECTED TIMETABLE[1]

Application lists open[2]	11:45 a.m. on Tuesday, July 6, 2010
Latest time to lodge **white** and **yellow** application forms	12:00 noon on Tuesday, July 6, 2010
Latest time to give **electronic application instructions** to HKSCC[3]	12:00 noon on Tuesday, July 6, 2010
Latest time to complete electronic applications under **White Form eIPO** service through the designated website www.eipo.com.hk[4]	11:30 a.m. on Tuesday, July 6, 2010
Latest time to complete payment of White Form eIPO applications by effecting internet banking transfer(s) or PPS payment transfer(s)	12:00 noon on Tuesday, July 6, 2010
Application lists close	12:00 noon on Tuesday, July 6, 2010
Expected Price Determination Date[5]	Wednesday, July 7, 2010
Announcement of the Offer Price under the Global Offering	Friday, July 9, 2010
Announcement of:	
• the level of indications of interest in the International Offering;	
• the level of applications of the Hong Kong Public Offering; and	
• the basis of allocation of the Hong Kong Offer Shares	
to be published in the South China Morning Post (in English) and Hong Kong Economic Times (in Chinese) on or before	Thursday, July 15, 2010
Results of allocations in the Hong Kong Public Offering (with successful applicants' identification document numbers, where appropriate) to be available through a variety of channels (see paragraph headed "**Publication of Results**" in "How to Apply for Hong Kong Offer Shares") from	Thursday, July 15, 2010
Results of allocations in the Hong Kong Public Offering will be available at **www.iporesults.com.hk** with a "search by ID" function	Thursday, July 15, 2010
Dispatch of H share certificates/White Form e-Refund payment instructions/refund checks (if applicable) on or before[5]	Thursday, July 15, 2010
Dealings in H shares on the Hong Kong Stock Exchange expected to commence on	Friday, July 16, 2010

(1) All times refer to Hong Kong local time, except as otherwise stated.

(2) If there is a tropical cyclone warning signal number 8 or above, or a "black" rainstorm warning at any time between 9:00 a.m. and 12:00 noon on Tuesday, July 6, 2010, the application lists will not open on that day. See "How to Apply for Hong Kong Offer Shares—Effect of Bad Weather on the Opening of the Application Lists."

(3) Applicants who apply by giving **electronic application instructions** to HKSCC should refer to the section headed "How to Apply for Hong Kong Offer Shares—Applying by giving **electronic application instructions** to HKSCC via CCASS" in this prospectus.

(4) If you have already submitted your application through the designated website at www.eipo.com.hk and obtained an application reference number from the designated website prior to 11:30 a.m., you will be permitted to continue the application process (by completing payment of application monies) until 12:00 noon on the last day for submitting applications.

(5) The price determination date is expected to be on or around Wednesday, July 7, 2010 and in any event not later than Wednesday, July 14, 2010. If, for any reason, we and the Joint Bookrunners (on behalf of the underwriters) are unable to reach an agreement on the Offer Price, the Hong Kong Public Offering and the International Offering will not become unconditional and will lapse immediately.

(6) H share certificates will only become valid certificates of title provided that the Global Offering has become unconditional in all respects and neither of the Hong Kong underwriting agreement nor the international purchase agreement has been terminated in accordance with its terms prior to 8:00 a.m. on the Listing Date, which is expected to be on or around July 16, 2010. Investors who trade H shares on the basis of publicly available allocation details prior to the H share certificates becoming valid certificates of title do so entirely at their own risk.

CONTENTS

IMPORTANT NOTICE TO INVESTORS

This prospectus is issued by Agricultural Bank of China Limited solely in connection with the Hong Kong Public Offering and the Hong Kong Offer Shares and does not constitute an offer to sell or a solicitation of an offer to buy any security other than the Hong Kong Offer Shares offered by this prospectus pursuant to the Hong Kong Public Offering. This prospectus may not be used for the purpose of, and does not constitute, an offer or invitation in any other jurisdiction or in any other circumstances. No action has been taken to permit a public offering of the Offer Shares in any jurisdiction other than Hong Kong and Japan, and no action has been taken to permit the distribution of this prospectus in any jurisdiction other than Hong Kong. The distribution of this prospectus and the offering and sale of the Offer Shares in other jurisdictions are subject to restrictions and may not be made except as permitted under the applicable securities laws of such jurisdictions pursuant to registration with or authorization by the relevant securities regulatory authorities or an exemption therefrom.

You should rely only on the information contained in this prospectus and the Application Forms to make your investment decision. We have not authorized anyone to provide you with information that is different from what is contained in this prospectus. Any information or representation not made in this prospectus must not be relied on by you as having been authorized by us or any of our affiliates or advisors, nor by any of the underwriters or any of their affiliates or advisors.

	Page
Expected Timetable	i
Contents	ii
Summary	1
Definitions and Conventions	20
Risk Factors	28
Forward-looking Statements	58
Information about this Prospectus and the Global Offering	59
Directors, Supervisors and Parties Involved in the Global Offering	62
Corporate Information	68
Industry Overview	69
Supervision and Regulation	78
Our History, Restructuring and Operational Reform	111
Business	120
Risk Management	165
Assets and Liabilities	188
Financial Information	240
Recent Developments	291
County Area Banking Business	304
Relationship with our Promoters and Connected Transactions	330
Directors, Supervisors and Senior Management	334

CONTENTS

	Page
Substantial Shareholders	346
Share Capital	347
Our Corporate Investors	354
Future Plans and Use of Proceeds	361
Underwriting	362
Structure of the Global Offering	369
A Share Offering	377
How to Apply for Hong Kong Offer Shares	379
Appendix I—Accountants' Report	I-1
Appendix II—Unaudited Interim Financial Information	II-1
Appendix III—Unaudited Supplementary Financial Information	III-1
Appendix IV—Unaudited Pro Forma Financial Information	IV-1
Appendix V—Profit Forecast	V-1
Appendix VI—Property Valuation	VI-1
Appendix VII—Summary of Certain Legal and Regulatory Matters	VII-1
Appendix VIII—Summary of Articles of Association	VIII-1
Appendix IX—Statutory and General Information	IX-1
Appendix X—Documents Delivered to the Registrar of Companies and Available for Inspection	X-1

This summary aims to give you an overview of the information contained in this prospectus. As it is a summary, it does not contain all the information that may be important to you. You should read the whole document before you decide to invest in the Offer Shares.

There are risks associated with any investment. Some of the particular risks in investing in the Offer Shares are set out in "Risk Factors." You should read that section carefully before you decide to invest in the Offer Shares.

OVERVIEW

We are a leading commercial bank in China in terms of total assets, total loans and total deposits. At December 31, 2009, we had RMB8,882.6 billion in total assets, RMB4,138.2 billion in total gross loans and RMB7,497.6 billion in total customer deposits, representing a market share of 11.3%, 9.7% and 12.3%, respectively, of all banking institutions in China. We were ranked No. 8 in *The Banker*'s "Top 1000 World Banks" list in terms of profit before tax for the year of 2008.

We have the largest domestic distribution network among the Large Commercial Banks in terms of the number of branch outlets. As of December 31, 2009, we had a total number of 23,624 domestic branch outlets. Leveraging our extensive network, we provide a wide range of banking products and services to our corporate and retail customers in China. We are a market leader in a number of areas in the PRC banking sector:

- We believe that we are the largest retail bank in China in terms of the number of retail customers, with approximately 320 million retail customers as of December 31, 2009;
- We have a nationwide distribution network with the broadest geographic coverage in China and the largest number of ATMs among the Large Commercial Banks;
- We were consistently ranked first among all commercial banks in China in terms of the total number of bank cards issued and bank card deposit amounts as of the end of each year from 2006 to 2009 and total transaction volume on debit cards in each year from 2006 to 2009;
- We were ranked first and second, respectively, among all commercial banks in China in terms of new premiums for insurance products sold through our distribution network and fees generated from our bancassurance business in 2009;
- We were the second largest custodian bank and the largest custodian bank for insurance funds in China in terms of assets under custody as of December 31, 2009; and
- We accomplished data centralization in 2006 and were ranked No. 5 among the "2008 PRC Top 500 Enterprises in Information Technology" ("2008年度中國企業信息化500強") by the *National Informatization Evaluation Center*.

As a leading bank in China's Urban Areas, we have benefited from China's strong economic growth. We have leveraged our extensive distribution network and large customer base to further strengthen our market position in the Urban Areas. At December 31, 2009, our loans and deposits in the Urban Areas totaled RMB2,944.8 billion and RMB4,463.0 billion, representing an increase of 29.8% and 24.6%, respectively, from December 31, 2008.

We are a primary provider of financial services and a market leader in China's vast, fast-developing County Areas, with the largest number of domestic branch outlets among the Large Commercial Banks. We provide customers in the County Areas with a broad range of financial products and services through our 2,048 county-level sub-branches and 22 business departments of tier-2 branches. We refer to such banking business as the "County Area Banking Business" or "Sannong Banking Business." We believe that the established market leadership and vast distribution network of our County Area Banking Business enable us to continue to take advantage of the various growth opportunities arising from the rapid urbanization and favorable economic and policy developments in the County Areas. At December 31, 2009, our loans and deposits in the County Areas totaled RMB1,193.4 billion and RMB3,034.6 billion, representing an increase of 43.4% and 20.7%, respectively, from December 31, 2008.

We believe that "Agricultural Bank of China" ("中國農業銀行") is one of the most recognized financial services brands in China. We have received many international and domestic honors and awards for our business performance, including the "Annual Achievement Award on Cash Management (China)" in 2009 from *The Asian Banker*, the "Top 10 Corporate Finance Products" in 2009 by *The Chinese Banker* ("銀行家"), the "Business Progress Award" in 2008 from *Visa International* and the "Best Product Design Award" in 2008 from *MasterCard International*.

Headquartered in Beijing with a nationwide distribution network, we also have branches in Hong Kong and Singapore and representative offices in New York, London, Tokyo, Frankfurt, Seoul and Sydney. In addition, we have a number of wholly-owned subsidiaries incorporated in Hong Kong, including ABC International Holdings Limited and China Agricultural Finance Co., Ltd.

OUR COMPETITIVE STRENGTHS

Our principal competitive strengths include:

- Well-positioned to capitalize on China's future growth in both Urban Areas and County Areas;
- Extensive nationwide branch outlet network complemented by a multi-channel electronic banking system;
- Large and diversified customer base providing significant growth potential;
- Strong deposit base providing stable and low-cost funding;
- Fast growing fee- and commission-based business;
- Continuously enhanced risk management and internal control capabilities;
- Leading information technology platform; and
- Experienced management team with a proven track record.

OUR STRATEGIES

By leveraging our leading positions in both Urban Areas and County Areas, we believe we will become a world-class financial institution through the successful implementation of the following strategies:

- Further strengthen our leadership in the Urban Areas;
- Solidify our dominant position in the County Areas;
- Diversify our revenue mix by expanding our product and service offerings;
- Continuously upgrade our multi-channel distribution network;
- Continuously strengthen our risk management and internal control capabilities; and
- Attract, motivate and develop talented and experienced professionals.

COUNTY AREA BANKING BUSINESS

As a primary provider and market leader of banking services in the County Areas with an unparalleled distribution network, leading operational scale, diverse and innovative product and service offerings, as well as decades of experience and expertise in the County Area banking market, we are well-positioned to capitalize on the future economic growth of the County Areas. See "County Area Banking Business."

SUMMARY FINANCIAL INFORMATION

The summary historical consolidated income statement data for the years ended December 31, 2009, 2008 and 2007 and the summary historical consolidated balance sheet data at December 31, 2009, 2008 and 2007 set forth below have been derived from the Accountants' Report issued by Deloitte Touche Tohmatsu, Certified Public Accountants, Hong Kong, which has been prepared in accordance with IFRS and is included in Appendix I to this prospectus. The selected unaudited consolidated income statement data for the three months ended March 31, 2010 and 2009 and the selected unaudited consolidated balance sheet data at March 31, 2010 set forth below have been derived from our unaudited consolidated financial statements at and for the three months ended March 31, 2010 prepared in accordance with IFRS and are included in Appendix II to this prospectus. You should read the summary historical financial information below in conjunction with "Appendix I—Accountants' Report" and "Appendix II—Unaudited Interim Financial Information."

Summary Historical Consolidated Income Statement Data

	For the year ended December 31,		
	2007	2008	2009
	(in millions of RMB unless otherwise stated)		
Interest income	250,035	321,855	296,147
Interest expense	(85,852)	(121,852)	(114,508)
Net interest income	164,183	200,003	181,639
Net fee and commission income	22,995	23,798	35,640
Other net income[1]	(3,727)	(9,785)	6,358
Operating income	183,451	214,016	223,637
Operating expenses[2]	(74,620)	(110,175)	(109,567)
Provisions for impairment losses	(30,574)	(51,478)	(40,142)
Share of losses of an associate	—	(14)	—
Profit before tax	78,257	52,349	73,928
Income tax expense	(34,470)	(896)	(8,926)
Net profit	43,787	51,453	65,002
Other comprehensive income (net of tax)	(8,641)	24,926	(12,618)
Total comprehensive income	35,146	76,379	52,384
Attributable to equity holders	35,146	76,400	52,374
Minority interests	—	(21)	10
Earnings per share			
—Basic (RMB)	N/A	N/A	0.25

(1) Consists primarily of net trading gain/(loss), net gain/(loss) on financial instruments designated as at fair value through profit or loss, net gain/(loss) on investment securities and other net operating income/(expense).

(2) Consists primarily of staff costs, general operating and administrative expenses, depreciation and amortization and business tax and surcharges.

Summary Historical Consolidated Balance Sheet Data

	At December 31,		
	2007	2008	2009
	(in millions of RMB)		
Loans and advances to customers, net	2,709,192	3,014,984	4,011,495
Investment securities and other financial assets, net[1]	1,309,107	2,309,077	2,616,672
Cash and balances with central banks	937,014	1,145,884	1,517,806
Deposits with banks and other financial institutions, net	16,432	62,668	61,693
Placements with banks and other financial institutions, net	52,498	44,479	49,435
Financial assets held under resale agreements	144,848	246,370	421,093
Other assets[2]	136,415	190,889	204,394
Total assets	5,305,506	7,014,351	8,882,588
Deposits from customers	5,287,194	6,097,428	7,497,618
Deposits from banks and other financial institutions	296,618	289,772	573,949
Placements from banks and other financial institutions	30,375	34,131	26,312
Financial assets sold under repurchase agreements	73,391	35,090	100,812
Debt securities issued	4,154	5,150	55,179
Borrowings from central bank	150,867	314	58
Other liabilities[3]	190,512	261,925	285,735
Total liabilities	6,033,111	6,723,810	8,539,663
Paid-in/share capital	121,612	260,000	260,000
Reserves	(4,597)	18,423	23,002
(Accumulated losses)/retained earnings	(844,620)	12,022	59,817
Equity attributable to equity holders	(727,605)	290,445	342,819
Minority interests	—	96	106
Total equity	(727,605)	290,541	342,925
Total equity and liabilities	5,305,506	7,014,351	8,882,588

(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) Consists primarily of property and equipment, deferred tax assets, derivative financial assets, interest in an associate, intangible assets and other assets.

(3) 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.

Selected Financial Ratios

	For the year ended December 31,		
	2007	2008	2009
Profitability indicators			
Return on total assets[1]	0.83%	0.73%	0.73%
Return on average total assets[2]	0.88%	0.84%	0.82%
Return on equity[3]	N/A[4]	17.72%	18.96%
Net interest spread[5]	2.85%	3.02%	2.20%
Net interest margin[6]	2.94%	3.13%	2.28%
Net fee and commission income to operating income	12.53%	11.12%	15.94%
Cost-to-income ratio[7]	34.60%	45.30%	43.37%

	At December 31,		
	2007	2008	2009
Capital adequacy indicators			
Core capital adequacy ratio[8]	N/A[4]	8.04%	7.74%
Capital adequacy ratio[9]	N/A[4]	9.41%	10.07%
Total equity to total assets	N/A[4]	4.14%	3.86%
Assets quality indicators			
Non-performing loan ratio[10]	23.57%	4.32%	2.91%
Allowance to non-performing loans[11]	93.42%	63.53%	105.37%
Allowance to total loans[12]	22.02%	2.75%	3.06%
Other indicators			
Loan-to-deposit ratio	65.71%	50.84%	55.19%

(1) Represents the net profit for the period (including profit attributable to minority interests) as a percentage of the period-end balance of total assets.

(2) Represents the net profit for the period (including profit attributable to minority interests) as a percentage of the average balance of total assets at the beginning and the end of the period.

(3) Represents the profit attributable to equity holders as a percentage of the period end balance of total equity excluding minority interests.

(4) Not meaningful given we had a capital deficit at December 31, 2007.

(5) Calculated as the difference between the average yield on average interest-earning assets and the average cost on average interest-bearing liabilities.

(6) Calculated by dividing net interest income by average interest-earning assets.

(7) Calculated by dividing total operating expenses (excluding business tax and surcharges) by operating income.

(8) Calculated as follows: core capital adequacy ratio = (core capital − core capital deductions)/(risk-weighted assets + 12.5 x capital charge for market risk). For the components of core capital, core capital deductions and risk-weighted assets, see "Supervision and Regulation—Supervision over Capital Adequacy—Capital Adequacy Guidelines" and "Financial Information—Capital Resources—Capital Adequacy." The cash dividend of RMB20 billion declared in respect of the year of 2009 payable to the shareholders on our register of members as of December 31, 2009 was not deducted from the core capital in calculating the above core capital adequacy ratio at December 31, 2009. Our core capital adequacy ratio would have been 7.28% at December 31, 2009 if such cash dividend were deducted from core capital at that date.

(9) Calculated as follows: capital adequacy ratio = regulatory capital/(risk-weighted assets + 12.5 x capital charge for market risk). For the components of regulatory capital and risk-weighted assets, see "Supervision and Regulation—Supervision over Capital Adequacy—Capital Adequacy Guidelines" and "Financial Information—Capital Resources—Capital Adequacy." The cash dividend of RMB20 billion declared in respect of the year of 2009 payable to the shareholders on our register of members as of December 31, 2009 was not deducted from regulatory capital in calculating the above capital adequacy ratio at December 31, 2009. Our capital adequacy ratio would have been 9.61% at December 31, 2009 if such cash dividend were deducted from regulatory capital at that date.

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

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

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

Operating Income by Business Segment

	For the year ended December 31,		
	2007	2008	2009
	(in millions of RMB)		
Corporate banking	96,592	116,375	123,105
Retail banking	61,013	67,996	73,614
Treasury operations	24,238	29,073	26,109
Other operations	1,608	572	809
Total	183,451	214,016	223,637

Key Financial Indicators of County Area Banking Business

	At and for the year ended December 31,		
	2007	2008	2009
Return on average total assets[1]	N/A	0.57%	0.62%
Net fee and commission income to operating income	18.52%	14.46%	16.04%
Cost-to-income ratio[2]	57.23%	58.01%	50.44%
Loan-to-deposit ratio	50.81%	33.10%	39.33%
Non-performing loan ratio[3]	31.91%	5.51%	3.69%
Allowance to non-performing loans[4]	94.97%	58.25%	98.26%
Allowance to total loans[5]	30.31%	3.21%	3.63%

(1) Represents the net profit for the period as a percentage of the average balance of total assets at the beginning and end of the period. The net profit for the period represents a product of (i) profit before tax multiplied by the difference between 1 and the effective income tax rate of our bank. The average balance of total assets represents the average of the balance at the beginning of the period and the balance at the end of the period.

(2) Calculated by dividing total operating expenses (excluding business tax and surcharges) by operating income.

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

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

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

Selected Unaudited Consolidated Income Statement Data for the Three Months Ended March 31, 2010

	For the three months ended March 31,	
	2009	2010
	(in millions of RMB) (unaudited)	
Interest income	69,804	81,220
Interest expense	(28,369)	(27,672)
Net interest income	41,435	53,548
Net fee and commission income	9,040	10,857
Other net income[1]	1,610	1,930
Operating income	52,085	66,335
Operating expenses[2]	(20,715)	(26,047)
Provisions for impairment losses	(7,077)	(8,500)
Profit before tax	24,293	31,788
Income tax expense	(6,259)	(6,809)
Net profit	18,034	24,979
Other comprehensive income (net of tax)	(6,047)	2,365
Total comprehensive income	11,987	27,344
Attributable to equity holders	11,984	27,335
Minority interests	3	9
Earnings per share —Basic (RMB)	0.07	0.10

(1) Consists primarily of net trading gain/(loss), net gain/(loss) on financial instruments designated as at fair value through profit or loss, net gain/(loss) on investment securities and other operating income/(expense).

(2) Consists primarily of staff costs, general operating and administrative expenses, depreciation and amortization and business tax and surcharges.

Selected Consolidated Balance Sheet Data at March 31, 2010

	At December 31, 2009	At March 31, 2010
	(in millions of RMB)	(unaudited)
Loans and advances to customers, net	4,011,495	4,316,787
Investment securities and other financial assets, net[1]	2,616,672	2,678,043
Cash and balances with central banks	1,517,806	1,679,042
Deposits with banks and other financial institutions, net	61,693	67,902
Placements with banks and other financial institutions, net	49,435	84,443
Financial assets held under resale agreements	421,093	456,796
Other assets[2]	204,394	216,474
Total assets	8,882,588	9,499,487
Deposits from customers	7,497,618	8,100,382
Deposits from banks and other financial institutions	573,949	565,295
Placements from banks and other financial institutions	26,312	32,225
Financial assets sold under repurchase agreements	100,812	103,981
Debt securities issued	55,179	57,059
Borrowings from central bank	58	58
Other liabilities[3]	285,735	270,208
Total liabilities	8,539,663	9,129,208
Share capital	260,000	260,000
Reserves	23,002	25,371
Retained earnings	59,817	84,783
Equity attributable to equity holders	342,819	370,154
Minority interests	106	125
Total equity	342,925	370,279
Total equity and liabilities	8,882,588	9,499,487

(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 RMB217 million and RMB210 million at March 31, 2010 and December 31, 2009, respectively.

(2) Consists primarily of property and equipment, deferred tax assets, derivative financial assets, interest in an associate, intangible assets and other assets.

(3) 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.

PROFIT FORECAST FOR THE YEAR ENDING DECEMBER 31, 2010

The statistics set forth in the table below do not give effect to the A Share Offering and are based on the assumption that (i) the Global Offering is completed and (ii) the over-allotment option for the Global Offering is not exercised.

Forecast consolidated net profit attributable to our shareholders[1]	Not less than RMB82.91 billion
Forecast earnings per share	
(a) pro forma basis[2]	RMB0.284 (HK$0.325)
(b) weighted average basis[3]	RMB0.298 (HK$0.341)

(1) The bases and assumptions on which the above profit forecast for the year ending December 31, 2010 has been prepared are set out in Appendix V to this prospectus.

(2) The calculation of the forecast earnings per share on a pro forma basis in accordance with Listing Rule 4.29(8) is based on our forecast consolidated net profit attributable to our shareholders for the year ending December 31, 2010, and an assumption that a weighted average number of shares issued and outstanding during the year ending December 31, 2010 would be 292,370,669,110. The weighted average number of shares, 292,370,669,110, is calculated on the basis that there were 260,000,000,000 shares issued and outstanding as of December 31, 2009, 10,000,000,000 shares were issued on April 22, 2010 upon the completion of the investment by the SSF and 25,411,765,000 H shares to be issued pursuant to the Global Offering had been issued and outstanding as of January 1, 2010.

(3) The calculation of the forecast earnings per share on a weighted average basis in accordance with International Accounting Standard 33 is based on the forecast consolidated net profit attributable to our shareholders for the year ending December 31, 2010 and an assumption that a weighted average number of shares issued and outstanding during the year ending December 31, 2010 would be 278,724,899,411. The weighted average number of shares, 278,724,899,411, is calculated on the basis that there were 260,000,000,000 shares issued and outstanding as of December 31, 2009, 10,000,000,000 shares were issued on April 22, 2010 upon the completion of the investment by the SSF and 25,411,765,000 H shares to be issued pursuant to the Global Offering will be issued on July 16, 2010.

The statistics set forth in the table below are based on the assumption that (i) both the A Share Offering and the Global Offering are completed and (ii) neither of the over-allotment options for the A Share Offering and the Global Offering is exercised.

Forecast consolidated net profit attributable to our shareholders[1]	Not less than RMB82.91 billion
Forecast earnings per share	
(a) pro forma basis[2]	RMB0.264 (HK$0.302)
(b) weighted average basis[3]	RMB0.287 (HK$0.329)

(1) The bases and assumptions on which the above profit forecast for the year ending December 31, 2010 has been prepared are set out in Appendix V to this prospectus.

(2) The calculation of the forecast earnings per share on a pro forma basis in accordance with Listing Rule 4.29(8) is based on the forecast consolidated net profit attributable to our shareholders for the year ending December 31, 2010, and an assumption that a weighted average number of shares issued and outstanding during the year ending December 31, 2010 would be 314,605,963,110. The weighted average number of shares, 314,605,963,110, is calculated on the basis that there were 260,000,000,000 shares issued and outstanding as of December 31, 2009, 10,000,000,000 shares were issued on April 22, 2010 upon the completion of the investment by the SSF and 22,235,294,000 A shares and 25,411,765,000 H shares to be issued pursuant to the A Share Offering and the Global Offering had been issued on January 1, 2010.

(3) The calculation of the forecast earnings per share on a weighted average basis in accordance with International Accounting Standard 33 is based on the forecast consolidated net profit attributable to our shareholders for the year ending December 31, 2010, and an assumption that a weighted average number of shares issued and outstanding during the year ending December 31, 2010 would be 289,081,063,740. The weighted average number of shares, 289,081,063,740, is calculated on the basis that there were 260,000,000,000 shares issued and outstanding as of December 31, 2009, 10,000,000,000 shares were issued on April 22, 2010 upon the completion of the investment by the SSF and 22,235,294,000 A shares and 25,411,765,000 H shares to be issued pursuant to the A Share Offering and the Global Offering will be issued on July 15, 2010 and July 16, 2010, respectively.

OFFERING STATISTICS

The statistics in the following table do not give effect to the A Share Offering and are based on the assumptions that (i) the Global Offering is completed and 25,411,765,000 H shares are newly issued in the Global Offering, (ii) the over-allotment option for the Global Offering is not exercised, and (iii) 295,411,765,000 shares are issued and outstanding following the completion of the Global Offering:

	Based on an Offer Price of HK$2.88	Based on an Offer Price of HK$3.48
Market capitalization of our shares	HK$850.79 billion	HK$1,028.03 billion
Estimated price/earnings multiple		
(a) pro forma basis[1]	8.86 times	10.71 times
(b) weighted average basis[2]	8.45 times	10.21 times
Unaudited pro forma adjusted consolidated net tangible assets per share[3]	RMB1.512 (HK$1.732)	RMB1.558 (HK$1.785)

(1) The calculation of estimated price/earnings multiple is based on the forecast earnings per share for the year ending December 31, 2010, on a pro forma basis at respective Offer Prices of HK$2.88 and HK$3.48 per H share, assuming a weighted average of 292,370,669,110 shares issued and outstanding during the year ending December 31, 2010. The weighted average number of shares, 292,370,669,110, is calculated on the basis that there were 260,000,000,000 shares issued and outstanding as of December 31, 2009, 10,000,000,000 shares were issued on April 22, 2010 upon the completion of the investment by the SSF and 25,411,765,000 H shares to be issued pursuant to the Global Offering had been issued on January 1, 2010.

(2) The calculation of estimated price/earnings multiple is based on the forecast earnings per share for the year ending December 31, 2010, on a weighted average basis at respective Offer Prices of HK$2.88 and HK$3.48 per H share, assuming a weighted average of 278,724,899,411 shares issued and outstanding during the year ending December 31, 2010. The weighted average number of shares, 278,724,899,411, is calculated on the basis that there were 260,000,000,000 shares issued and outstanding as of December 31, 2009, 10,000,000,000 shares were issued on April 22, 2010 upon the completion of the investment by the SSF and 25,411,765,000 H shares to be issued pursuant to the Global Offering will be issued on July 16, 2010.

(3) The amount of unaudited pro forma adjusted consolidated net tangible assets per share is calculated in accordance with Listing Rule 4.29 after the adjustments referred to in "Appendix IV—Unaudited Pro Forma Financial Information." The calculations do not give effect to the A Share Offering.

The statistics in the following table are based on the assumption that (i) the A Share Offering is completed and 22,235,294,000 A shares are newly issued in the A Share Offering, (ii) the Global Offering is completed and 25,411,765,000 H shares are newly issued in the Global Offering, (iii) neither of the over-allotment options for the A Share Offering and the Global Offering is exercised, and (iv) 317,647,059,000 shares are issued and outstanding following the completion of the A Share Offering and the Global Offering:

	Based on an Offer Price of HK$2.88	Based on an Offer Price of HK$3.48
Market capitalization of our shares	HK$914.82 billion	HK$1,105.41 billion
Estimated price/earnings multiple		
(a) pro forma basis[1]	9.54 times	11.53 times
(b) weighted average basis[2]	8.76 times	10.59 times
Unaudited pro forma adjusted consolidated net tangible assets per share[3]	RMB1.582 (HK$1.813)	RMB1.636 (HK$1.874)

(1) The calculation of estimated price/earnings multiple is based on the forecast earnings per share for the year ending December 31, 2010, on a pro forma basis at respective Offer Prices of HK$2.88 and HK$3.48 per H share, assuming a weighted average of 314,605,963,110 shares issued and outstanding during the year ending December 31, 2010. The weighted average number of shares, 314,605,963,110, is calculated on the basis that there were 260,000,000,000 shares issued and outstanding as of December 31, 2009, 10,000,000,000 shares were issued on April 22, 2010 upon the completion of the investment by the SSF and 22,235,294,000 A shares and 25,411,765,000 H shares to be issued pursuant to the A Share Offering and the Global Offering had been issued on January 1, 2010.

(2) The calculation of estimated price/earnings multiple is based on the forecast earnings per share for the year ending December 31, 2010, on a weighted average basis at respective Offer Prices of HK$2.88 and HK$3.48 per H share, assuming a weighted average of 289,081,063,740 shares issued and outstanding during the year ending December 31, 2010. The weighted average number of shares, 289,081,063,740, is calculated on the basis that there were 260,000,000,000 shares issued and outstanding as of December 31, 2009, 10,000,000,000 shares were issued on April 22, 2010 upon the completion of the investment by the SSF and 22,235,294,000 A shares and 25,411,765,000 H shares to be issued pursuant to the A Share Offering and the Global Offering will be issued on July 15, 2010 and July 16, 2010, respectively.

(3) The unaudited pro forma adjusted consolidated net tangible assets per share is calculated in accordance with Listing Rule 4.29 after the adjustments referred to in "Appendix IV—Unaudited Pro Forma Financial Information," taking into consideration the effect of the A Share Offering. The calculations are based on the assumption that there were 22,235,294,000 newly issued A shares in the A Share Offering (assuming the over-allotment option for the A Share Offering is not exercised) and the resulting net proceeds (after deduction of the estimated underwriting fees and other related expenses payable by us) of RMB55.25 billion (based on the offer price of RMB2.52 per A share) and RMB58.76 billion (based on the offer price of RMB2.68 per A share) from the A Share Offering.

The statistics in the tables above do not give effect to the annual dividend for the year ended December 31, 2009 and the Special Dividend as described below. At an extraordinary general meeting of shareholders on April 21, 2010, our shareholders approved an annual dividend of RMB20 billion for the year ended December 31, 2009 to be paid to our shareholders on our register of members as of December 31, 2009. At the same meeting, our shareholders also passed the resolution approving the Special Dividend. The amount of the Special Dividend will be determined upon the conclusion of the Special Audit. We will publicly announce the effect of the Special Dividend on the unaudited pro forma adjusted consolidated net tangible assets per share as of March 31, 2010 as soon as practicable upon the conclusion of the Special Audit and the determination of the amount of the Special Dividend. For further details relating to the Special Dividend and arrangements relating to the Special Audit, see "Financial Information—Dividend Policy."

GLOBAL OFFERING

The Global Offering comprises:

(a) the Hong Kong Public Offering of 1,270,590,000 H shares (subject to adjustment) in Hong Kong; and

(b) the International Offering of 24,141,175,000 H shares (subject to adjustment and the over-allotment option for the Global Offering) outside the United States (including to professional and institutional investors within Hong Kong and pursuant to a public offer without listing in Japan) in offshore transactions in reliance on Regulation S, and in the United States to QIBs in reliance on Rule 144A or another exemption from the registration requirements under the US Securities Act.

Investors may apply for H shares under the Hong Kong Public Offering or apply for or indicate an interest for H shares under the International Offering, but may not do both.

References in this prospectus to applications, application forms, application monies or the procedure for application relate solely to the Hong Kong Public Offering.

A SHARE OFFERING

We announced our A Share Offering on June 17, 2010. The A Share Offering comprises an offering of initially 22,235,294,000 A shares for subscription, representing approximately 7.00% of our total outstanding shares following the completion of the A Share Offering and the Global Offering, assuming that neither of the over-allotment options for the A Share Offering and the Global Offering is exercised. The A Share Offering and the Global Offering are not conditional upon each other. The information set forth in this prospectus relating to our A Share Offering, including, but not limited to, the net proceeds of the A Share Offering and our net tangible assets, share capital and substantial shareholders after the completion of the A Share Offering, has been prepared based on the assumption that our A Share Offering will comprise an offering of initially 22,235,294,000 A shares for subscription. Our A shares and H shares will rank *pari passu* with each other in all material respects other than the exceptions described in "Share Capital." Dividends on our A shares will be paid in Renminbi. Our H shares and A shares will not be fungible. See "A Share Offering" for further details of the A Share Offering.

OUR RESTRUCTURING AND INCORPORATION

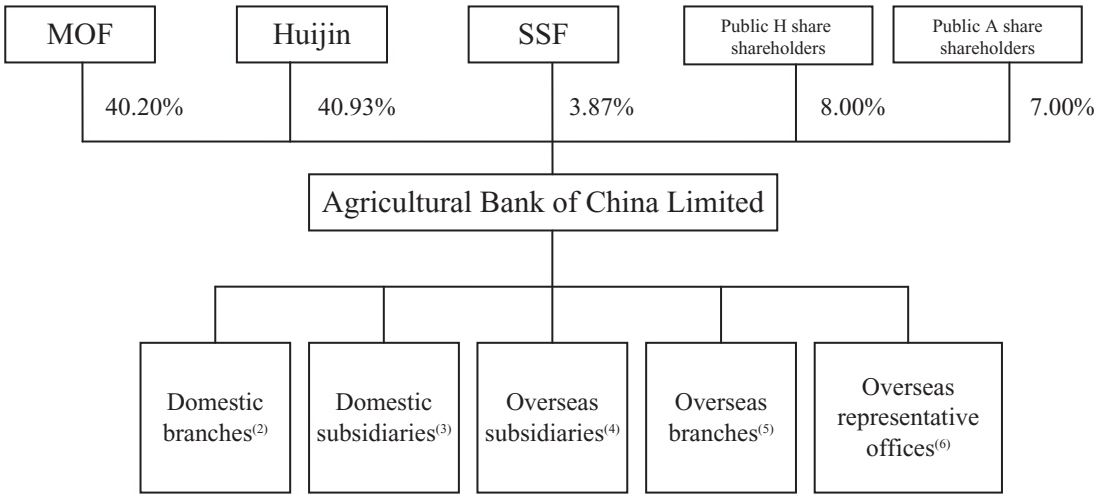
We were converted from a wholly state-owned commercial bank to a joint stock limited liability company on January 15, 2009, with the MOF and Huijin as our promoters, and our legal name was changed to Agricultural Bank of China Limited. All of the businesses, assets and liabilities of Agricultural Bank of China were assumed by Agricultural Bank of China Limited upon the conversion.

As part of our financial restructuring in 2008, (i) we disposed of certain non-performing loans and other impaired assets in an aggregate amount of RMB815.7 billion at their book value at December 31, 2007, (ii) the MOF retained RMB130.0 billion of our then existing capital, and (iii) Huijin made a capital contribution of approximately US$19.0 billion (equivalent to RMB130.0 billion) to us.

To further increase our capital base, pursuant to the Share Subscription Agreement entered into by the MOF, Huijin, the SSF and us, the SSF subscribed for 10,000,000,000 shares newly issued by us for a consideration of approximately RMB15.5 billion, increasing our registered capital to RMB270 billion. See "Our History, Restructuring and Operational Reform—Investment by the SSF." Following this transaction, the shareholding percentage in the registered capital of our Company held by the MOF, Huijin and the SSF was approximately 48.15%, 48.15% and 3.70%, respectively.

OUR SHAREHOLDING AND GROUP STRUCTURE

The following chart sets forth our shareholding and group structure upon the completion of the A Share Offering and the Global Offering, assuming that neither of the over-allotment options for the A Share Offering and the Global Offering is exercised(1).



(1) For information regarding our shareholding and share capital immediately following the completion of the A Share Offering and the Global Offering before or after the exercise of the over-allotment options, see "Share Capital."

(2) Includes our head office, 32 tier-1 branches, five branches directly managed by the head office, 307 tier-2 branches, 3,520 tier-1 sub-branches and 19,759 other establishments as of December 31, 2009.

(3) Our major domestic subsidiaries include ABC-CA Fund Management Co., Ltd., ABC Hexigten Rural Bank Limited Liability Company, ABC Hubei Hanchuan Rural Bank Limited Liability Company, ABC Ansai Rural Bank Limited Liability Company and ABC Jixi Rural Bank Limited Liability Company.

(4) Our major overseas subsidiaries include ABC International Holdings Limited, China Agricultural Finance Co., Ltd., ABCI Securities Company Limited, ABCI Insurance Company Limited and ABCI Insurance Broker Limited.

(5) Hong Kong and Singapore branches.

(6) New York, London, Tokyo, Frankfurt, Seoul and Sydney representative offices.

USE OF PROCEEDS

We estimate the net proceeds from the Global Offering accruing to us (after deduction of underwriting fees and estimated expenses payable by us in relation to the Global Offering, assuming an Offer Price of HK$3.18, being the mid-point of the proposed Offer Price range of HK$2.88 to HK$3.48) to be approximately HK$79,509 million, if the over-allotment option for the Global Offering is not exercised, or HK$91,386 million if such over-allotment option is exercised in full.

We intend to use the net proceeds from the Global Offering (after deduction of fees and expenses in relation to the Global Offering) to strengthen our capital base to support the ongoing growth of our business.

RISK FACTORS

There are certain risks and considerations relating to an investment in our shares. These can be summarized in five categories, including: (i) risks relating to our loan portfolio; (ii) risks relating to our business; (iii) risks relating to the banking industry in China; (iv) risks relating to China; and (v) risks relating to the Global Offering. These risks and considerations are further described in "Risk Factors" and are summarized below.

Risks Relating to Our Loan Portfolio

- Our current results of operations and financial condition reflect certain extraordinary disposals of non-performing assets.
- If we are unable to effectively maintain the quality of our loan portfolio, our financial condition and results of operations may be materially and adversely affected.
- Our allowance for impairment losses may not be sufficient to cover the actual losses on our loan portfolio in the future.
- We have a concentration of loans to certain regions, industries and customers, and if the economies of these regions or these industries, or the financial conditions of these customers significantly deteriorate, our asset quality, financial condition and results of operations may be materially and adversely affected.
- The collateral or guarantees securing our loans may not be sufficient, and we may be unable to realize the full value of the collateral or guarantees in a timely manner or at all.
- Our loan classification and provisioning policies may be different in certain respects from those applicable to banks in certain other countries or regions.
- If we do not maintain the growth of our loan portfolio, our business operations and financial condition may be materially and adversely affected.
- Deteriorations in the debt repayment abilities of the government financing vehicles to which we extend loans may materially and adversely affect our asset quality, financial condition and results of operations.

Risks Relating to Our Business

- We face certain risks relating to our recently implemented operational reform initiatives.
- Our focus on the growth of our County Area Banking Business and our related initiatives exposes us to increased risks that may materially and adversely affect our business.
- If we are not effective in implementing enhanced risk management and internal control policies and procedures and introducing certain information technology systems to assist with our risk management and internal control, our business and prospects may be materially and adversely affected.
- Our expanding range of products, services and business activities exposes us to new risks.
- We may face difficulties in meeting regulatory requirements relating to capital adequacy.
- We may not be able to detect and prevent fraud or other misconduct committed by our employees or third parties.

- We or our customers may engage in certain transactions in or with countries or persons that are the subject of U.S. and other sanctions.
- If we fail to maintain the growth rate in our customer deposits or if there is a significant decrease in customer deposits, our business operations and liquidity may be materially and adversely affected.
- Our business is highly dependent on the proper functioning and improvement of our information technology systems.
- We are subject to credit risk with respect to certain off-balance sheet commitments.
- We do not possess the relevant land use right certificates or building ownership certificates for some of our properties, and we may be required to seek alternative premises for some of our offices or business sites due to our landlords' lack of relevant title certificates.
- We are subject to various PRC and overseas regulatory requirements, and our failure to fully comply with such requirements, if any, could materially and adversely affect our business, reputation, financial condition and results of operations.
- We may not be able to detect money-laundering and other illegal or improper activities fully or on a timely basis, which could expose us to additional liability and harm our business or reputation.
- The uncertainties in the global economy, the global financial markets and, in particular, in China could materially and adversely affect our financial condition and results of operations.
- We may be involved in legal and other disputes from time to time arising out of our operations and may face potential liabilities as a result.
- We are subject to counterparty risks in our derivative transactions.
- We may not continue to enjoy certain favorable PRC governmental policies.
- Our major shareholders have the ability to exercise significant influence over us.
- We have expanded our business in jurisdictions other than the PRC, which has increased the complexity of the risks that we face.

Risks Relating to the Banking Industry in China

- We face intense competition in China's banking industry as well as competition from alternative corporate financing and investment channels.
- Our business and operations are highly regulated, and our business, financial condition, results of operations and future prospects may be materially and adversely affected by regulatory changes or other governmental policies, including their interpretation and application.
- We are subject to changes in interest rates and other market risks, and our ability to hedge market risks is limited.
- The growth rate of China's banking industry may not be sustainable.
- Future amendments to IAS 39 and interpretive guidance on its application may require us to change our provisioning practice.

- The effectiveness of our credit risk management is affected by the quality and scope of information available in China.
- Certain PRC regulations limit our ability to diversify our investments, and as a result, a decrease in the value of a particular type of investment may have a material adverse effect on our financial condition and results of operations.
- We cannot assure you of the accuracy or comparability of facts, forecasts and statistics contained in this prospectus with respect to China, its national or County Area economies or its banking industry.
- Investments in commercial banks in China are subject to ownership restrictions that may adversely affect the value of your investments.

Risks Relating to China

- China's economic, political and social conditions, as well as governmental policies, could affect our business, financial condition and results of operations.
- Legal protections available to you under the PRC legal system may be limited.
- You may experience difficulties in effecting service of legal process and enforcing judgments against us and our management.
- You may be subject to PRC taxation.
- Payment of dividends is subject to restrictions under PRC laws.
- We are subject to the PRC government controls on currency conversion and risks relating to fluctuations in exchange rates.
- Any future occurrence of natural disasters or outbreaks of contagious diseases in China may have a material adverse effect on our business operations, financial condition and results of operations.

Risks Relating to the Global Offering

- An active trading market for our H shares may not develop, and their trading prices may fluctuate significantly.
- We are conducting a concurrent but separate A Share Offering, and the characteristics of the A share and H share markets are different.
- Future sales or perceived sales of a substantial number of our H shares in public markets or the conversion of our A shares to H shares could have a material adverse effect on the prevailing market price of our H shares and dilute our shareholders' H share holdings.
- You will incur immediate dilution because the Offer Price of the H shares is higher than the net tangible asset value per share.
- Dividends distributed in the past may not be indicative of our dividend policy in the future.
- We strongly caution you not to place any reliance on any information contained in press articles or other media regarding our A Share Offering or Global Offering or information released by us in connection with the A Share Offering.

DIVIDEND POLICY

Our shareholders' general meeting decides whether to pay any dividends and the amounts of such dividends based on our results of operations, cash flows, financial condition, capital adequacy ratios, future business prospects, statutory and regulatory restrictions on the payment of dividends by us and other relevant factors. Under the PRC Company Law and our Articles of Association, all of our shareholders holding the same class of shares have equal rights to dividends and other distributions proportionate to their shareholding percentages.

Under PRC laws, we may only pay dividends out of our distributable profit. Our distributable profit represents our distributable net profit less appropriations to statutory surplus reserve, general reserve, and discretionary surplus reserve as approved by our shareholders meeting, each such appropriation based on the unconsolidated net profit of our Bank determined under PRC GAAP. Our distributable net profit referred to above represents the lowest of (i) our consolidated net profit attributable to our equity holders for a period plus distributable profits or net of accumulated losses, if any, at the beginning of such period, as determined under the PRC GAAP, (ii) the unconsolidated net profit of our Bank for the period plus distributable profit or net of accumulated losses, if any, at the beginning of such period, as determined under the PRC GAAP, (iii) our consolidated net profit attributable to our equity holders for the period plus distributable profit or net of accumulated losses, if any, at the beginning of such period, as determined under IFRS, and (iv) the unconsolidated net profit of our Bank for the period plus distributable profit or net of accumulated losses, if any, at the beginning of such period, as determined under IFRS. Any distributable profit that is not distributed in a given year is retained and available for distribution in subsequent years. We are prohibited from making any profit distributions to our shareholders before recovering our accumulated losses and making appropriations to the statutory surplus reserve and the general reserve. If we make any profit distributions in violation of these rules, our shareholders are required to return to us the amounts they received in such profit distributions.

At our annual general meeting of shareholders on June 17, 2009, our shareholders approved that no dividend distribution be made in respect of the year 2008.

At an extraordinary general meeting of shareholders on April 21, 2010, our shareholders adopted a resolution to distribute our net profit for the year ended December 31, 2009. Pursuant to this resolution, we made appropriations of RMB6,489 million to the statutory surplus reserve (which was included in the balance of our surplus reserve at December 31, 2009), representing 10% of the audited unconsolidated net profit of our Bank in accordance with PRC GAAP, and RMB38,386 million to the general reserve in accordance with the applicable regulatory requirements, and a cash dividend to the MOF and Huijin in the aggregate amount of RMB20 billion. In proportion to their shareholdings in us, each of the MOF and Huijin is entitled to a cash dividend of RMB10 billion.

At the same general meeting, our shareholders also adopted the following proposals on dividend distributions and policies before and after our proposed initial public offering:

- in respect of the six months ended June 30, 2010, the declaration of a cash dividend (the "Special Dividend") to shareholders on our register of members as of June 30, 2010 in an amount equal to the sum of (i) our audited net profit for the six months ended June 30, 2010, after the required appropriations for a statutory surplus reserve and a general reserve, that amounts to 10% and 20%, respectively, of the unconsolidated net profit of our Bank for the six months ended June 30, 2010 as determined under PRC GAAP, and

(ii) any undistributed profit from previous years, represented by the retained earnings of our Bank at December 31, 2009 as shown on its audited unconsolidated financial statements in an amount of RMB58.4 billion, net of the RMB20 billion cash dividend to the MOF and Huijin and the appropriation of RMB38.4 billion to the general reserve. The amount of our audited net profit referred to in (i) above represents the lowest amount among the consolidated net profit attributable to our equity holders and unconsolidated net profit of our Bank, for the six months ended June 30, 2010, in accordance with PRC GAAP and IFRS, respectively, as determined following an audit (the "Special Audit") of our net profit for the six months ended June 30, 2010. If there are any changes in our shareholding structure during the six months ended June 30, 2010, the dividend allocated to each new shareholder will be calculated based on the actual number of days such shareholder has held our shares starting from the date of completion of the relevant share purchase transaction. The Board of Directors is authorized by our shareholders to arrange the distribution of the Special Dividend; and

- in respect of the period from July 1, 2010 to December 31, 2010, subject to the applicable PRC laws on dividend distributions as summarized above (including the requirement of appropriation to the general reserve), the declaration of a cash dividend to eligible shareholders as of the record date for the dividend distributions in respect of the second half of 2010 in an amount equal to 35% to 50% of our audited net profit for the year ending December 31, 2010 after the deduction of our net profit for the six months ended June 30, 2010 (in accordance with PRC GAAP or IFRS and based on the consolidated net profit attributable to our equity holders or the unconsolidated net profit of our Bank, whichever is the lowest).

Pursuant to the applicable requirements of the Hong Kong Stock Exchange, we will only declare and pay the Special Dividend after the completion of the Special Audit, following which we will publish an announcement of the actual amount of the Special Dividend. Our Directors consider our cash resources are sufficient to cover the full payment of the Special Dividend.

In respect of each of the years ending December 31, 2011 and 2012, our Board of Directors currently contemplates a dividend distribution of 35% to 50% of our audited net profit (in accordance with PRC GAAP or IFRS and based on the consolidated net profit attributable to our equity holders or the unconsolidated net profit of our Bank, whichever is the lowest) for the relevant year, subject to the applicable PRC laws on dividend distributions as summarized above.

In this prospectus, unless the context otherwise requires, the following terms shall have the meanings set out below.

"A Share Offering"	the public offering of our A shares in the PRC that we are undertaking concurrent with our Global Offering
"Application Form(s)"	**WHITE**, **YELLOW** and **GREEN** application form(s) or, where the context so requires, any of them
"Articles of Association"	Articles of Association of our Bank, as constituted and amended from time to time. Except where the context otherwise requires, the Articles of Association refers to our Articles of Association as amended in our second extraordinary shareholders meeting held on April 21, 2010 which have been approved by the CBRC and will come into effect upon our listing
"Basel I"	1988 Basel Capital Accord
"Basel II"	the Revised Basel Capital Framework promulgated in June 2004
"Big Four"	Agricultural Bank of China, Bank of China, China Construction Bank and Industrial and Commercial Bank of China
"CAGR"	compound annual growth rate
"CBRC"	China Banking Regulatory Commission (中國銀行業監督管理委員會)
"CCASS"	the Central Clearing and Settlement System established and operated by HKSCC
"CCASS Clearing Participant"	a person admitted to participate in CCASS as a direct clearing participant or a general clearing participant
"CCASS Custodian Participant"	a person admitted to participate in CCASS as a custodian participant
"CCASS Investor Participant"	a person admitted to participate in CCASS as an investor participant who may be an individual or joint individuals or a corporation
"CCASS Participant"	a CCASS Clearing Participant, a CCASS Custodian Participant or a CCASS Investor Participant
"China" or "PRC"	the People's Republic of China, but for the purpose of this prospectus only and except where the context requires,

	references in this prospectus to "China" and the "PRC" do not include Hong Kong, Macau and Taiwan
"CIRC"	China Insurance Regulatory Commission (中國保險監督管理委員會)
"County Area" or "County Areas"	areas designated as counties or county-level cities under China's administrative division system. As an administrative division unit, a county or county-level city is generally directly below and under the direct supervision of its corresponding municipal-level or provincial-level government. County Areas include economically more developed county centers, towns and the vast rural areas within their jurisdictions. As of December 31, 2008, there were 2,003 counties and county-level cities in China. County or county-level cities accounted for 95.2% of the total area and 69.8% of the total population of China as of December 31, 2008, and 49.6% of the total GDP of China in 2008
"County Area Banking Business" or "Sannong Banking Business"	a broad range of financial products and services we provide to customers in the County Areas through our 2,048 county-level sub-branches and 22 business departments of tier-2 branches. We refer to such banking business as the "County Area Banking Business" or "Sannong Banking Business"(三農金融業務), which are used interchangeably throughout the whole prospectus
"CSRC"	China Securities Regulatory Commission (中國證券監督管理委員會)
"GDP"	gross domestic product
"Global Offering"	the Hong Kong Public Offering and the International Offering
"GREEN Application Form(s)"	the application form(s) to be completed by the White Form eIPO Service Provider
"HKSCC"	Hong Kong Securities Clearing Company Limited
"HKSCC Nominees"	HKSCC Nominees Limited, a wholly-owned subsidiary of HKSCC
"Hong Kong" or "HK"	the Hong Kong Special Administrative Region of the PRC
"Hong Kong Offer Shares"	the H shares offered pursuant to the Hong Kong Public Offering

"Hong Kong Public Offering"	the offer of the Hong Kong Offer Shares for subscription by the public in Hong Kong
"Hong Kong Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Huijin"	Central Huijin Investment Ltd. (中央匯金投資有限責任公司)
"IAS 39"	International Accounting Standard 39 "Financial Instruments: Recognition and Measurement" and its interpretations by the IASB
"IASB"	the International Accounting Standards Board
"IFRIC"	the International Financial Reporting Interpretations Committee
"IFRS"	International Accounting Standards, International Financial Reporting Standards, amendments and the related interpretations issued by the International Accounting Standards Board
"International Offer Shares"	the H shares offered pursuant to the International Offering
"International Offering"	the conditional placing by the international underwriters of the International Offer Shares, as further described in "Structure of the Global Offering"
"Large Commercial Banks"	Agricultural Bank of China, Bank of China, Bank of Communications, China Construction Bank and Industrial and Commercial Bank of China
"Latest Practicable Date"	June 25, 2010, being the latest practicable date prior to the printing of this prospectus for the purpose of ascertaining certain information contained in this prospectus
"LIBOR"	London Inter-Bank Offer Rate (normally overnight to one year)
"Listing Date"	the date, expected to be on July 16, 2010 on which dealings in the H shares first commence on the Hong Kong Stock Exchange
"Listing Rules"	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (as amended from time to time)
"Macau"	the Macau Special Administrative Region of the PRC

"MOF"	Ministry of Finance of the PRC (中華人民共和國財政部)
"NAO"	National Audit Office of the PRC (中華人民共和國審計署)
"NBSC"	National Bureau of Statistics of the PRC (中華人民共和國國家統計局)
"NDRC"	National Development and Reform Commission of the PRC (中華人民共和國國家發展和改革委員會)
"New Capital Adequacy Regulations"	the Administrative Measures on Capital Adequacy of Commercial Banks (商業銀行資本充足率管理辦法), as promulgated by the CBRC on February 23, 2004, effective as of March 1, 2004 and amended on July 3, 2007
"OFAC"	US Treasury Department's Office of Foreign Assets Control
"Offer Price"	the final price per Offer Share in Hong Kong dollars (exclusive of the brokerage fee, SFC transaction levy and Hong Kong Stock Exchange trading fee) at which the Offer Shares are to be subscribed, to be determined in the manner further described in "Structure of the Global Offering—Pricing and Allocation"
"Offer Shares"	the Hong Kong Offer Shares and the International Offer Shares together, where relevant, with any additional H shares being issued pursuant to the exercise of the over-allotment option for the Global Offering
"Other National Commercial Banks"	China CITIC Bank, China Everbright Bank, Huaxia Bank, Guangdong Development Bank, Shenzhen Development Bank, China Merchants Bank, Shanghai Pudong Development Bank, Industrial Bank, China Minsheng Bank, Evergrowing Bank, Zheshang Bank and Bohai Bank
"PBOC"	People's Bank of China (中國人民銀行)
"POS"	point of sale, a checkout counter in a shop or any location where a transaction occurs
"PRC GAAP"	the PRC Accounting Standards and Accounting Regulations for Business Enterprises promulgated by the MOF on February 15, 2006 and its supplementary regulations
"Price Determination Date"	the date, expected to be on or around July 7, 2010 but no later than July 14, 2010, on which the Offer Price is fixed for the purposes of the Global Offering
"Primary Industries"	agriculture, forestry, animal husbandry and fishery industries and services in support of these industries

"QDIIs"	qualified domestic institutional investors in the PRC, which are licensed by the CSRC to invest in foreign securities markets
"QFIIs"	qualified foreign institutional investors licensed by the CSRC to invest in RMB-denominated shares listed on China's domestic securities exchanges
"Qualified Institutional Buyers" or "QIBs"	qualified institutional buyers within the meaning of Rule 144A
"Regulation S"	Regulation S under the US Securities Act
"Rule 144A"	Rule 144A under the US Securities Act
"SAFE"	State Administration of Foreign Exchange of the PRC (中華人民共和國國家外匯管理局)
"SAIC"	State Administration of Industry and Commerce of the PRC (中華人民共和國國家工商行政管理總局)
"Sannong"	a short-hand reference to the Chinese pronunciation of the phrase "agriculture, rural areas and farmers" (農業、農村和農民). The terminology "Sannong" (三農) was initially created to refer to the three rural development issues in China (specifically, agriculture, rural areas and farmers) and has become an expression widely adopted by the policymakers in China. Throughout this prospectus, we use "Sannong" to refer to the PRC government's policies or vision, as applicable, aiming to promote agricultural industry, rural development and the welfare of China's farmers. The current economic development of China's County Areas directly benefits from the PRC government's "Sannong" policies
"SASAC"	State-owned Assets Supervision and Administration Commission of the State Council (國務院國有資產監督管理委員會)
"SAT"	State Administration of Taxation of the PRC (中華人民共和國國家税務總局)
"Secondary Industries"	mining and quarrying, manufacturing, production and supply of electricity, water and gas, and construction industries, etc.
"Securities and Futures Commission" or "SFC"	the Securities and Futures Commission of Hong Kong

"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (as amended from time to time)
"SHIBOR"	Shanghai Interbank Offered Rate, a daily reference rate published by the National Interbank Funding Center
"SMEs"	small- and medium-sized enterprises
"SSF"	National Council for Social Security Fund of the PRC (全國社會保障基金理事會)
"State Council"	the PRC State Council (中華人民共和國國務院)
"Tertiary Industries"	all other economic activities not included in the Primary Industries or Secondary Industries, including banking, insurance, retail and wholesale, transportation, distribution, media, tourism, restaurants, healthcare, etc.
"Track Record Period"	the period comprising the three years ended December 31, 2009
"United States," "US" or "U.S."	the United States of America, its territories, its possessions and all areas subject to its jurisdiction
"Urban Area" or "Urban Areas"	the rest of China other than the County Areas
"US Securities Act"	the US Securities Act of 1933, as amended, and the rules and regulations promulgated thereunder
"White Form eIPO"	the application for Hong Kong Offer Shares to be lodged in the applicant's own name by submitting applications online through the designated website at **www.eipo.com.hk**
"White Form eIPO Service Provider"	Computershare Hong Kong Investor Services Limited
"WTO"	World Trade Organization

In this prospectus references to:

- the "Company," "our Company," "we," "us," "our," "our Bank" and "our Group" refer to either or both of Agricultural Bank of China Limited and our predecessor, Agricultural Bank of China, as applicable, and, except as the context otherwise requires, the subsidiaries of Agricultural Bank of China Limited and of our predecessor, Agricultural Bank of China;
- our "branch outlets" include our head office, branches and outlets and other establishments;
- a "business day" is a day that is not Saturday, Sunday or a public holiday in Hong Kong; and

- the terms "associate," "connected person," "connected transaction," "controlling shareholder," "subsidiary" and "substantial shareholder" shall have the meanings given to such terms in the Listing Rules, unless the context otherwise requires.

For ease of reference, in this prospectus, unless otherwise indicated, we use the terms "loans and advances to customers," "loans" and "loans to customers" synonymously.

In this prospectus, the terms "non-performing loans" and "impaired loans" are used synonymously to refer to the loans identified as "impaired loans and advances" in Note VI.18 to our consolidated financial statements included in the Accountants' Report in Appendix I to this prospectus. Under the five-category loan classification system we have adopted pursuant to applicable PRC guidelines, our non-performing loans are classified as substandard, doubtful or loss, as applicable. See "Assets and Liabilities—Assets—Asset Quality of Our Loan Portfolio— Loan Classification Criteria."

In this prospectus, unless otherwise indicated, the discussions on loans are 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 and advances to customers are reported net of the allowance for impairment losses on our consolidated balance sheet.

Any discrepancies in any table between totals and sums of the amounts listed are due to rounding.

The growth rates with respect to our business and financial data presented in this prospectus are calculated based on amounts in millions of Renminbi.

In this prospectus, we define the geographical regions of China to which we refer for the purpose of describing our branch network and presenting certain results of operations and financial condition as follows:

Geographical regions	Branches
"Yangtze River Delta"	● Shanghai Municipality ● Jiangsu Province ● Zhejiang Province ● City of Ningbo
"Pearl River Delta"	● Guangdong Province ● City of Shenzhen ● Fujian Province ● City of Xiamen
"Bohai Rim"	● Beijing Municipality ● Tianjin Municipality ● Hebei Province ● Shandong Province ● City of Qingdao
"Central China"	● Shanxi Province ● Hubei Province ● Henan Province ● Hunan Province ● Jiangxi Province ● Hainan Province ● Anhui Province
"Northeastern China"	● Liaoning Province ● Heilongjiang Province ● Jilin Province ● City of Dalian
"Western China"	● Chongqing Municipality ● Sichuan Province ● Guizhou Province ● Yunnan Province ● Shaanxi Province ● Gansu Province ● Qinghai Province ● Ningxia Autonomous Region ● Xinjiang Autonomous Region ● The Xinjiang Production and Construction Corps ● Tibet Autonomous Region ● Inner Mongolia Autonomous Region ● Guangxi Autonomous Region

You should carefully consider all of the information in this prospectus, including the risks and uncertainties described below, before making an investment in our H shares. Our business, financial condition or results of operations could be materially and adversely affected by any of these risks. The trading price of our H shares could significantly decrease due to any of these risks, and you may lose all or part of your investment. You should also pay particular attention to the fact that we are a PRC company and are governed by a legal and regulatory system which may differ from what prevail in other countries. For more information concerning the PRC legal and regulatory system and certain related matters discussed below, see "Supervision and Regulation," "Appendix VII—Summary of Certain Legal and Regulatory Matters" and "Appendix VIII—Summary of Articles of Association."

RISKS RELATING TO OUR LOAN PORTFOLIO

Our current results of operations and financial condition reflect certain extraordinary disposals of non-performing assets.

Our results of operations have been, and may continue to be, negatively affected by our non-performing loans. Our non-performing loan ratio, which is the ratio of loans classified as substandard, doubtful and loss, to the balance of gross loans, was 2.91%, 4.32% and 23.57% at December 31, 2009, 2008 and 2007, respectively. Our non-performing loan ratios at these dates may not fully reflect the actual changes in our asset quality due to our one-time disposals of non-performing loans that were not in our ordinary course of business. In 2008, as part of our financial restructuring, we disposed of non-performing assets in the aggregate amount of RMB815.7 billion, consisting of RMB217.3 billion in doubtful loans, RMB549.5 billion in loss loans and RMB48.9 billion in other impaired assets in each case at their book value and before allowance for impairment losses. These disposals were made at values higher than the net carrying value of those non-performing assets. See "Our History, Restructuring and Operational Reform—Financial Restructuring." In the absence of such disposals, our non-performing loan ratios at each of December 31, 2009 and 2008 would have been substantially higher. In the future, we do not expect to make similar government-sponsored disposals in such a large amount or on similar terms. As a result, our historical financial and asset quality data must be viewed in light of such disposals.

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

At December 31, 2009, our non-performing loan ratio was 2.91%, representing a decrease from 4.32% at December 31, 2008. Although our non-performing loan ratio experienced a continued decrease in recent years, we cannot assure you that we will be able to maintain or lower our current non-performing loan ratio in the future or that the quality of our existing or future loans and advances to customers will not deteriorate. In 2009, as a result of the PRC government's economic stimulus programs, many PRC banks, including us, have experienced a record high growth in their loan balances. This may adversely affect the quality of our loan portfolio. In addition, the quality of our loan portfolio may also deteriorate due to various other reasons, including factors beyond our control, such as restructuring of the PRC economy, a slowdown in the PRC or global economies due to the recent financial crisis, a relapse of the global credit crisis, adverse macroeconomic trends in China and other parts of the world and the occurrence of natural disasters, all of which could impair the ability of our borrowers to service their outstanding debt. The actual or perceived deterioration in creditworthiness of counterparties, declines in residential and commercial property prices, higher unemployment rates

and reduced profitability of corporate borrowers may also cause our asset quality to deteriorate and may lead to significant increases in allowance made for impaired loans. If our non-performing loans or the allowance made for impaired loans increase in the future, the results of our operations and financial condition may be materially and adversely affected. In addition, the sustainability of our growth also depends largely on our ability to effectively manage our credit risk and maintain or improve the quality of our loan portfolio. We seek to continuously improve our credit risk management policies, procedures and systems. See "Risk Management—Credit Risk Management." However, we cannot assure you that our credit risk management policies, procedures and systems are effective or free from deficiency. Failure of our credit risk management policies, procedures and systems may result in an increase in our non-performing loans and adversely affect the quality of our loan portfolio.

Our allowance for impairment losses may not be sufficient to cover the actual losses on our loan portfolio in the future.

At December 31, 2009, our allowance for impairment losses on loans was RMB126.7 billion, the ratio of our allowance for impairment losses to total loans was 3.06% and the ratio of our allowance for impairment losses to non-performing loans was 105.37%. The allowance is based on our current assessment of, and expectations concerning, various factors affecting the quality of our loan portfolio. These factors include, among other things, our borrowers' financial condition, repayment ability and repayment intention, the realizable value of any collateral, the ability of the guarantors of our borrowers to fulfill their obligations and the implementation of our credit policies, as well as China's economy, macroeconomic policies, interest rates, exchange rates, and legal and regulatory environments. Many of these factors are beyond our control, and therefore our assessment and expectations on these factors may differ from future developments. The adequacy of our allowance for impairment losses depends on the reliable application of our risk assessment system to estimate these potential losses, as well as our ability to accurately collect, process and analyze the relevant statistical data. If our assessment of, and expectations concerning, the factors that affect the quality of our loan portfolio differ from actual developments, if our assessment results prove to be inaccurate, or if our application of the assessment systems or our ability to collect relevant statistical data proves to be insufficient, our allowance for impairment losses may not be adequate to cover our actual losses and we may need to make additional provisions for impairment losses, which may reduce our profit and therefore materially and adversely affect our asset quality, financial conditions and results of operations.

We have a concentration of loans to certain regions, industries and customers, and if the economies of these regions or these industries, or the financial conditions of these customers significantly deteriorate, our asset quality, financial condition and results of operations may be materially and adversely affected.

At December 31, 2009, 36.8% of our total loans and 50.7% of our non-performing loans originated in the Western, Central and Northeastern China. Although these regions may currently benefit economically from favorable governmental policies, any of these economic policies may change in the future and the implementation of such policies may not be as effective as we anticipate, nor can we control or influence the change of such policies in these regions. A significant economic downturn in any of these regions, or any inaccurate assessment or our failure in the management of the credit risks regarding borrowers who are located, or have substantial operations, in such regions, whether due to changes in governmental policies or otherwise, may materially and adversely affect our asset quality, financial condition and results of operations.

At December 31, 2009, our loans to China's (i) manufacturing, (ii) real estate, (iii) production and supply of power, gas and water, and (iv) transportation, logistics and postal services industries represented 29.9%, 14.4% , 13.9% and 10.2% of our total corporate loans outstanding, respectively. In addition, we are exposed to the real estate market in China through, in particular, residential mortgage loans and other loans secured by real property collateral. At December 31, 2009, our residential mortgage loans represented 63.1% of our domestic retail loans outstanding. Recently, the PRC government has imposed and may continue to impose macroeconomic control measures aimed at cooling down the real estate market. Such measures may adversely affect the growth and quality of our loans to the real estate industry and residential mortgage loans. A significant downturn in any industry in which our loans are highly concentrated may lead to a significant increase in non-performing loans, and may negatively affect the level of new lending or refinancing of existing loans to borrowers in that industry, which may materially and adversely affect our asset quality, financial condition and results of operations.

At December 31, 2009, our loans to our ten largest single borrowers totaled RMB98.9 billion, which represented 2.4% of our total loan portfolio and 22.5% of our regulatory capital. As of the same date, our loans to our ten largest group borrowers totaled RMB327.2 billion, which represented 7.9% of our total loan portfolio and 74.3% of our regulatory capital. Our loans to the ten largest single borrower were classified as performing and some of our loans to the ten largest group borrowers were classified as non-performing. If any of the performing loans to the ten largest single borrowers and group borrowers deteriorates or becomes non-performing or any of the non-performing loans to the ten largest group borrowers further deteriorates, our asset quality, financial condition and results of operations may be materially and adversely affected.

Furthermore, we also provide loans to SMEs and agriculture-related industries and customers. The loans to SMEs and agriculture-related industries and customers are, compared to our other loans, generally more vulnerable to the adverse impact of certain factors such as natural disasters and economic slowdown. We have adopted a number of measures to manage these risks, such as imposing stricter requirements on approving credit applications and charging higher interest rates, but we cannot assure you that these measures will effectively reduce or eliminate the risks relating to such industries or customers. If our loans to SMEs and agriculture-related industries and customers deteriorate, our asset quality, financial condition and results of operations may be materially and adversely affected.

The collateral or guarantees securing our loans may not be sufficient, and we may be unable to realize the full value of the collateral or guarantees in a timely manner or at all.

A significant portion of our loans is secured by collateral or guarantees. At December 31, 2009, 37.7% and 16.4% of our total loans were secured by mortgages and pledges, respectively, and 26.6% of our total loans were secured by guarantees.

The pledged collateral securing our loans include, among other things, bond or equity securities. The mortgages securing our loans primarily comprised real properties and other assets located in China. The value of the collateral securing our loans may significantly fluctuate or decline due to factors beyond our control, including macroeconomic factors affecting the economy of China. For example, a downturn in China's real estate market may result in a decline in the value of the real properties securing our loans to levels significantly below the outstanding principal and interest balances of such loans. Any decline in the value of such collateral may reduce the amounts we can recover from such collateral and increase our impairment losses.

Our policies require regular internal re-valuations of collateral. However, such policies may not be implemented in a timely manner and, as a result, we may not have updated valuation of such collateral, which may adversely affect the accuracy of the assessment of our loans secured by such collateral.

Some of guarantees securing our loans were provided by the borrowers' affiliates. Such loans and advances are generally not backed by collateral or security interests other than guarantees. A significant deterioration in the financial condition of a guarantor could significantly decrease the amounts we may recover under such guarantees. Moreover, we are subject to the risk that a court or other judicial or government authorities may declare a guarantee to be invalid or otherwise decline or fail to enforce such guarantees. We are therefore exposed to the risk that we may not be able to recover all or any part of the amounts guaranteed in respect of our loans.

In China, the procedures for liquidating or otherwise realizing the value of collateral in the form of non-monetary assets may be protracted and it may be difficult to enforce claims in respect of such collateral. As a result, it may be difficult and time-consuming for us to take control of or liquidate the collateral securing non-performing loans. For example, in accordance with the Directive on Foreclosure of Mortgage on Residential Properties issued by the PRC Supreme Court (最高人民法院關於人民法院執行設定抵押的房屋的規定), effective from December 21, 2005, we cannot evict a borrower or his or her dependents from his or her principal residence during the six-month grace period after a court approves our petition to foreclose, nor can we auction off or otherwise liquidate such property. In addition, under certain circumstances, our rights to the collateral securing our loans may have lower priority than certain other rights. For example, according to the PRC Bankruptcy Law (中華人民共和國企業破產法), claims for the amount that a company in bankruptcy owed to its employees prior to August 27, 2006, including salaries, medical insurance claims and basic pension benefits, will have priority over our rights to the collateral, if not adequately provided for in accordance with liquidation proceedings.

Our inability to realize the full value of the collateral and guarantees securing our loans on a timely basis may materially and adversely affect our asset quality, financial condition or results of operations.

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

We classify our loans using a five-category loan classification system in accordance with the guidelines set forth by the PRC regulators. The five categories are normal, special mention, substandard, doubtful and loss. 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 five-category classification system. We perform such assessment, determination and recognition using the concept of impairment under IAS 39. For our corporate loans classified as substandard or lower, we make an assessment on the impairment allowance on an individual loan basis. For our performing corporate loans and for all of our retail loans, we make a collective assessment based on our historical loan loss experience. Our loan classification and provisioning policies may be different in certain respects from those of banks incorporated in certain other countries or regions. As a result, our loan classification as well as our allowance for impairment losses may differ from those reported by international banks incorporated in those countries or regions.

If we do not maintain the growth of our loan portfolio, our business operations and financial condition may be materially and adversely affected.

Our loans to customers, net of loan loss allowance, have grown significantly in the past few years, increasing to RMB4,011.5 billion at December 31, 2009 from RMB2,709.2 billion at December 31, 2007, representing a CAGR of 21.7%. The growth of our loan portfolio may be affected by various factors, such as China's macroeconomic policies and capital constraints. The significant increase in our loan portfolio in the first half of 2009 was in part attributable to the moderately loose monetary policy and the implementation of the economic stimulus package of the PRC government. In the second half of 2009, the growth rate of our total loan portfolio began to slow down. In the future, the growth rate of our loan portfolio may continue to slow down, or our loan portfolio may not grow or even decline. In addition, in response to the constraints from the amount of our regulatory capital, we may adopt strategies to reduce our reliance on our loan portfolio and expand our activities in other businesses that require relatively lower capital. Any of the foregoing factors could impact the growth of our loan portfolio and thereby materially and adversely affect our business, business prospects, financial condition and results of operations.

Deteriorations in the debt repayment abilities of the government financing vehicles to which we extend loans may materially and adversely affect our asset quality, financial condition and results of operations.

Loans extended to government financing vehicles have been a part of the loan portfolio for China's commercial banks. According to the CBRC, government financing vehicles consist primarily of government-led vehicles and vehicles the shares of which are substantially owned by the government. These vehicles primarily engage in financing activities wholly or partially supported by the direct or indirect repayment commitments or direct or indirect guarantees from local governments and provide support to various infrastructure development and quasi-public interest government investment projects. We extend loans primarily to government financing vehicles in transportation and urban development as well as those vehicles relating to land reserve centers, economic development zones, industry parks or state asset management companies. Within China's administrative division system, the recipients of these loans generally rank at or above the district city level. We target our loans to government financing vehicles mainly to China' economically developed areas, including the Yangtze River Delta, Pearl River Delta and Bohai Rim regions. The majority of our loans to government financing vehicles are backed by mortgages, pledges or guarantees and have remaining maturities of five years or less. At December 31, 2009, the non-performing loan ratio for our loans to government financing vehicles was lower than our bank-wide average non-performing loan ratio. However, unfavorable developments in the macroeconomic condition, state policy changes or other reasons may adversely affect the debt repayments of these financing vehicles, which may in turn materially and adversely affect our asset quality, financial condition and results of operations. For our risk management measures relating to government financing vehicles, see "Risk Management—Credit Risk Management—Credit Risk for Corporate Loans."

RISKS RELATING TO OUR BUSINESS

We face certain risks relating to our recently implemented operational reform initiatives.

We continue to develop and implement a number of operational reform initiatives in an effort to become more competitive and customer-oriented, including those relating to re-engineering our business process and organizational structure. For example, (i) we revamped our corporate banking

products and services, targeting growth in value-added products and services such as asset management, bancassurance and investment banking business; (ii) we have prioritized the development of our retail banking business, through implementing our operational reform of branch outlets, streamlining our business procedures and increasing our investments in our distribution channels and IT system; and (iii) we have focused on product innovations in order to achieve greater customer satisfaction. See "Business—Information Technology" and "Our History, Restructuring and Operational Reform—Operational Reform."

Although our operational reform initiatives have contributed to our financial results in recent years, we may face certain risks relating to the implementation of these initiatives and we cannot assure you that we will be able to achieve the results we expect in the future due to a number of factors, including:

- we may not have sufficient experience or expertise to successfully manage and continue implementing these operational reform initiatives;
- we may not have sufficient and effective management systems and information technology system to support the implementation of these operational reform initiatives according to our contemplated schedule or at all; and
- changes in government policies or banking regulations may adversely affect the schedule for implementing, or our ability to implement, these operational reform initiatives.

If we do not successfully implement all or any of these reform initiatives or, if implemented, these initiatives do not achieve the intended benefits generally or within our schedule, our business, results of operations and financial condition may be adversely affected.

Moreover, these operational reform initiatives may expose us to additional risks. Accordingly, if we are unable to manage risks associated with our initiatives to transform our business, our business prospects, financial condition and results of operations could be adversely and materially affected.

Our focus on the growth of our County Area Banking Business and our related initiatives exposes us to increased risks that may materially and adversely affect our business.

The County Area Banking Business is an important component of our business. Our initiatives in the County Areas are designed to further increase the penetration of our products and services into these areas. Historically, the County Area banking business has generally presented relatively higher risks and relatively lower returns than the banking business in the Urban Areas. Our significant banking portfolio and initiatives in the County Areas expose us to higher risks, including: (i) risks that our provisions for impairment losses on loans may be higher than anticipated due to the limited financial capacity of our customers in the County Areas or otherwise; (ii) revenues from our County Area Banking Business may be lower than anticipated; (iii) if the actual development of the County Area banking market differs from our anticipation, we may not be able to derive the return as anticipated from our increased allocation of resources to our County Area Banking Business; (iv) natural disasters and global climate changes may adversely affect the business operation and financial condition of certain of our customers who may not be able to service their obligations owed to us; and (v) our extensive branch network in the vast County Areas may represent challenges to our operations. Our growing County Area Banking Business presents an increased challenge to our management skills, risk control capabilities and information technology systems.

In addition, many of our initiatives in respect of the County Area Banking Business are unprecedented, and we cannot assure you that such initiatives will be successful or achieve the results anticipated. For example, we are implementing a pilot program at eight selected tier-1 branches in Sichuan, Fujian and other provinces to set up a business division dedicated to our County Area Banking Business in the respective regions. This initiative is unprecedented in China and we may not be able to achieve the results anticipated or within our schedule. If any of our initiatives in respect of the County Area Banking Business fails or does not achieve the results anticipated, our County Area Banking Business, our overall business, results of operations and financial condition may be materially and adversely impacted.

Furthermore, certain governmental policies and guidelines relating to our County Area Banking Business impose constraints on our operations. For example, on April 23, 2009, the CBRC issued the Guideline to Agricultural Bank of China's County Area Banking Division Reform and Regulations (中國農業銀行三農金融事業部制改革與監管指引), or the Guideline, imposing requirements on our County Area Banking Business, including its organization structure, operation mechanism and performance review. See "Supervision and Regulation—Regulation of Principal Commercial Banking Activities—Supervision and Regulation of Agriculture-related Financial Services." Our efforts to comply with the requirements of the Guideline may affect our business strategies, as well as our ability to optimize our resource allocation and customer selection, which may adversely affect our profitability in the near- and medium-term. In addition, certain requirements of the Guideline are new and it may take time for us to comply. At December 31, 2009, the ratios of our assets and liabilities in our County Area Banking Business to our total assets and liabilities and our cost-to-income ratio in our County Area Banking Business did not meet the requirements of the Guideline. Although we have not been subject to any regulatory actions for such non-compliance, we cannot assure you that we will not be subject to any regulatory actions in the future for our past non-compliance. In addition, we cannot assure you that we will be able to meet all regulatory requirements relating to our County Area Banking Business, including the requirements of the Guideline, in the future due to changes of these requirements or otherwise, or that we will not be subject to sanctions as a result. If any of the above circumstances occurs, our reputation, business, results of operations and financial condition may be materially and adversely affected.

If we are not effective in implementing enhanced risk management and internal control policies and procedures and introducing certain information technology systems to assist with our risk management and internal control, our business and prospects may be materially and adversely affected.

We have in the past suffered from credit-quality problems, lapses in credit approval and control processes, internal control deficiencies and operational problems as a result of weaknesses in our risk management controls. See "Business—Legal and Regulatory—Regulatory Reviews and Proceedings—Findings of Regulatory Examinations," "Business—Legal and Regulatory—Reporting and Monitoring of Employee Non-compliance" and "Assets and Liabilities—Assets—Asset Quality of Our Loan Portfolio." We have significantly enhanced our risk management and internal control policies and procedures in recent years in an effort to improve our risk management capabilities and enhance our internal control. See "Risk Management—Risk Management Initiatives in Recent Years." However, we cannot assure you that our risk management and internal control policies and procedures will adequately control, or protect us against, all credit and other risks. Some of these risks are yet to be identified by us, unforeseeable or higher than what we originally expected or the historical level. In

addition, given the short history of certain aspects of our risk management and internal control policies and procedures, we will require additional time to implement these policies and procedures and fully measure the impact of, and evaluate the compliance with, these policies and procedures. Moreover, our staff will require time to adjust to these policies and procedures and we cannot assure you that our employees will be able to consistently comply with or correctly apply these policies and procedures.

Our risk management capabilities are limited by the information, tools or technologies available to us. For example, we may not be able to effectively monitor credit risk due to limited information resources or tools. In recent years, we have introduced or refined certain risk management tools and systems to assist us in better managing our risks, including the internal credit rating system, the assets and liabilities management system, the internal funds transfer pricing system, the treasury trading and risk management system and CMS. These systems aim at enhancing our ability to use quantitative measures to manage our risks. However, our ability to operate such systems and to monitor and analyze the effectiveness of such systems is still subject to continuous testing. We are also still in the process of further developing information systems to manage certain aspects of risk management, such as automated systems for the collection of certain information relating to connected party transactions and group lending. Also see "—Our business is highly dependent on the proper functioning and improvement of our information technology systems."

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

Our expanding range of products, services and business activities exposes us to new risks.

We have been increasing our product development efforts and have been expanding the range of our products and services to meet the needs of our customers and to enhance our competitiveness. For example, we rolled out a number of loan products for small businesses, such as "Easy Loans" ("簡式快速貸款") and "Self-Service Revolving Credit Facilities" ("自助可循環貸款"), and commenced settlement services in Renminbi for cross-border trades in 2009. Expansion of our business activities exposes us to a number of risks and challenges, including:

- insufficient experience or expertise in certain new products and services, which may prevent us from effectively competing in these areas;
- imitation of our new products and services by our competitors;
- failure of our new products and services to be accepted by our customers or meet our expected targets;
- inability to hire additional qualified personnel or to hire personnel on commercially reasonable terms;
- insufficient financial, operational, management and other human resources to support our expanded range of products and services;
- inability to obtain regulatory approvals for our new products or services; and
- unsuccessful attempts to enhance our risk management and internal control capabilities and information technology systems to support a broader range of products and services.

If we are not able to successfully expand into or grow new products, services and related business areas due to these risks or to achieve the intended results with respect to our new products and services, our business, financial condition and results of operations may be materially and adversely affected.

We may face difficulties in meeting regulatory requirements relating to capital adequacy.

We are required by the PRC Commercial Banking Law and the rules promulgated by the CBRC to maintain a minimum core capital adequacy ratio of 4% and a minimum capital adequacy ratio of 8%. Although our capital adequacy ratio and core capital adequacy ratio at December 31, 2007 were below regulatory requirements, no sanctions were imposed on us for our failure to meet the regulatory requirements. In 2008, we underwent financial restructuring and our capital adequacy ratio improved. At December 31, 2009 and 2008, our consolidated core capital adequacy ratios were 7.74% and 8.04% and our consolidated capital adequacy ratios were 10.07% and 9.41%, respectively. Although these capital adequacy ratios were in compliance with the applicable PRC requirements, certain developments could affect our ability to satisfy applicable capital adequacy requirements in the future, including:

- losses resulting from a deterioration in our asset quality;
- an increase in our risk-weighted assets as a result of the rapid expansion of our business;
- an increase in the minimum capital adequacy requirements by the banking regulators;
- changes in the CBRC rules or guidelines regarding the calculation of the capital adequacy ratios of commercial banks;
- a decline in the value of our investments resulting in the decline of our capital base; and
- a decline in our net profits and thus decreases in our retained earnings.

We may also be required to raise additional core or supplementary capital in the future by issuing equity securities and subordinated debt in order to maintain our capital adequacy ratios above the minimum required level. Any equity securities issued by us will dilute the existing interests of our shareholders. In addition, our ability to raise additional capital may be limited by numerous factors, including:

- our future financial condition, results of operations and cash flows;
- any government regulatory approvals;
- our credit rating;
- general market conditions for capital-raising activities, in particular by commercial banks and other financial institutions; and
- economic, political and other conditions in and outside of China.

If we require additional capital in the future or if any of such factors experiences adverse developments, we cannot assure you that we will be able to obtain such capital on commercially reasonable terms in a timely manner, or at all.

Furthermore, the CBRC may increase the minimum capital adequacy requirements or change the methodology for calculating regulatory capital or capital adequacy ratios or we may otherwise be subject to new capital adequacy requirements. In recent years, the CBRC has issued several regulations

and guidelines governing capital adequacy requirements applicable to commercial banks in China. In February 2007, the CBRC announced a plan to start implementing Basel II by the end of 2010, or upon the CBRC's approval, no later than the end of 2013, to assess the capital adequacy of large commercial banks with operations in other jurisdictions and significant international business as well as commercial banks which elect to comply with Basel II. We have applied to the CBRC for the implementation of Basel II with respect to our capital adequacy starting as of the year end of 2010. The methodologies used in computation of our capital adequacy ratios under Basel II differ from our current practice. Such differences primarily include: (i) we currently assign credit risk weightings to our assets pursuant to the New Capital Adequacy Regulations, while under Basel II we will be required to develop our own internal rating system in measuring credit risk of our assets; (ii) we currently make capital charges for market risk pursuant to the New Capital Adequacy Regulations, while under Basel II we will be required to develop our own internal model to determine capital charges for market risk; (iii) we currently do not make capital charges for our operational risk, while under Basel II we will be required to make such charges and (iv) we currently adopt the definition of regulatory capital pursuant to the New Capital Adequacy Regulations, while under Basel II this definition will be different. Although we meet the currently applicable capital adequacy ratio requirements, we may not be able to meet the requirements in the future because the computation of the new capital adequacy ratio pursuant to the methodologies under Basel II may be different.

In addition, pursuant to a notice issued by the CBRC in October 2009, major commercial banks, including us, are required to fully deduct, from their supplementary capital, any long-term subordinated debt issued by other banking institutions which they acquire after July 1, 2009 in computing capital adequacy ratios, and the amount of the long-term subordinated debt that a major commercial bank may issue may not exceed 25% of its core capital. This notice also requires a major commercial bank to maintain a core capital adequacy ratio of no less than 7% if it seeks to issue long-term subordinated debt after this notice became effective. Although the notice does not affect our ability to meet the applicable capital adequacy requirements at present, our capital adequacy ratios could thereby be adversely affected and we may not be able to meet the applicable capital adequacy requirements in the future.

If we fail to meet the applicable capital adequacy requirements, the CBRC may take corrective actions, including, for example, restricting the growth of our loans and other assets, restricting our ability to issue subordinated debt to improve our capital adequacy ratio, declining to approve our application to introduce a new service or restricting our declaration or distribution of dividends. These measures could materially and adversely affect our reputation, financial condition and results of operations.

We may not be able to detect and prevent fraud or other misconduct committed by our employees or third parties.

Fraud and other misconduct by employees or third parties may be difficult to detect and prevent and could subject us to financial losses and sanctions imposed by governmental authorities as well as seriously harm our reputation. Types of misconduct by our employees in the past have included, among other things: improper extension of credit; unauthorized business transactions; business process in breach of our internal policies and procedures; inappropriate accounting treatment; theft; embezzlement or misappropriation of customer funds; fraud; and taking bribes. See "Business—Legal and Regulatory."

Types of possible misconduct by third parties against us may include, among other things, fraud, theft and robbery. The types and incidents of fraud and other misconduct by employees or third parties against us may go beyond those detected in the past. In addition, our employees may commit errors or take improper actions that could subject us to financial claims as well as regulatory actions. As of December 31, 2009, we had 23,624 domestic branch outlets, with a total of 441,144 employees. We cannot assure you that all of our employees will comply with our risk management and internal control policies and procedures. Although we have increased our efforts to detect and prevent employee and third-party fraud or other misconduct, it is not always possible to detect or prevent such activities, and the precautions we take may not be effective in all cases. We cannot assure you that fraud or other misconduct, whether involving past acts that have gone undetected or future acts, will not have a material adverse effect on our reputation, results of operations and business prospects.

We or our customers may engage in certain transactions in or with countries or persons that are the subject of U.S. and other sanctions.

U.S. law generally prohibits U.S. persons from directly or indirectly investing or otherwise doing business in or with certain countries (such as Iran, Cuba, the Sudan and others) and with certain persons or businesses that have been specially designated by the OFAC or other U.S. government agencies. Other governments and international or regional organizations also administer similar economic sanctions.

We provide trade settlement and other services to customers doing business with, or located in, countries to which certain OFAC-administered and other sanctions apply, such as North Korea. While we do not believe that we are in violation of any applicable sanctions, if it were determined that transactions in which we participate violate U.S. or other sanctions, we could be subject to U.S. or other penalties, and our reputation and future business prospects in the United States or with U.S. persons, or in other jurisdictions, could be adversely affected. Further, U.S. investors in the Global Offering could incur reputational or other risks as the result of our and our customers' dealings in or with countries or with persons that are the subject of U.S. sanctions.

If we fail to maintain the growth rate in our customer deposits or if there is a significant decrease in customer deposits, our business operations and liquidity may be materially and adversely affected.

Customer deposits are our primary source of funding. From December 31, 2007 to December 31, 2009, our total deposits grew from RMB5,287.2 billion to RMB7,497.6 billion, and our domestic retail deposits grew from RMB2,981.4 billion to RMB4,365.4 billion. However, many factors affect the growth of deposits, some of which are beyond our control, such as economic and political conditions, availability of investment alternatives and retail customers' changing perceptions toward savings. For example, with the continuing development of China's capital markets, our customers may reduce their deposits and increase their investment in securities for a higher return.

In addition, at December 31, 2009, 72.2% of our total customer deposits had remaining maturities of three months or less, or were payable on demand. At December 31, 2009, 83.3% of our loans (net of allowance for impairment losses) had remaining maturities of more than three months. There is a mismatch between the maturities of our liabilities and the maturities of our assets. In our experience, in part due to the lack of alternative investment products in China and the general Chinese consumer preference for saving for future needs, our short-term customer deposits have generally not been withdrawn upon maturity and have thus represented a stable source of funding. However, we

cannot assure you that this will continue to be the case, especially given the continued development of China's capital markets and customers' increased appetite for various wealth management and insurance products.

If we fail to maintain the growth rate in our deposits or if a substantial portion of our depositors withdraw their deposits or do not roll over their time deposits upon maturity, our liquidity position, financial condition and results of operations may be materially and adversely affected. In such event, we may need to seek more expensive sources of funding and we cannot assure you that we will be able to obtain additional funding on commercially reasonable terms as and when required. Our ability to raise additional funds may be impaired by factors over which we have little or no control, such as deteriorating market conditions, severe disruptions in the financial markets, or negative outlooks for the industries to which we have significant credit exposure.

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

We depend on our information technology systems to process our transactions on an accurate and timely basis, and to store and process our business and operating data. The proper functioning of our financial control, risk management, credit analysis and reporting, accounting, customer service and other information technology systems, as well as the communication networks between our branches and our main data processing centers, is critical to our business and our ability to compete effectively. Our disaster recovering testing center in Beijing provides backup for our Shanghai data center and could be used in the event of a catastrophe or a failure of our core production system. We are in the process of establishing a backup data center in Beijing, which is designed to further enhance our backup and disaster recovery capabilities. We have also established alternative communication networks where available. However, our business activities would be materially disrupted if there is a partial or complete failure of any of our information technology systems or communication networks. Such failure can be caused by a variety of reasons, including natural disasters, extended power outages, breakdown of key hardware systems and computer viruses. The proper functioning of our information technology systems also depends on accurate and reliable data input and other sub-system installation, which are subject to human errors. Any failure or delay in recording or processing our transaction data could subject us to claims for losses and regulatory fines and penalties.

In particular, the secure transmission of confidential information is critical to our operations. Our networks and systems may be vulnerable to unauthorized access and other security problems. We cannot assure you that our existing security measures will prevent unforeseeable security breaches, including break-ins and viruses, or other disruptions such as those caused by defects in hardware or software and errors or misconduct of operators. Persons that circumvent our security measures could use our or our clients' confidential information wrongfully. Any material security breach or other disruptions could expose us to risk of loss and regulatory actions and harm our reputation.

Our competitiveness will to some extent depend on our ability to upgrade our information technology systems on a timely and cost-effective basis. In addition, the information available to and received by us through our existing information technology systems may not be timely or sufficient for us to manage risks and prepare for, and respond to, market changes and other developments in our current operating environment. Any substantial failure to improve or upgrade our information technology systems effectively or on a timely basis could materially and adversely affect our competitiveness, results of operations and financial condition.

We are subject to credit risk with respect to certain off-balance sheet commitments.

In the normal course of our business, we make commitments which, under applicable accounting principles, are not reflected as liabilities on our balance sheet, including bank acceptances, loan commitments, guarantees and letters of credit to guarantee the performance of our customers. See "Financial Information—Off-balance Sheet Commitments." We are subject to credit risk on our off-balance sheet commitments because these commitments may need to be fulfilled by us in certain circumstances. If we are unable to recover payment from our customers in respect of the commitments that we are called upon to fulfill, our financial condition and results of operations could be adversely affected.

We do not possess the relevant land use right certificates or building ownership certificates for some of our properties, and we may be required to seek alternative premises for some of our offices or business sites due to our landlords' lack of relevant title certificates.

At March 31, 2010, we held 37,564 properties with an aggregate gross floor area of approximately 30,448,180 square meters in the PRC. There were 1,747 properties with an aggregate gross floor area of approximately 1,704,104 square meters with respect to which we did not have the relevant land use right certificates or building ownership certificates. As for the rest of the 35,817 properties, there were 625 properties with an aggregate gross floor area of approximately 748,782 square meters with respect to which we have the building ownership certificates and have the allocated land use rights certificates or the approval of state-capital-injection land use rights ("作價出資土地使用權," *i.e.*, the land use right granted by the PRC government to a company as equity contribution in exchange for shares of such company in connection with its incorporation as a joint stock company). We are in the process of applying for the relevant land use rights and building ownership certificates that we do not yet hold, and we plan to cooperate closely with the local land and property management authorities to expedite such applications. We have taken steps to rectify certain title defects. However, we may not be able to obtain certificates for all of these properties due to title defects or for other reasons. We cannot assure you that our ownership rights would not be adversely affected in respect of properties for which we were unable to obtain the relevant title certificates. If we were forced to relocate any of the operations we conduct on the affected properties, we may incur additional costs as a result of such relocation.

In addition, at March 31, 2010, we leased approximately 8,160 properties with an aggregate lettable area of approximately 2,171,146 square meters in China, primarily as business premises for our branches and sub-branches. Among these properties, 4,761 properties with an aggregate lettable area of approximately 1,147,122 square meters were leased from lessors who were not able to provide the title certificates or documents evidencing the authorization or consent of the owners of such properties. As a result, our leases may be invalid. In addition, we cannot assure you that we would be able to renew our leases on terms acceptable to us upon their expiration. If any of our leases is terminated as a result of challenges by third parties or if we fail to renew them upon expiration, we may be forced to relocate affected branches and sub-branches and incur additional costs associated therewith, and our business, financial condition and results of operations may be adversely affected.

We are subject to various PRC and overseas regulatory requirements, and our failure to fully comply with such requirements, if any, could materially and adversely affect our business, reputation, financial condition and results of operations.

We are subject to the regulatory requirements and guidelines set forth by the PRC regulatory authorities. Our overseas branches, subsidiaries and representative offices are subject to local laws and regulations as well as to the local regulatory authorities.

The PRC regulatory authorities include the MOF, PBOC, CBRC, CSRC, CIRC, SAT, NAO, SAIC and SAFE. These regulatory authorities carry out periodic supervision and spot checks of our compliance with the laws, regulations and guidelines.

We are subject to various PRC and overseas regulatory requirements, and the PRC and overseas regulatory authorities conduct periodic inspections, examinations and inquiries in respect of our compliance with such requirements. On occasion we have failed to meet certain requirements and guidelines set by the PRC regulatory authorities, or we were found to have violated certain regulations. For example, at December 31, 2009, the amount of our total credit exposure to our largest single group borrower accounted for 25.8% of our regulatory capital, exceeding the regulatory limit of 15%. In addition, we have in the past been subject to fines and other penalties for cases of our non-compliance. See "Business—Legal and Regulatory." We cannot assure you that we will be able to meet all the applicable regulatory requirements and guidelines, or comply with all the applicable regulations at all times, or that we will not be subject to sanctions, fines or other penalties in the future as a result of non-compliance. If sanctions, fines and other penalties are imposed on us for failing to comply with applicable requirements, guidelines or regulations, our business, reputation, financial condition and results of operations may be materially and adversely affected.

We may not be able to detect money-laundering and other illegal or improper activities fully or on a timely basis, which could expose us to additional liability and harm our business or reputation.

We are required to comply with applicable anti-money-laundering and anti-terrorism laws and other regulations in the PRC, Hong Kong, Singapore and other jurisdictions where we have operations. These laws and regulations require us, among other things, to adopt and enforce "know-your-customer" policies and procedures and to report suspicious and large transactions to the applicable regulatory authorities in different jurisdictions. We have in the past been subject to administrative fines and penalties imposed by regulatory agencies in the PRC for, among other things, incidences of non-compliance with the PRC anti-money-laundering rules, including, for example, failure to report large or suspicious transactions. While we have adopted policies and procedures aimed at detecting and preventing the use of our banking networks for money-laundering activities and by terrorists and terrorist-related organizations and individuals generally, such policies and procedures may not completely eliminate instances where we may be used by other parties to engage in money-laundering and other illegal or improper activities due to, in part, the short history of these policies and procedures. To the extent we may fail to fully comply with applicable laws and regulations, the relevant government agencies to whom we report have the power and authority to impose fines and other penalties on us. In addition, our business and reputation could suffer if customers use our bank for money-laundering or illegal or improper purposes.

The uncertainties in the global economy, the global financial market and, in particular, in China could materially and adversely affect our financial condition and results of operations.

Since July 2007, significant adverse developments in the U.S. sub-prime mortgage sector have created significant disruption and volatility in financial markets globally. The ensuing contraction of liquidity, diminished credit availability, deteriorations in asset values, increase in bankruptcies, rising unemployment rates and declining consumer and business confidence caused an overall slowdown in the global economy. Beginning in the second half of 2008 up to mid-2009, the world's largest economies, including the United States, Europe and Japan, were widely considered to be in the midst of significant economic recessions, and major emerging economies such as China and India also faced a substantial slowdown in their economic growth. According to the statistics released by the PRC government, the growth rate of China's GDP decreased to 8.7% in 2009 from 9.6% in 2008.

Uncertainties in the global and China's economies may adversely affect our financial condition and results of operations in many ways, including, among other things:

- During a period of economic slowdown, there is a greater likelihood that more of our customers or counterparties could become delinquent in respect of their loan repayments or other obligations to us, which, in turn, could result in a higher level of non-performing loans, allowance for impairment losses and write-offs, all of which would adversely affect our results of operations and financial condition;
- The increased regulation and supervision of the financial services industry in response to the financial crisis in certain jurisdictions where we operate may restrict our business flexibility and increase our compliance costs, which may adversely affect our business operations;
- The value of our investments in the debt securities issued by overseas governments and financial institutions may significantly decline, which may adversely affect our financial condition;
- Our ability to raise additional capital on favorable terms, or at all, could be adversely affected; and
- Trade and capital flows may further contract as a result of protectionist measures being introduced in certain markets, which could cause a further slowdown in economies and adversely affect our business prospects.

We suffered an adverse impact from the global credit crisis and the global financial crisis. In 2007 and 2008, we made provisions of approximately RMB9.4 billion and RMB10.0 billion, respectively, for impairment losses on investments, primarily attributable to impairment losses on our investments in certain foreign currency-denominated debt instruments issued by foreign financial institutions, which were backed by Alt-A and sub-prime mortgages. At December 31, 2009, the balance of our investments in certain foreign currency-denominated debt instruments issued by foreign financial institutions which were backed by Alt-A, sub-prime mortgages and CDOs amounted to RMB294 million, RMB14 million and RMB2,154 million, respectively, and the allowance for impairment losses on such debt instruments represented 100%, 100% and 39%, respectively, of these instruments.

We cannot assure you that China's economy or the global economy will maintain sustainable growth. If further economic downturn occurs or continues, our business, results of operations and financial condition could be materially and adversely affected.

We may be involved in legal and other disputes from time to time arising out of our operations and may face potential liabilities as a result.

We are often involved in legal and other disputes for a variety of reasons, which generally arise because we seek to recover outstanding amounts from borrowers or because customers or other claimants bring actions against us. The majority of these cases arise in the ordinary course of our business. Where we assess that there is a probable risk of loss, it is our policy to make provisions for the loss. We have made provisions with respect to pending legal proceedings and other disputes against us. See "Business—Legal and Regulatory" and Note VI.36(3) to our consolidated financial statements included in the Accountants' Report in Appendix I to this prospectus. However, we cannot guarantee that the judgments in any of the litigation in which we are involved would be favorable to us or that our litigation provisions are adequate to cover our losses arising from legal proceedings or other disputes. In addition, if our assessment of the risk changes, our view on provisions will also change. We expect that we will continue to be involved in various legal and other disputes in the future, which may subject us to additional risks and losses. For example, although as a result of our financial restructuring, we no longer bear the economic risks associated with the non-performing assets in the aggregate amount of RMB815.7 billion disposed of in 2008, we nevertheless may be involved in legal disputes arising out of such disposals because we manage these non-performing assets under the entrustment of the MOF following their purchase of such non-performing assets from us. These disputes may relate to, among others, the amount of the unpaid obligations of the relevant borrowers, the terms for such borrowers to perform their obligations and the application of statute of limitations. In addition, we may have to advance legal costs associated with such disputes, including fees relating to appraisal, notarization, auction, execution and counsel's legal services. These and other disputes may lead to legal, administrative or other proceedings and may result in damage to our reputation, additional operational costs and a diversion of resources and management's attention from our core business operations. We cannot assure you that the outcome of future or current disputes or proceedings will not materially and adversely affect our business, reputation, financial condition and results of operations.

We are subject to counterparty risks in our derivative transactions.

We act primarily as an intermediary in domestic and international foreign exchange and derivative markets, and we currently have foreign currency forward and swap arrangements and interest rate swap arrangements with a number of domestic and international banks, other financial institutions and other entities. While we believe that the overall credit quality of our counterparties is satisfactory, we cannot assure you that our counterparties with significant exposures will not face difficulty in paying the amounts on derivative contracts when due, which may result in financial losses to us.

We may not continue to enjoy certain favorable PRC governmental policies.

We currently enjoy certain favorable PRC governmental policies, any of which may be discontinued in the future. Some of the policies from which we currently benefit subject us to periodic eligibility review. For example, we began receiving certain economic incentives for our participation in a pilot program sponsored by the MOF for promoting agriculture-related loans in eight provinces or regions in China, such as Heilongjiang Province. We are not sure how long the pilot program will last and we cannot assure you that we will be able to continue to receive any such economic incentive when the pilot program ends. Between 2008 and 2010, we are permitted to deduct from our taxable income a certain percentage of allowance for impairment losses relating to agriculture-related loans

and loans to SMEs. However, we may not be able to continue to receive such tax benefits after 2010. In addition, we were granted certain non-recurring tax exemptions by the PRC government in 2008 as part of our financial restructuring. See "Financial Information—Results of Operations for the Years Ended December 31, 2009, 2008 and 2007—Income Tax." If we are unable to continue to benefit from some or all of the governmental policies under which we currently receive favorable treatment, our business, results of operations and financial condition may be adversely affected.

Our major shareholders have the ability to exercise significant influence over us.

Our major shareholders, the MOF and Huijin, will own approximately 40.20% and 40.93%, respectively, of our outstanding shares immediately following the completion of the A Share Offering and the Global Offering, assuming that neither of the over-allotment options for the A Share Offering and the Global Offering is exercised. In accordance with our Articles of Association and applicable laws and regulations, the MOF and Huijin will have the ability to exercise a controlling influence over our business, including matters relating to:

- the timing and amount of the distribution of dividends;
- the issuance of new securities;
- the election of our directors and supervisors;
- our business strategies and policies;
- any plans relating to mergers, acquisitions, joint ventures, investments or divestitures; and
- amendments to our Articles of Association.

The interests of the MOF and Huijin may conflict with our interests or those of our other shareholders. In addition, since the MOF is a ministry of the State Council and Huijin is a wholly state-owned limited liability company formed under the PRC law, they have strong interests in the successful implementation of the economic or fiscal policies enacted by the PRC government, which policies may not be in our best interest or in the best interest of our other shareholders.

We have expanded our business in jurisdictions other than the PRC, which has increased the complexity of the risks that we face.

In recent years, we have taken actions to expand our operations outside mainland China. As of March 31, 2010, we had two branches in Hong Kong and Singapore, and opened representative offices in New York, London, Tokyo, Frankfurt, Seoul and Sydney. We plan to upgrade several of these representative offices to branches.

Our expansion into multiple jurisdictions outside mainland China exposes us to a new variety of regulatory and business challenges and risks and has increased the complexity of our risks in a number of areas, including currency risk, interest rate risk, regulatory and compliance risk, reputational risk and operational risk. Adverse market conditions in these overseas jurisdictions may result in mark-to-market and realized losses on the investment assets held by our overseas branches and increase their cost of funding. Furthermore, despite our best efforts to comply with all applicable regulations in all the jurisdictions in which we operate, there may be incidences of our failure to comply with the regulations in certain jurisdictions. Overseas regulators may bring administrative or judicial proceedings against us or our employees, representatives, agents and third party service providers, which could result, among other things, in suspension or revocation of one or more of our

licenses, cease and desist orders, fines, civil penalties, criminal penalties or other disciplinary actions. In addition, the regulatory changes in various jurisdictions, including those in which we have or plan to have operations could have an adverse impact on our growth, capital adequacy and profitability. If we are unable to manage the risks resulting from our expansion outside mainland China, our business, reputation, financial condition and results of operations may be adversely affected.

RISKS RELATING TO THE BANKING INDUSTRY IN CHINA

We face intense competition in China's banking industry as well as competition from alternative corporate financing and investment channels.

We are facing competition from other commercial banks and financial institutions in both the Urban Areas and the County Areas. We compete primarily with the other Large Commercial Banks, Other National Commercial Banks, city commercial banks and foreign banks in China. Certain of these banks may have more established presence in certain areas and more financial, management and technology resources than we do. In the County Areas, we compete primarily with the other Large Commercial Banks, rural credit cooperatives and Postal Savings Bank of China. Certain of these banks may have more simplified management structures and procedures in certain regions and areas. In recent years, the PRC government has gradually lowered the threshold for financial institutions to conduct business in the County Areas and strengthened the relevant financial and tax support, which, while we believe will promote the development of the County Area financial market, will further intensify the competition among financial institutions in the County Areas.

Additionally, following the removal of regulatory restrictions on their geographical presence, customer base and operating license in China in December 2006 as part of China's WTO accession commitments, we have experienced increased competition from foreign-invested commercial banks. Recently, a number of well-known foreign banks have expanded their presence in the County Areas. Furthermore, the Mainland and Hong Kong Closer Economic Partnership Arrangement as well as the Mainland and Macau Closer Economic Partnership Arrangement, which permit smaller Hong Kong and Macau banks to operate in China, have also increased competition in China's banking industry.

Moreover, the PRC government has, in recent years, implemented a series of measures designed to further liberalize the banking industry, including, among others, with respect to interest rates and non-interest-based products and services, which are changing the basis on which we compete with other banks for customers.

We compete with many of our competitors for substantially the same loan, deposit and fee customers. Such competition may adversely affect our business and future prospects by, for example:

- reducing our market share in our principal products and services;
- slowing down the growth of our loan or deposit portfolios and other products and services;
- decreasing our interest income or increasing our interest expenses, thereby reducing our net interest income;
- reducing our fee and commission income;
- increasing our non-interest expenses, such as marketing expenses;
- adversely affecting our asset quality; and
- increasing competition for senior management and qualified professional personnel.

We may also face competition from direct corporate financing, such as the issuance of securities in the domestic and international capital markets. The domestic securities markets have experienced, and are expected to continue to experience, expansion and growth. If a substantial number of our customers choose alternative financing to fund their capital needs, our interest income, financial condition and results of operations may be adversely affected.

Moreover, we may face competition from other forms of investment alternatives as the PRC capital markets continue to develop. As the PRC stock and bond market continues to develop and become a more viable and attractive investment alternative, our deposit customers may elect to transfer their funds into equity investments and bonds, which may reduce our deposit base and adversely affect our business, financial condition and results of operations.

Our business and operations are highly regulated, and our business, financial condition, results of operations and future prospects may be materially and adversely affected by regulatory changes or other governmental policies, including their interpretation and application.

Our business and operations are directly affected by changes in China's policies, laws and regulations relating to the banking industry, such as those affecting the extent to which we can engage in specific businesses, as well as changes in other governmental policies. Since its establishment as the primary banking industry regulator assuming the majority of the bank regulatory functions from the PBOC in 2003, the CBRC has promulgated a series of banking regulations and guidelines. The banking regulatory regime in China is currently undergoing significant changes, most of which are applicable to us and may result in additional costs or restrictions on our activities. There can be no assurance that the policies, laws and regulations governing the banking industry will not change in the future or that any such changes will not materially and adversely affect our business, financial condition and results of operations nor can we assure you that we will be able to adapt to all such changes on a timely basis. In addition, there may be uncertainties regarding the interpretation and application of new policies, laws and regulations. Failure to comply with the applicable policies, laws and regulations may result in fines and restrictions on our activities, which could also have a significant impact on our business, financial condition and results of operation.

We are subject to changes in interest rates and other market risks, and our ability to hedge market risks is limited.

As with most commercial banks, our results of operations depend to a great extent on our net interest income. For the years ended December 31, 2009, 2008 and 2007, our net interest income represented 81.2% , 93.5% and 89.5%, respectively, of our operating income. Interest rates in China historically were highly regulated but have been gradually liberalized in recent years. Under current PBOC regulations, commercial banks in China cannot set interest rates (i) below 90% of the relevant PBOC benchmark rate for RMB-denominated loans (for RMB-denominated residential mortgage loans, since October 27, 2008, the interest rates cannot be set below 70% of the relevant PBOC benchmark rate) or (ii) above the relevant PBOC benchmark rate for RMB-denominated deposits. The PBOC may further liberalize the existing interest rate restrictions on RMB-denominated loans and deposits. If the existing regulations were substantially liberalized or eliminated, competition in China's banking industry would likely intensify as China's commercial banks seek to offer more attractive rates to customers. Further liberalization by the PBOC would result in the narrowing of the spread in the average interest rates between RMB-denominated loans and RMB-denominated deposits, thereby materially and adversely affecting our results of operations. Furthermore, we cannot assure you that we

will be able to adjust the composition of our asset and liability portfolios and our pricing mechanism to enable us to effectively respond to the further liberalization of interest rates.

In recent years, the PBOC has adjusted the benchmark rates several times, including the consecutive interest rate cuts by the PBOC in the second half of 2008 in response to the global financial crisis and economic downturn. Any adjustments by the PBOC in the benchmark interest rates on loans or deposits or changes in market interest rates may adversely affect our financial condition and results of operations in different ways. For example, changes in the PBOC benchmark interest rates could affect the average yield on our interest-earning assets differently from the average cost on our interest-bearing liabilities and therefore may narrow our net interest margin, leading to a reduction in our net interest income, which may materially and adversely affect our results of operations and financial condition. As a result of the accumulated impact of the consecutive interest rate cuts by the PBOC in the second half of 2008, our net interest income decreased by 9.2% to RMB181.6 billion in 2009 compared to RMB200.0 billion in 2008 and our net interest margin decreased to 2.28% in 2009 compared to 3.13% in 2008. See "Financial Information—Results of Operations for the Years Ended December 31, 2009, 2008 and 2007—Net Interest Income." In addition, an increase in interest rates may result in increases in the finance costs of our customers and thus reduce overall demand for loans, and, accordingly, adversely affect the growth of our loan portfolio, as well as increase the risk of customer default. As a result, changes in interest rates may adversely affect our net interest income, financial condition and results of operations.

We also undertake trading and investment activities involving certain financial instruments both in China and abroad. Our income from these activities is subject to volatilities caused by, among other things, changes in interest rates and foreign currency exchange rates. For example, increases in interest rates generally have an adverse effect on the value of our fixed rate securities portfolio, which may materially and adversely affect our results of operations and financial condition. Furthermore, as the derivatives market has yet to mature in China, there are limited risk management tools available to enable us to reduce market risks.

The growth rate of China's banking industry may not be sustainable.

We expect the banking industry in China to continue to grow as a result of anticipated growth in China's economy, increases in household income, further social welfare reforms, demographic changes and the opening of China's banking industry to foreign participants. However, it is not clear how certain trends and events, such as the pace of China's economic growth, China's implementation of its commitment to WTO accession, the development of the domestic capital and insurance markets and the ongoing reform of the social welfare system will affect China's banking industry. In addition, there can be no assurance that the banking industry in China is free from systemic risks. Consequently, there can be no assurance that the growth and development of China's banking industry will be sustainable.

Future amendments to IAS 39 and interpretive guidance on its application may require us to change our provisioning practice.

We assess our loans and investment assets for impairment under IAS 39, as amended from time to time. The International Accounting Standards Board, or IASB, which has the responsibility for developing and revising accounting standards under IFRS, issued an exposure draft in November 2009 on amortized cost and impairment which, if adopted, will become effective on January 1, 2013 and

result in the replacement of the incurred loss model under IAS 39 with an expected loss model. In addition, IFRIC and other relevant accounting standard-setting bodies and regulators have been asked by their constituents to consider providing interpretive guidance relating to the application of IAS 39. Any future amendments to IAS 39 and interpretive guidance on the application of IAS 39 may require us to change our current provisioning practice and may, as a result, materially affect our financial condition and results of operations.

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

The information infrastructure in China is relatively undeveloped. PRC national individual and corporate credit information databases developed by the PBOC commenced operation in 2006. However, due to their short operational history, they can only provide limited information. Therefore, our assessment of the credit risk associated with a particular customer may not be based on complete, accurate or reliable information. Until these nationwide credit information databases become more fully developed, we have to rely on other publicly available resources and our internal resources, which are not as extensive nor as effective as a unified nationwide credit information system. As a result, our ability to effectively manage our credit risk and in turn, our asset quality, financial condition and results of operations may be materially and adversely affected.

Certain PRC regulations limit our ability to diversify our investments, and as a result, a decrease in the value of a particular type of investment may have a material adverse effect on our financial condition and results of operations.

As a result of current PRC regulatory restrictions, substantially all of our RMB-denominated investment assets are concentrated in a limited variety of investments permitted for PRC commercial banks, such as debt securities issued by the MOF, the PBOC, PRC policy banks and PRC commercial banks, commercial paper issued by qualified domestic corporations and domestic corporate bonds. These restrictions on our ability to diversify our investment portfolio limit our ability to seek returns on our investments. If the value of our certain investments decreases, we may be exposed to greater losses given these regulatory restrictions. In addition, our ability to manage RMB-denominated investment assets is limited due to the limited availability of RMB-denominated hedging instruments. A decrease in the value of any of our RMB-denominated financial assets could have a material adverse effect on our financial condition and results of operations.

We cannot assure you of the accuracy or comparability of facts, forecasts and statistics contained in this prospectus with respect to China, its national or County Area economies or its banking industry.

Facts, forecasts and statistics in this prospectus relating to China, its national or County Area economies and financial conditions and its banking industry, including our market share information, are derived from various sources which are generally believed to be reliable. However, we cannot guarantee the quality and reliability of such sources. In addition, these facts, forecasts and statistics have not been independently verified by us and may not be consistent with the information available from other sources, and may not be complete or up to date. We have taken reasonable caution in reproducing or extracting the information from such sources. However, because of potentially flawed methodologies, discrepancies in market practice and other problems, these facts, forecasts and other statistics may be inaccurate or may not be comparable from period to period or to facts, forecasts or statistics of other economies.

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

Investments in commercial banks in China are subject to a number of ownership restrictions. For example, prior approval from the CBRC is required for any person or entity to hold 5% or more of the registered capital or total issued shares of a commercial bank in China. If a shareholder of a commercial bank in China increases its shareholding above the 5% threshold without obtaining the CBRC's prior approval, the shareholder will be subject to CBRC's sanctions, which include, among other things, correction of such misconduct, fines and confiscation of related earnings. In addition, under the PRC Company Law, we may not extend any loans that use our shares as collateral. Furthermore, according to our Articles of Association, any shareholder who owns 3% or more of our shares must file a report with the Board of Directors on the date such shareholder pledges its shares to any lender as collateral, and shareholders who hold 5% or more of our total issued shares and have outstanding loans from us exceeding the audited net value of their shares at the end of the previous fiscal year are not permitted to pledge to us their shares in us, unless their loans are collateralized by certificates of deposits or PRC government bonds. Future changes in ownership restrictions imposed by the PRC government or our Articles of Association, may materially and adversely affect the value of your investment.

RISKS RELATING TO CHINA

China's economic, political and social conditions, as well as governmental policies, could affect our business, financial condition and results of operations.

A substantial majority of our businesses, assets and operations are located in China. Accordingly, our financial condition, results of operations and business prospects are, to a significant degree, subject to the economic, political and legal developments in China. China's economy differs from the economies of most developed countries in many respects, including, among other things, government involvement, level of development, growth rate, control of foreign exchange and allocation of resources.

China's economy was a planned economy, and a substantial portion of productive assets in China is still owned by the PRC government. The government also exercises significant control over China's economic growth by allocating resources, setting monetary policy and providing preferential treatment to particular industries or companies. Although the government has implemented economic reform measures to introduce market forces and establish sound corporate governance in business enterprises, such economic reform measures may be adjusted, modified or applied inconsistently from industry to industry, or across different regions of the country. As a result, we may not benefit from certain of such measures.

The PRC government has the power to implement macroeconomic control measures affecting China's economy. The government has implemented various measures in an effort to increase or control the growth rate and adjust the structure of certain industries. For example, in response to a decreased growth rate in part as a result of the global financial crisis and economic slowdown, beginning in September 2008, the PRC government began to implement a series of macroeconomic measures and the moderately loose monetary policy, which included announcing an economic stimulus package in the aggregate amount of RMB4 trillion (US$586 billion) and reducing benchmark interest rates.

Certain of the PRC government's macroeconomic measures may materially and adversely affect our financial condition, results of operations and asset quality. For example, the decreases in the PBOC benchmark interest rates in the second half of 2008 have resulted in the narrowing of our net interest margin and a decrease in our net interest income in 2009 compared to 2008, which adversely affected our profitability. See "Financial Information." In addition, the PRC government has imposed macroeconomic control measures aimed at tempering the real estate market. In December 2009, the PRC government shortened the period in which the real estate developers make payments for the land premiums and increased the relevant down payment requirement on the real estate developers. In April 2010, the PRC government raised the down payment requirements for people buying their second homes to a minimum of 50% of the property value from 40%. Down payment requirements on first homes of more than 90 square meters rose to a minimum of 30% of the property value from 20%. In addition, the lowest interest rate that commercial banks are permitted to charge in respect of second-home residential mortgage loans has increased from 90% to 110% of the applicable PBOC benchmark rate. At December 31, 2009, our loans to China's real estate industry represented 14.4% of our total domestic corporate loans and our residential mortgage loans represented 63.1% of our domestic retail loans. The PRC government's measures to cool down the housing market may adversely affect the growth and quality of our loans related to real estate and could also have a significant impact on our business, financial condition and results of operation. Furthermore, on September 26, 2009, the State Council approved the Notice of "Several Opinions on Suppressing Overcapacity and Repetitive Constructions in Certain Industries for Healthy Development" issued by the NDRC and other ministries (國務院批轉發展改革委等部門 "關於抑制部分行業產能過剩和重複建設引導產業健康發展若干意見的通知") to curb the expansion of certain sectors with overcapacity, such as iron and steel, cement, flat glass, coal chemical, polysilicon, wind power equipment, electrolysis aluminium, ship building and soybean oil extraction. This notice prohibits financial institutions from financing projects which do not meet specified requirements and requires those who have made such loans to take remedial measures. These requirements may adversely affect the condition of certain of our loans to the relevant industries.

China has been one of the world's fastest growing economies, as measured by GDP growth, in recent years. However, China may not be able to sustain such a growth rate. During the recent global financial crisis and economic slowdown, the growth of China's GDP slowed down. If China's economy experiences a decrease in growth rate or a significant downturn, the unfavorable business environment and economic condition for our customers could negatively impact their ability or willingness to repay our loans and reduce their demand for our banking services. Our financial condition, results of operations and business prospects may be materially and adversely affected.

Legal protections available to you under the PRC legal system may be limited.

We are organized under the laws of the PRC. The PRC legal system is based on written statutes. Prior court decisions may be quoted for reference but have limited precedential value. Since 1979, the PRC government has promulgated laws and regulations dealing with such economic matters as securities, shareholders' rights, foreign investment, corporate organization and governance, commerce, taxation and trade, with a view towards developing a comprehensive system of commercial law. However, as these laws and regulations are relatively new and the development of products, instruments and environment in the PRC banking industry continue to evolve, the effect of these laws and regulations on the rights and obligations of the parties involved may involve uncertainty. As a result, the legal protections available to you under the PRC legal system may be limited.

Our Articles of Association provide that disputes between holders of H shares and us, our directors, supervisors or senior officers or holders of A shares arising out of our Articles of Association or any rights or obligations conferred or imposed thereupon by the PRC Company Law and related rules and regulations concerning our affairs are to be resolved through arbitration. Our Articles of Association further provide that such arbitral award will be final, conclusive and binding on all parties. A claimant may elect to submit a dispute to arbitration organizations in Hong Kong or the PRC. Awards that are made by PRC arbitral authorities recognized under the Arbitration Ordinance of Hong Kong can be enforced in Hong Kong. Hong Kong arbitration awards may be recognized and enforced by PRC courts, subject to the satisfaction of certain PRC legal requirements. However, to our knowledge, no action has been brought in the PRC by any holder of H shares to enforce an arbitral award, and we cannot assure you that any action brought in the PRC by any holder of H shares to enforce a Hong Kong arbitral award made in favor of holders of H shares would succeed.

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

We are a company incorporated under the laws of the PRC, and substantially all of our business, assets and operations are located in China. In addition, a majority of our directors, supervisors and executive officers reside in China, and substantially all of the assets of such directors, supervisors and executive officers are located in China. As a result, it may not be possible to effect service of process within the United States or elsewhere outside China upon us or such directors, supervisors or executive officers, including with respect to matters arising under U.S. federal securities laws or applicable state securities laws. Moreover, China has not entered into a treaty for the reciprocal recognition and enforcement of court judgments with the United States, the United Kingdom, Japan and many other countries. In addition, Hong Kong has no arrangement with the United States for reciprocal enforcement of judgments. As a result, recognition and enforcement in China or Hong Kong of a court judgment obtained in the United States and any of the other jurisdictions mentioned above may be difficult or impossible.

Although we will be subject to the Listing Rules and the Hong Kong Codes on Takeovers and Mergers and Share Repurchases upon the listing of our H shares on the Hong Kong Stock Exchange, the holders of H shares will not be able to bring actions on the basis of violations of the Listing Rules and must rely on the Hong Kong Stock Exchange to enforce its rules. The Listing Rules and Hong Kong Codes on Takeovers and Mergers and Share Repurchases do not have the force of law in Hong Kong.

You may be subject to PRC taxation.

Under applicable PRC tax laws, dividends paid by us to non-PRC resident individual holders of H shares and gains realized by non-PRC resident individual holders of H shares upon sale or other disposition of H shares are both subject to PRC individual income tax at a rate of 20%, although we understand that these taxes haven't been collected by the PRC tax authorities in practice. Under applicable PRC tax laws, such dividends paid to, and gains realized by, non-PRC resident enterprise holders of H shares are both subject to PRC enterprise income tax at a rate of 10%. There are significant uncertainties as to the interpretation and application of applicable PRC tax laws due to several factors, including the relative short history of certain of such laws. These uncertainties include, among others, whether and how enterprise income tax on gains realized by non-PRC resident enterprises upon the sale or other disposition of H shares has been and will be collected by the PRC

tax authorities in the future and whether and how PRC individual income tax on the dividends paid by us to non-PRC resident individual holders of H shares and on gains realized by such individual holders on the sale or other disposition of H shares will be collected by the PRC tax authorities in the future. If there is any change to applicable tax laws and interpretation or application with respect of such laws, holders of H shares may be subject to PRC income tax on the dividends paid by us and gains realized upon sale or other disposition of H shares which they currently are not subject to or haven't been collected by the PRC tax authorities in practice. See "Appendix VII—Summary of Certain Legal and Regulatory Matters—PRC Taxation."

Payment of dividends is subject to restrictions under PRC laws.

Under PRC laws, dividends may be paid only out of distributable profits. Our distributable profits represent our distributable net profits less appropriations to statutory surplus reserve, general reserve, and discretionary surplus reserve (as approved by our shareholders' meeting), each such appropriation based on the unconsolidated net profit of our Bank determined under the PRC GAAP. Our distributable net profit referred to above represents the lowest of (i) our consolidated net profit attributable to our equity holders for a period plus distributable profits or net of accumulated losses, if any, at the beginning of such period, as determined under the PRC GAAP, (ii) the unconsolidated net profit of our Bank for the period plus distributable profits or net of accumulated losses, if any, at the beginning of such period, as determined under the PRC GAAP, (iii) our consolidated net profit attributable to our equity holders for the period plus distributable profits or net of accumulated losses, if any, at the beginning of such period, as determined under IFRS, and (iv) the unconsolidated net profit of our Bank for the period plus distributable profits or net of accumulated losses, if any, at the beginning of such period, as determined under IFRS. As a result, we may not have sufficient distributable profits, if any, to make dividend distributions to our shareholders in the future, including in respect of periods where we register an accounting profit. Any distributable profits that are not distributed in a given year are retained and available for distribution in subsequent years.

In addition, the CBRC has the discretionary authority to restrict dividend payments and other distributions by any bank that has a capital adequacy ratio below 8% or a core capital adequacy ratio below 4%, or that has violated certain other PRC banking regulations. See "Supervision and Regulation—PRC Banking Supervision and Regulation—Supervision Over Capital Adequacy—CBRC Supervision of Capital Adequacy" and "Supervision and Regulation—PRC Banking Supervision and Regulation—Principal Regulators—CBRC."

We are subject to the PRC government controls on currency conversion and risks relating to fluctuations in exchange rates.

We receive a substantial majority of our revenues in Renminbi, which is currently not a freely convertible currency. A portion of these revenues must be converted into other currencies in order to meet our foreign currency obligations. For example, we need to obtain foreign currency to make payments of declared dividends, if any, on our H shares.

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

circumstances. In this case, we may not be able to pay dividends in foreign currencies to holders of our H shares.

The value of the Renminbi against the U.S. dollar and other currencies fluctuates and is affected by, among other things, changes in China's and international political and economic conditions and the PRC government's fiscal and currency policies. Since 1994, the conversion of Renminbi into foreign currencies, including Hong Kong and U.S. dollars, has been based on rates set by the PBOC, which are set daily based on the previous business day's inter-bank foreign exchange market rates and current exchange rates on the world financial markets. From 1994 to July 20, 2005, the official exchange rate for the conversion of Renminbi to U.S. dollars was generally stable. On July 21, 2005, the PRC government adopted a more flexible managed floating exchange rate system to allow the value of the Renminbi to fluctuate within a regulated band that is based on market supply and demand and reference to a basket of currencies. On the same day, the value of the Renminbi appreciated by approximately 2.1% against the U.S. dollar. From July 21, 2005 to December 31, 2009, the value of the Renminbi appreciated by approximately 21.2% against the U.S. dollar. In August 2008, China revised the PRC Foreign Exchange Administration Regulations (中華人民共和國外匯管理條例) to promote the reform of its exchange rate regime. It is expected that China may further reform its exchange rate system in the future.

Any appreciation of the Renminbi against the U.S. dollar or any other foreign currencies may result in the decrease in the value of our foreign currency-denominated assets. Conversely, any devaluation of the Renminbi may adversely affect the value of, and any dividends payable on, our H shares in foreign currency terms. At December 31, 2009, 3.7% of our financial assets and 3.4% of our financial liabilities were denominated in foreign currencies. Although we seek to reduce our exchange rate risk through currency derivatives or otherwise, we cannot assure you that we will be able to reduce our foreign currency risk exposure relating to our foreign currency-dominated assets. In addition, there are limited instruments available for us to reduce our foreign currency risk exposure at reasonable costs. See "Financial Information—Quantitative and Qualitative Analysis of Market Risk—Exchange Rate Risk." Any appreciation of the Renminbi against the U.S. dollar or any other foreign currencies may materially and adversely affect the financial conditions of certain of our customers, particularly those deriving substantial income from exporting products or engaging in the related businesses, and in turn their abilities to service their obligations to us. Furthermore, we are also currently required to obtain the approval of the SAFE before converting significant sums of foreign currencies into Renminbi. All of these factors could materially and adversely affect our financial condition, results of operations and compliance with capital adequacy ratios and operational ratios.

Any future occurrence of natural disasters or outbreaks of contagious diseases in China may have a material adverse effect on our business operations, financial condition and results of operations.

Any future occurrence of natural disasters or outbreaks of health epidemics and contagious diseases, including avian influenza, severe acute respiratory syndrome, or SARS, and swine flu caused by H1N1 virus, or H1N1 flu, may materially and adversely affect our business and results of operations. In 2009, there were reports on the occurrences of H1N1 flu in certain regions of the world, including the PRC and Hong Kong where we operate our principal business. An outbreak of a health epidemic or contagious disease could result in a widespread health crisis and restrict the level of business activities in affected areas, which may in turn adversely affect our business. Moreover, China has experienced natural disasters like earthquakes, floods and droughts in the past few years. For

example, in May 2008 and April 2010, China experienced earthquakes with reported magnitudes of 8.0 and 7.1 on the Richter scale in Sichuan Province and Qinghai Province, respectively, resulting in the death of tens of thousands of people. We suffered the adverse impact from the earthquake in Sichuan Province. See "Financial Information—Results of Operations for the Years Ended December 31, 2009, 2008 and 2007—Provisions for Impairment Losses," "County Area Banking Business—Results of Operations of Our County Area Banking Business—Provisions for Impairment Losses" and "Assets and Liabilities—Assets—Asset Quality of Our Loan Portfolio—Distribution of Corporate Non-performing Loans by Industry." We also suffered the adverse impact from the earthquake in Qinghai Province, but the impact is not material because our operations in the locality affected by the earthquake are small. Since the beginning of 2010, there have occurred severe droughts in southwestern China, resulting in significant economic losses in these areas. Any future occurrence of severe natural disasters in China may adversely affect its economy and in turn our business, particularly in light of the substantial portion of our County Area Banking Business which is more vulnerable to natural disasters. There is no guarantee that any future occurrence of natural disasters or outbreak of avian influenza, SARS, H1N1 flu or other epidemics, or the measures taken by the PRC government or other countries in response to a future outbreak of avian influenza, SARS, H1N1 flu or other epidemics, will not seriously interrupt our operations or those of our customers, which may have a material and adverse effect on our results of operations.

RISKS RELATING TO THE GLOBAL OFFERING

An active trading market for our H shares may not develop, and their trading prices may fluctuate significantly.

Prior to the A Share Offering and the Global Offering, no public market for our shares has existed. We cannot assure you that a liquid public market for our H shares will develop or be sustained after the Global Offering. In addition, the offer price of our H shares is expected to be fixed by agreement between the Joint Bookrunners (on behalf of the underwriters) and us, and may not be indicative of the market price of our H shares following the completion of the Global Offering. If an active public market for our H shares does not develop after the Global Offering, the market price and liquidity of our H shares may be adversely affected.

We are conducting a concurrent but separate A Share Offering, and the characteristics of the A share and H share markets are different.

We intend to conduct an offering of our A shares in the PRC concurrently with the Global Offering and list such shares on the Shanghai Stock Exchange. We refer to this offering in this prospectus as the A Share Offering. Our A Share Offering will initially comprise an offering of 22,235,294,000 A shares, representing approximately 7.00% of our total outstanding shares immediately following the completion of both the A Share Offering and the Global Offering, assuming that neither of the over-allotment options for the A Share Offering and the Global Offering is exercised.

Our A Share Offering and Global Offering are two separate and independent offerings, and neither offering is conditional upon the other. If for any reason we do not proceed with the A Share Offering as proposed, or if the number of our A shares offered in the A Share Offering is reduced or the actual issue price for our A shares is not within the estimated price range of our A Share Offering, the Global Offering may nevertheless proceed as described in this prospectus. Due to differences in the timetables and market practices for the A Share Offering and the Global Offering, you will not be

notified of the final issue price or final size of our A Share Offering, and we cannot assure you that you be notified of any delay or termination of the A Share Offering, prior to the last time for lodging applications under the Hong Kong Public Offering.

Following the A Share Offering and the Global Offering, our H shares will be traded on the Hong Kong Stock Exchange and our A shares will be traded on the Shanghai Stock Exchange. Under the current laws and regulations, except for the A shares held by the MOF, Huijin and the SSF, which may be converted into H shares, our H shares and A shares are neither interchangeable nor fungible, and there is no trading or settlement between the H share and the A share markets. The H share and A share markets have different trading characteristics (including trading volume and liquidity) and investor bases, including different levels of retail and institutional participation. As a result of these differences, the trading price of our H shares and A shares may not be the same. Moreover, fluctuations in our A share price may affect our H share price, and vice versa. Because of the different characteristics of the A share and H share markets, the changes in the prices of our A shares may not be indicative of the price trend of our H shares performance. You should therefore not place undue reliance on the trading price of our A shares when evaluating an investment in our H shares.

Future sales or perceived sales of a substantial number of our H shares in public markets or the conversion of our A shares to H shares could have a material adverse effect on the prevailing market price of our H shares and dilute our shareholders' H share holdings.

The market price of our H shares could decline as a result of future sales of substantial amounts of our H shares or other securities relating to our H shares in the public market, or the issuance of new H shares, or the perception that such sales or issuances may occur. Future sales, or perceived sales, of substantial amounts of our H shares could also materially and adversely affect our ability to raise capital in the future at a time and at a price favorable to us. In addition, our shareholders would experience dilution in their holdings upon issuance or sale of additional securities in the future. If additional funds are raised through the issuance of new equity or equity-linked securities of our Company other than on a pro-rata basis to existing shareholders, the percentage ownership of such shareholders in our Company may be reduced and such new securities may confer rights and privileges that take priority over those conferred by the H shares.

Upon the completion of the Global Offering, the SSF will hold certain H shares. These H shares are not subject to any lock-up restrictions. See "Share Capital—Shares Held by the SSF." Any future sales, or perceived sales, of our H shares by the SSF may adversely affect the market price of our H shares.

Upon the completion of the A Share Offering and the Global Offering, the MOF, Huijin and the SSF will together hold a substantial portion of our A shares. The A shares held by the MOF and Huijin will be subject to a lock-up period of 36 months following the completion of the A Share Offering and the A shares held by the SSF pursuant to the Share Subscription Agreement will be subject to a lock-up period through April 21, 2015. For details of the Share Subscription Agreement, see "Our History, Restructuring and Operational Reform—Investment by the SSF." Subject to the approval of the CSRC or the authorized securities approval authorities of the State Council, these A shares held by the MOF, Huijin and the SSF may be converted into H shares in the future without the approval of a class shareholder meeting, and such H shares may be listed and traded on the Hong Kong Stock Exchange. The above-mentioned lock-up restrictions on the A shares held by the MOF and Huijin will not apply to their converted H shares, although the lock-up restrictions on the A shares held by the SSF pursuant

to the Share Subscription Agreement will apply to its converted H shares. See "Share Capital—Shares Held By the MOF and Huijin" and "Share Capital—Shares Held by the SSF." Any future sales, or perceived sales, of the converted H shares held by the MOF, Huijin or the SSF may adversely affect the trading price of our H shares.

You will incur immediate dilution because the Offer Price of the H shares is higher than the net tangible asset value per share.

The initial public offering price of our H shares is higher than the net tangible asset value per share of the outstanding shares issued to our then existing shareholders at March 31, 2010. Therefore, purchasers of our H shares in the Global Offering will experience an immediate dilution by HK$1.34 per share, representing the difference between the Offer Price and the pro forma adjusted net tangible asset value per share at March 31, 2010, without giving effect to any changes to our net tangible assets subsequent to March 31, 2010 other than the A Share Offering and the Global Offering (assuming an offer price RMB2.60 per share for our A shares and HK$3.18 per share for our H shares being the mid-points of our indicative offer price ranges of the A Share Offering and the Global Offering, respectively, and assuming that neither of the over-allotment options for the A Share Offering and the Global Offering is exercised, after deduction of estimated underwriting fees and offering expenses in connection with the A Share Offering and the Global Offering payable by us). If the over-allotment options for the A Share Offering or the Global Offering are exercised, or if we issue additional shares in the future, purchasers of our H shares may experience further dilution.

Dividends distributed in the past may not be indicative of our dividend policy in the future.

No dividend was paid during the Track Record Period. On April 21, 2010, a shareholders' extraordinary general meeting approved a cash dividend of RMB20 billion in respect of the year ended December 31, 2009. The same general meeting also adopted proposals on a special cash dividend in respect of the six months ended June 30, 2010. Potential investors of the Global Offering are not entitled to such special dividend which will only be distributed to shareholders on our register of members as of June 30, 2010. Any future declaration of dividends will be proposed by our Board of Directors and the amount of any dividends will depend on various factors, including our results of operations, financial condition, future business prospects and other factors that our board may determine to be important. For future details of our dividend policy, see "Financial Information—Dividend Policy." We cannot guarantee if and when we will pay dividends in the future.

We strongly caution you not to place any reliance on any information contained in press articles or other media regarding our A Share Offering and Global Offering or information released by us in connection with the A Share Offering.

There may have been prior to the publication of this prospectus, and there may be subsequent to the date of this prospectus but prior to the completion of the Global Offering, press and media coverage regarding us, the A Share Offering and the Global Offering. Such press and other media coverage may include references to certain events or information disclosed by us in China as part of the A Share Offering, including information relating to us and the A Share Offering. The prospectus and other information announced by us in connection with the A Share Offering are based on regulatory requirements and market practices in China, which are different from those applicable to the Global Offering. You should rely solely upon the information contained in this prospectus, the application forms and any formal announcements made by us in Hong Kong in making your investment decision regarding our H shares. We do not accept any responsibility for the accuracy or completeness of any

information reported by the press or other media, nor the fairness or appropriateness of any forecasts, views or opinions expressed by the press or other media regarding our A shares or H shares, the A Share Offering or the Global Offering, or us. We make no representation as to the appropriateness, accuracy, completeness or reliability of any such information or publication. Accordingly, prospective investors should not rely on any such information, reports or publications in making their decisions whether to invest in our Global Offering.

We are also required, in connection with our A Share Offering, to make certain formal announcements in the PRC relating to us and the A Share Offering, including the publication of our A share prospectus. This information is released in connection with our A Share Offering pursuant to PRC regulatory requirements that are not applicable to the Global Offering. Certain announcements in relation to our A Share Offering will be published on the website of the Hong Kong Stock Exchange.

However, such information and the prospectus for the A Share Offering do not and will not form a part of this prospectus. Prospective investors in H shares are reminded that, in making their decisions as to whether to purchase our H shares, they should rely only on the financial, operational and other information included in this prospectus and the application forms. By applying to purchase our H shares in the Global Offering, you will be deemed to have agreed that you will not rely on any information other than that contained in this prospectus and the application forms.

This prospectus contains certain forward-looking statements and information relating to us and our subsidiaries that are based on the beliefs of our management as well as assumptions made by and information currently available to our management. When used in this prospectus, the words "aim," "anticipate," "believe," "could," "expect," "going forward," "intend," "may," "ought to," "plan," "project," "seek," "should," "will," "would," and the negative of these words and other similar expressions, as they relate to our Company or our management, are intended to identify forward-looking statements. Such statements reflect the current views of our Company's management with respect to future events, operations, liquidity and capital resources, some of which may not materialize or may change. These statements are subject to certain risks, uncertainties and assumptions, including the other risk factors as described in this prospectus. You are strongly cautioned that reliance on any forward-looking statements involves known and unknown risks and uncertainties. The risks and uncertainties facing our company which could affect the accuracy of forward-looking statements include, but are not limited to, the following:

- our business prospects;
- future developments, trends and conditions in the industry and markets in which we operate;
- our business strategies and plans to achieve these strategies;
- general economic conditions;
- changes to the regulatory environment and general outlook in the industry and markets in which we operate;
- our ability to reduce costs;
- our dividend policy;
- the amount and nature of, and potential for, future development of our business;
- capital market developments;
- the actions and developments of our competitors; and
- certain statements in "Risk Factors," "Industry Overview," "Supervision and Regulation," "Business," "Risk Management," "Assets and Liabilities," "Financial Information," "Recent Developments," "County Area Banking Business," "Relationship with Our Promoters and Connected Transactions," and "Future Plans and Use of Proceeds" with respect to trends in interest rates, exchange rates, prices, volumes, operations, margins, risk management and overall market trends.

Subject to the requirements of the Listing Rules, we do not intend to publicly update or otherwise revise the forward-looking statements in this prospectus, whether as a result of new information, future events or otherwise. As a result of these and other risks, uncertainties and assumptions, the forward-looking events and circumstances discussed in this prospectus might not occur in the way we expect, or at all. Accordingly, you should not place undue reliance on any forward-looking information. All forward-looking statements in this prospectus are qualified by reference to this cautionary statement.

DIRECTORS' RESPONSIBILITY FOR THE CONTENT OF THIS PROSPECTUS

This prospectus includes particulars given in compliance with the Hong Kong Companies Ordinance, the Securities and Futures (Stock Market Listing) Rules and the Listing Rules for the purpose of giving information with regard to our Group. Our directors collectively and individually accept full responsibility for the accuracy of the information contained in this prospectus and confirm, having made all reasonable enquiries that to the best of their knowledge and belief, there are no other facts the omission of which would make any statement in this prospectus misleading.

CSRC AND CBRC APPROVALS

We have obtained approvals from the CSRC and the CBRC, for the Global Offering and the making of the application to list the H shares on the Hong Kong Stock Exchange, on June 9, 2010 and April 26, 2010, respectively. In granting such consent, neither the CSRC nor the CBRC accepts any responsibility for our financial soundness or for the accuracy of any of the statements made or opinions expressed in this prospectus.

UNDERWRITING

The listing of our H shares on the Hong Kong Stock Exchange is sponsored by China International Capital Corporation Hong Kong Securities Limited, Goldman Sachs (Asia) L.L.C., Morgan Stanley Asia Limited, Deutsche Bank AG, Hong Kong Branch, J.P. Morgan Securities (Asia Pacific) Limited, Macquarie Capital Securities Limited and ABCI Securities Company Limited, collectively referred to as our Joint Sponsors.

China International Capital Corporation Hong Kong Securities Limited, Goldman Sachs (Asia) L.L.C., Morgan Stanley Asia Limited and ABCI Securities Company Limited, are the joint global coordinators of the Global Offering, collectively referred to as the Joint Global Coordinators. China International Capital Corporation Hong Kong Securities Limited, Goldman Sachs (Asia) L.L.C., Morgan Stanley Asia Limited, Deutsche Bank AG, Hong Kong Branch, J.P. Morgan Securities Ltd., Macquarie Capital Securities Limited and ABCI Securities Company Limited, are the joint bookrunners of the Global Offering, collectively referred to as the Joint Bookrunners.

The Hong Kong Public Offering is fully underwritten by the Hong Kong underwriters listed in "Underwriting," subject to agreement on the Offer Price between us and the Joint Bookrunners (on behalf of the underwriters). China International Capital Corporation Hong Kong Securities Limited, Goldman Sachs (Asia) L.L.C., Morgan Stanley Asia Limited, Deutsche Bank AG, Hong Kong Branch, J.P. Morgan Securities (Asia Pacific) Limited, Macquarie Capital Securities Limited and ABCI Securities Company Limited, are the joint lead managers of the Hong Kong Public Offering, collectively referred to as the Joint Lead Managers.

The International Offering is expected to be underwritten by the international underwriters.

For further details about the underwriters and the underwriting arrangements, see "Underwriting."

RESTRICTIONS ON OFFER AND SALE OF THE OFFER SHARES

No action has been taken to permit a public offering of the Offer Shares in any jurisdiction other than Hong Kong and Japan, or the distribution of this prospectus in any jurisdiction other than Hong Kong. Accordingly, this prospectus may not be used for the purpose of, and does not constitute an offer or invitation in any jurisdiction or in any circumstances in which such an offer or invitation is not authorized or to any person to whom it is unlawful to make such an offer or invitation. The distribution of this prospectus and the offering and sale of the Offer Shares in other jurisdictions are subject to restrictions and may not be made except as permitted under the applicable securities laws of such jurisdictions pursuant to registration with or authorization by the relevant securities regulatory authorities or an exemption therefrom.

APPLICATION FOR LISTING OF THE SHARES ON THE HONG KONG STOCK EXCHANGE

We have applied to the listing committee of the Hong Kong Stock Exchange for the granting of listing of, and permission to deal in, our H shares in issue and to be issued pursuant to (i) the Global Offering; (ii) any H shares which may be converted from A shares which are held by the MOF, Huijin and the SSF; and (iii) any H shares converted from state-owned shares which are to be held by the SSF.

Shares held by the MOF, Huijin and the SSF may be converted to H shares subject to satisfying certain requirements. See "Share Capital—Shares Held by the MOF and Huijin" and "Share Capital—Shares Held by the SSF" for further information.

Save that an application has been made for the listing of our A shares on the Shanghai Stock Exchange as disclosed in "A Share Offering," no part of our shares is listed on or dealt in on any other stock exchange and no such listing or permission to list is being or proposed to be sought in the near future.

PROFESSIONAL TAX ADVICE RECOMMENDED

If you are unsure about the taxation implications of subscribing for, purchasing, holding or dealing in our H shares, you should consult an expert. It is emphasized that none of us, the Joint Global Coordinators, the Joint Sponsors, the Joint Bookrunners, the Joint Lead Managers, the underwriters, their respective directors nor any other person involved in the Global Offering accepts responsibility for any tax consequences to any person resulting from subscribing for, purchasing, holding or disposing of our H shares.

REGISTER OF MEMBERS AND STAMP DUTY

All of the H shares issued pursuant to applications made in Global Offering will be registered on our H share register to be maintained in Hong Kong. Our principal register of members will be maintained by us at our head office in the PRC.

Dealings in the H shares registered in our H share register will be subject to Hong Kong stamp duty.

REGISTRATION OF SUBSCRIPTION, PURCHASE AND TRANSFER OF H SHARES

Each acquirer of our H shares agrees with us and each of our shareholders, and we agree with each shareholder, to observe and comply with the PRC Company Law, the Special Regulations of the State Council on Overseas Offering and Listing of Shares by Joint Stock Limited Companies and our Articles of Association.

Each acquirer of our H shares agrees with us, each of our shareholders, directors, supervisors, managers and officers, and we acting for ourselves and for each of our directors, supervisors, managers and officers agree with each of our shareholders to refer all differences and claims arising from our Articles of Association or any rights or obligations conferred or imposed by the PRC Company Law or other relevant laws and administrative regulations concerning our affairs to arbitration in accordance with our Articles of Association, and any reference to arbitration shall be deemed to authorize the arbitration tribunal to conduct hearings in open session and to publish its award. Such arbitration shall be final and conclusive.

Each acquirer of our H shares agrees with us and each of our shareholders that the H shares are freely transferable by the holders thereof.

Each acquirer of our H shares authorizes us to enter into a contract on his behalf with each of our directors and officers whereby such directors and officers undertake to observe and comply with their obligations to our shareholders as stipulated in our Articles of Association.

CURRENCY TRANSLATIONS

Unless otherwise specified, amounts denominated in RMB and US$ have been translated, for the purpose of illustration only, into Hong Kong dollars in this prospectus at the following rates:

HK$1.0000 : RMB0.87286 (set by the PBOC for foreign exchange transactions prevailing on June 25, 2010)

HK$7.7823 : US$1.0000 (the exchange rate set forth in the H.10 weekly statistical release of the Board of Governors of the Federal Reserve System of the United States on June 18, 2010)

No representation is made that any amounts in RMB, US$ or HK$ can be or could have been at the relevant dates converted at the above rates or any other rates or at all.

LANGUAGE

If there is any inconsistency between this prospectus and the Chinese translation of this prospectus, this prospectus shall prevail. Translated English names of Chinese laws and regulations, governmental authorities, institutions, natural persons or other entities (including certain of our subsidiaries) included in this prospectus and for which no official English translation exists are unofficial translations for your reference only.

DIRECTORS

Name	Address	Nationality
Executive Directors		
XIANG Junbo, Chairman	Yard 5, Block 1, Sanlihe, Xicheng District, Beijing, PRC	Chinese
ZHANG Yun, Vice Chairman and President	Lianhua Xiaoqu, Lianhuachi Road West, Haidian District, Beijing, PRC	Chinese
YANG Kun, Executive Vice President	Apartment 1204, Building 5, Block 3, Anhuili, Chaoyang District, Beijing, PRC	Chinese
PAN Gongsheng, Executive Vice President	Apartment 801, Gate 3, Building 4, Fengrongyuan, Xicheng District, Beijing, PRC	Chinese
Non-Executive Directors		
LIN Damao	Apartment 502, Gate 1, Building 8, Yard 9, Yuyuantan Road South, Haidian District, Beijing, PRC	Chinese
ZHANG Guoming	Apartment 302, Gate 1, Building 6, Yard 9, Yuyuantan Road South, Haidian District, Beijing, PRC	Chinese
XIN Baorong	Apartment 102, Unit 12, Building 4, Yard 10, Wangfucang Hutong, Xicheng District, Beijing, PRC	Chinese
SHEN Bingxi	Apartment 805, Building 8, Kangleli Xiaoqu, Xuanwu District, Beijing, PRC	Chinese
YUAN Linjiang	Apartment 1604, Unit 1, Building 6, Webok House, 1 Weigongcun Street, Haidian District, Beijing, PRC	Chinese
CHENG Fengchao	No. 9, Gate 1, Building 3, Block 3, Sanlihe Xicheng District, Beijing, PRC	Chinese
Independent Non-Executive Directors		
John Dexter LANGLOIS	2500 Homestead Drive Granby, CO 80446 United States	American
Anthony WU Ting-yuk	Apartment 5742, 57th Floor, Four Seasons Place, Finance Street, Central, Hong Kong	Chinese
QIU Dong	Apartment 2801, Gate 2, Building 4, Tiantaoyuan, Hexi District, Tianjin, PRC	Chinese

SUPERVISORS

Name	Address	Nationality
CHE Yingxin	Building 5, Kangleli, Xuanwu District, Beijing, PRC	Chinese
PAN Xiaojiang	Apartment 201, Gate 6, Building 1, 11 Wanshou Road West Jia, Haidian District, Beijing, PRC	Chinese
WANG Yurui	Apartment 1501, Building 2, Block 2, Sanlihe, Xicheng District, Beijing, PRC	Chinese
WANG Xingchun	Apartment 302, Unit 4, Building 9, Guyueyuan, Tianxiu Garden, Haidian District, Beijing, PRC	Chinese
JIA Xiangsen	Apartment 402, Gate 3, Building 21, Beilixiqu Donghuashi Xiaoqu, Chongwen District, Beijing, PRC	Chinese

PARTIES INVOLVED IN THE GLOBAL OFFERING

Joint Global Coordinators

China International Capital Corporation Hong Kong Securities Limited
29/F, One International Finance Centre
1 Harbour View Street
Central, Hong Kong

Goldman Sachs (Asia) L.L.C.
68/F, Cheung Kong Center
2 Queen's Road Central
Hong Kong

Morgan Stanley Asia Limited
46/F, International Commerce Centre
1 Austin Road West
Kowloon, Hong Kong

ABCI Securities Company Limited
13th Floor, Fairmont House
8 Cotton Tree Drive
Central, Hong Kong

Joint Bookrunners

China International Capital Corporation Hong Kong Securities Limited
29/F, One International Finance Centre
1 Harbour View Street
Central, Hong Kong

Goldman Sachs (Asia) L.L.C.
68/F, Cheung Kong Center
2 Queen's Road Central
Hong Kong

Morgan Stanley Asia Limited
46/F, International Commerce Centre
1 Austin Road West
Kowloon, Hong Kong

Deutsche Bank AG, Hong Kong Branch
48/F, Cheung Kong Center
2 Queen's Road Central
Hong Kong

J.P. Morgan Securities Ltd.
125 London Wall
London
EC2Y 5AJ
United Kingdom

Macquarie Capital Securities Limited
Level 18, One International Finance Centre
1 Harbour View Street
Central, Hong Kong

ABCI Securities Company Limited
13th Floor, Fairmont House
8 Cotton Tree Drive
Central, Hong Kong

Joint Sponsors

China International Capital Corporation
Hong Kong Securities Limited
29/F, One International Finance Centre
1 Harbour View Street
Central, Hong Kong

Goldman Sachs (Asia) L.L.C.
68/F, Cheung Kong Center
2 Queen's Road Central
Hong Kong

Morgan Stanley Asia Limited
46/F, International Commerce Centre
1 Austin Road West
Kowloon, Hong Kong

Deutsche Bank AG, Hong Kong Branch
48/F, Cheung Kong Center
2 Queen's Road Central
Hong Kong

J.P. Morgan Securities (Asia Pacific) Limited
28/F Chater House
8 Connaught Road Central
Hong Kong

Macquarie Capital Securities Limited
Level 18, One International Finance Centre
1 Harbour View Street
Central, Hong Kong

ABCI Securities Company Limited
13th Floor, Fairmont House
8 Cotton Tree Drive
Central, Hong Kong

Joint Lead Managers	China International Capital Corporation Hong Kong Securities Limited 29/F, One International Finance Centre 1 Harbour View Street Central, Hong Kong
	Goldman Sachs (Asia) L.L.C. 68/F, Cheung Kong Center 2 Queen's Road Central Hong Kong
	Morgan Stanley Asia Limited 46/F, International Commerce Centre 1 Austin Road West Kowloon, Hong Kong
	Deutsche Bank AG, Hong Kong Branch 48/F, Cheung Kong Center 2 Queen's Road Central Hong Kong
	J.P. Morgan Securities (Asia Pacific) Limited 28/F Chater House 8 Connaught Road Central Hong Kong
	Macquarie Capital Securities Limited Level 18, One International Finance Centre 1 Harbour View Street Central, Hong Kong
	ABCI Securities Company Limited 13th Floor, Fairmont House 8 Cotton Tree Drive Central, Hong Kong
Financial Advisors	UBS AG, Hong Kong Branch 52nd Floor, Two International Finance Centre 8 Finance Street Central, Hong Kong
	CITIC Securities Corporate Finance (HK) Limited 26/F, CITIC Tower 1 Tim Mei Avenue Central Hong Kong

Legal advisors to our Company	*As to Hong Kong law* Freshfields Bruckhaus Deringer 11th Floor, Two Exchange Square Central Hong Kong *As to United States law* Davis Polk & Wardwell LLP 26/F, Twin Towers West B12, Jian Guo Men Wai Avenue Chaoyang District Beijing, PRC *As to PRC law* DeHeng Law Offices 12th Floor, Tower B, Focus Place No.19, Finance Street Xicheng District Beijing, PRC
Legal advisors to the underwriters	*As to Hong Kong law* Herbert Smith 23/F Gloucester Tower 15 Queen's Road Central Hong Kong *As to United States law* Allen & Overy 9th Floor, Three Exchange Square Central Hong Kong *As to PRC law* Haiwen & Partners 21st Floor, Beijing Silver Tower No. 2 Dong San Huan North Road Chaoyang District Beijing, PRC
Reporting accountants and independent auditor	Deloitte Touche Tohmatsu Certified Public Accountants 35/F One Pacific Place 88 Queensway Hong Kong
Property valuer	Jones Lang LaSalle Sallmanns Limited 17/F Dorset House Taikoo Place 979 King's Road Quarry Bay Hong Kong

Receiving banks

The Hongkong and Shanghai Banking Corporation Limited
HSBC Main Building
1 Queen's Road Central
Central
Hong Kong

Bank of China (Hong Kong) Limited
1 Garden Road
Hong Kong

Standard Chartered Bank (Hong Kong) Limited
15th Floor, Standard Chartered Tower
388 Kwun Tong Road
Kwun Tong
Hong Kong

Industrial and Commercial Bank of China (Asia) Limited
33/F, ICBC Tower
3 Garden Road
Central
Hong Kong

China Construction Bank (Asia) Corporation Limited
16/F York House, The Landmark
15 Queen's Road Central
Central
Hong Kong

Bank of Communications Co., Ltd. Hong Kong Branch
20 Pedder Street
Central
Hong Kong

Wing Lung Bank Limited
16/F, 45 Des Voeux Road
Central
Hong Kong

Registered office and principal place of business	No. 69, Jianguomen Nei Avenue Dongcheng District Beijing 100005 PRC
Principal place of business in Hong Kong	23/F, Tower 1, Admiralty Centre 18 Harcourt Road Hong Kong
Website of the Company	www.abchina.com (The contents of the website do not form part of this prospectus)
Company secretary	LI Zhenjiang
Assistant to company secretary	WOO Lee Wah Cecilia (LL.B.)
Authorized representatives	ZHANG Yun Lianhua Xiaoqu Lianhuachi Road West Haidian District Beijing PRC LI Zhenjiang Apartment 1014, Building 8 Fuxingmenwai Avenue Xicheng District Beijing PRC
H share registrar	Computershare Hong Kong Investor Services Limited Shops 1712-1716, 17th Floor, Hopewell Centre 183 Queen's Road East Wanchai Hong Kong
Compliance advisors	Goldman Sachs (Asia) L.L.C. 68/F, Cheung Kong Center 2 Queen's Road Central Hong Kong China International Capital Corporation Hong Kong Securities Limited 29/F, One International Finance Centre 1 Harbour View Street Central, Hong Kong

This section contains information pertaining to the industry in which we operate. We have extracted and derived such information, in part, from various official or publicly available sources. We believe that the sources of this information are appropriate for such information and have taken reasonable care in compiling and reproducing such information. While we have no reason to believe that such information is false or misleading or that any fact has been omitted that would render such information false or misleading, the information has not been independently verified by us or any of our affiliates or advisors, nor by any of the underwriters or any of their affiliates or advisors, and no representation is given as to its accuracy. In addition, certain financial data contained in this section, including data relating to us, have been compiled in accordance with PRC GAAP, and differ from our IFRS financial data presented elsewhere in this prospectus.

OVERVIEW

China's economy has grown significantly over the past three decades as a result of the PRC government's extensive economic reforms. According to the NBSC, China's nominal GDP grew at a CAGR of 16.0% from RMB18.5 trillion to RMB33.5 trillion between 2005 and 2009. According to the World Bank, China was the third largest economy in the world in terms of GDP in 2009. The following table sets forth China's GDP and GDP per capita from 2005 to 2009.

	For the year ended December 31,					
	2005	2006	2007	2008	2009	CAGR
Nominal GDP (in billions of RMB)	18,494	21,631	26,581	31,405	33,535	16.0%
GDP per capita (in RMB)	14,144	16,456	20,117	23,648	25,125	15.4%

Source: NBSC

The rapid growth of China's economy has driven the expansion of the banking industry. From 2005 to 2009, total RMB-denominated loans and RMB-denominated deposits of China's banking institutions increased at CAGRs of 19.7% and 20.1%, respectively. The following table sets forth the total loans and total deposits denominated in RMB and in foreign currencies, for the periods indicated, for banking institutions in China.

	At December 31,					
	2005	2006	2007	2008	2009	CAGR
Total loans denominated in RMB (in billions of RMB)	19,469	22,529	26,169	30,340	39,969	19.7%
Total deposits denominated in RMB (in billions of RMB)	28,717	33,543	38,937	46,620	59,774	20.1
Total loans denominated in foreign currencies (in billions of US$)	151	166	220	244	380	26.0
Total deposits denominated in foreign currencies (in billions of US$)	162	161	160	179	209	6.6%

Source: PBOC

In line with rising national income levels, retail customer deposits from both Urban Areas and County Areas have been growing rapidly and have become an important source of funding for China's banking industry. From 2005 to 2009, the CAGRs of domestic retail RMB-denominated time deposits and demand deposits were 15.6% and 19.6%, respectively. The following table sets forth the amounts of domestic retail RMB-denominated time deposits and demand deposits from 2005 to 2009.

	At December 31,					
	2005	2006	2007	2008	2009	CAGR
	(in billions of RMB except percentages)					
Retail RMB-denominated time deposits	9,226	10,301	10,829	14,367	16,473	15.6%
Retail RMB-denominated demand deposits	4,879	5,858	6,746	7,834	9,992	19.6%

Source: PBOC

HISTORY AND DEVELOPMENT

From 1949 through the 1970s, China's banking industry functioned as part of a centrally planned economy. The PBOC served as China's central bank as well as the primary commercial bank for deposit-taking, lending and settlement activities. Since the late 1970s, as part of China's national economic reforms, the banking industry has undergone significant changes. Several of the PBOC's commercial banking functions were separated from the PBOC's central bank functions. The Big Four assumed the role of state-owned specialized banks, while the State Council officially designated the PBOC as China's central bank and as the principal regulator of China's banking system. The Big Four were designated to specialize in agrarian financing, foreign exchange and trade finance, construction and infrastructure financing and urban commercial financing, respectively. The State Council granted the Big Four limited autonomy with respect to their commercial operations and as China's economic reforms progressed, permitted them to expand into other commercial banking businesses beyond their specialized functions.

In the mid-1980s, a number of new commercial banks and non-bank financial institutions were established. Some of these new commercial banks, known as the Other National Commercial Banks, were permitted to offer nationwide commercial banking services, while others were permitted to operate only in local markets. However, during this period, China's banking system continued to be tightly restricted by government plans and policies, and China's banks did not operate on an independent or commercial basis.

In the mid-1990s, the PRC government accelerated its financial reforms and began to encourage the Big Four to operate on a more commercial basis. In 1994, the PRC government established three policy banks—China Development Bank, The Export-Import Bank of China and Agricultural Development Bank of China—to assume most of the policy lending functions of the Big Four. Accordingly, the Big Four started to be transformed into state-owned commercial banks. In 1995, the PRC Commercial Banking Law and the PRC People's Bank of China Law were enacted, which further defined the business scope for commercial banks and the functions and powers of the PBOC as the central bank and the banking industry regulator. In 2003, the CBRC was established as the primary banking industry regulator and assumed most of the regulatory functions of the PBOC.

China's banking industry historically was characterized by substantial non-performing loans. Since the late 1990s, the PRC government has taken numerous initiatives to improve the asset quality and strengthen the capital base of PRC commercial banks, including the following:

- In 1998, the MOF issued special government bonds and used the proceeds of RMB270.0 billion to make capital contributions to the Big Four to improve their capital adequacy.
- In 1999, in order to further the reform of the PRC financial system, the PRC government established four wholly state-owned financial asset management companies—China Huarong Asset Management Corporation, China Great Wall Asset Management Corporation, China Cinda Asset Management Corporation and China Orient Asset Management Corporation—as vehicles to acquire, manage and dispose of non-performing assets of the Big Four. In 1999, the Big Four and China Development Bank transferred a total of RMB1,393.9 billion of their non-performing loans and other impaired assets to these asset management companies.
- In 2001, China joined the WTO and started to gradually open its banking sector to foreign financial institutions.
- In 2003, Huijin made a capital contribution of US$22.5 billion to each of Bank of China and China Construction Bank.
- In 2004, the MOF and Huijin made a total capital contribution of RMB8 billion to Bank of Communications.
- In 2005, Huijin made a capital contribution of US$15 billion to Industrial and Commercial Bank of China.
- In 2008, Huijin made a capital contribution of approximately US$19 billion (equivalent to RMB130 billion) to us prior to our transformation into a joint stock limited liability company. For a description of our restructuring, see "Our History, Restructuring and Operational Reform—Financial Restructuring."

As a result of the aforementioned efforts coupled with the rapid growth of the Chinese economy, the asset quality of China's Large Commercial Banks has improved significantly, which lays a foundation for future growth in the PRC banking sector. Furthermore, subsequent to the disposal of non-performing loans and equity contributions from Huijin, Bank of Communications, China Construction Bank, Bank of China and Industrial and Commercial Bank of China introduced domestic and foreign strategic investors and listed their shares on both the Shanghai Stock Exchange and Hong Kong Stock Exchange.

Meanwhile, many Other National Commercial Banks and a number of city commercial banks have also introduced strategic investors, raised capital from shareholders to strengthen their capital bases, and successfully listed their shares on domestic or overseas stock exchanges. Similar to some of the Large Commercial Banks, they have also adopted international management practices and improved their asset quality and profitability.

CURRENT COMPETITIVE LANDSCAPE

China's banking institutions are generally categorized into Large Commercial Banks, Other National Commercial Banks, city commercial banks, urban credit cooperatives, rural financial institutions, foreign financial institutions and other banking institutions. The following table sets forth the total amounts of and market shares by total assets, shareholders' equity and net profit of different categories of financial institutions in China as of or for the year ended December 31, 2009.

	At and for the year ended December 31, 2009						
	Number of legal entity institutions	Total assets		Shareholders' equity		Net profit	
		Total amount	Market share (%)	Total amount	Market share (%)	Total amount	Market share (%)
	(in billions of RMB, except numbers of institutions and percentages)						
Large Commercial Banks	5	40,089	50.9%	2,186	49.3%	400	59.9%
Other National Commercial Banks	12	11,785	15.0	563	12.7	93	13.8
City commercial banks	143	5,680	7.2	359	8.1	50	7.4
Urban credit cooperatives	11	27	0.0	2	0.0	0	0.0
Rural financial institutions(1)	3,467	8,638	11.0	431	9.7	51	7.7
Foreign financial institutions(2)	37	1,349	1.7	167	3.8	6	1.0
Other banking institutions(3)	182	11,201	14.2	725	16.4	68	10.2
Total	**3,857**	**78,769**	**100.0%**	**4,434**	**100.0%**	**668**	**100.0%**

Sources: CBRC 2009 annual report

(1) Rural financial institutions refer to rural credit cooperatives, rural commercial banks, rural cooperative banks, township banks, loan companies and rural mutual cooperatives. The data of total assets, shareholders' equity and net profit, along with the respective market shares of rural financial institutions in this table only include those of rural credit cooperatives, rural commercial banks and rural cooperative banks.

(2) Foreign financial institutions refer to branches and locally incorporated subsidiaries and joint-venture banks of foreign banks.

(3) Other banking institutions refer to policy banks, financial asset management companies, trust companies, finance companies, financial leasing companies, automobile finance companies, money brokerage firms and Postal Savings Bank of China. The data of total assets, shareholders' equity and net profit, along with the respective market shares of other banking institutions in this table only include those of policy banks, trust companies, finance companies, financial leasing companies, automobile finance companies, money brokerage firms and Postal Savings Bank of China.

Large Commercial Banks

We, together with Bank of China, Bank of Communications, China Construction Bank and Industrial and Commercial Bank of China, are the major source of financing for China's corporations, institutions and individuals. According to the 2009 annual report of the CBRC, the Large Commercial Banks together accounted for 50.9% of the total assets of all banking institutions in China at December 31, 2009. According to the 2009 annual reports of the CBRC and the Large Commercial Banks, the Large Commercial Banks together accounted for 50.4% of the total loans and 56.1% of the total deposits of all banking institutions in China at December 31, 2009.

The following table sets forth the total number of domestic branch outlets, total assets, total loans and total deposits of the Large Commercial Banks.

	At December 31, 2009						
	Total number of domestic branch outlets	Total assets		Total loans		Total deposits	
		Amount	% of total	Amount	% of total	Amount	% of total
	(in billions of RMB, except numbers of institutions and percentages)						
Agricultural Bank of China	23,624	8,883	21.0%	4,138	19.3%	7,498	21.8%
Industrial and Commercial Bank of China	16,232	11,785	27.8	5,729	26.7	9,771	28.5
China Construction Bank	13,384	9,623	22.7	4,820	22.5	8,001	23.3
Bank of China	9,988	8,752	20.7	4,910	22.9	6,685	19.5
Bank of Communications	2,761	3,309	7.8	1,839	8.6	2,372	6.9
Total	**65,989**	**42,352**	**100.0%**	**21,436**	**100.0%**	**34,327**	**100.0%**

Source: 2009 annual reports of the Large Commercial Banks, except for our Bank's data

Other National Commercial Banks

As of December 31, 2009, 12 Other National Commercial Banks had been granted licenses to engage in nationwide commercial banking activities in China and together accounted for 15.0% of the total assets, 12.7% of the total shareholders' equity and 13.8% of the total net profit of all banking institutions in China.

City Commercial Banks and Urban Credit Cooperatives

City commercial banks and urban credit cooperatives are in general permitted to engage in commercial banking activities within their respective designated geographic areas. Some of the city commercial banks have established cross-region branches operating in other cities. As of December 31, 2009, there were 143 city commercial banks and 11 urban credit cooperatives in China. These two categories of financial institutions together accounted for 7.2% of the total assets, 8.1% of the total shareholders' equity and 7.4% of the total net profit of all banking institutions in China.

Rural Financial Institutions

Rural financial institutions consist mainly of rural credit cooperatives, rural commercial banks, rural cooperative banks, township banks, loan companies and rural mutual cooperatives. Compared with Large Commercial Banks and Other National Commercial Banks, they provide a limited range of banking products and services to enterprises and residents in the County Areas, including retail deposits and loans and settlement services. Since the end of 2006, the CBRC has introduced a series of policies and measures to encourage the establishment of non-traditional rural financial institutions such as township banks, loan companies and rural mutual cooperatives in the County Areas. As of December 31, 2009, there were 3,056 rural credit cooperatives, 43 rural commercial banks, 196 rural cooperative banks, 148 township banks, eight loan companies and 16 rural mutual cooperatives, accounting for together 11.0% of the total assets, 9.7% of the total shareholders' equity and 7.7% of the total net profit of all banking institutions in China.

Foreign Financial Institutions

Foreign financial institutions include representative offices of foreign-owned and joint-venture banks and branches and locally incorporated subsidiaries of foreign banks. Foreign banks in China were initially subject to certain restrictions on RMB-denominated businesses in terms of geographic presence and customer segment, which were lifted at the end of 2006. As of December 31, 2009, 194 banks from 46 foreign jurisdictions had opened representative offices in China while 33 foreign-owned banks had incorporated in China. At and for the year ended December 31, 2009, foreign financial institutions together accounted for 1.7% of the total assets, 3.8% of the total shareholders' equity and 1.0% of the total net profit of all banking institutions in China.

Other Banking Institutions

Other banking institutions include policy banks, financial asset management companies, trust companies, finance companies, financial leasing companies, automobile finance companies, money brokerage firms and Postal Savings Bank of China. At and for the year ended December 31, 2009, these banking institutions together accounted for 14.2% of the total assets, 16.4% of the total shareholders' equity and 10.2% of the total net profit of all banking institutions in China.

INDUSTRY TRENDS

Enhanced Industry Fundamentals

Since 2003, the transformation of state-owned commercial banks into joint stock commercial banks has had a profound effect on the reform and development of the banking industry in China. Since then, the China banking sector has witnessed significant improvement in corporate governance, risk management, capital strength, profitability, branding and market recognition. From 2005 to 2009, according to the 2009 annual report of the CBRC, the total assets of the banking institutions in China increased by RMB41.3 trillion, representing a CAGR of 20.4%, while shareholders' equity increased by RMB2.8 trillion, representing a CAGR of 27.8%. The asset quality of the banking institutions in China also improved significantly. During the same period, non-performing loans of commercial banks in China decreased from RMB1,313 billion to RMB497 billion and their non-performing loan ratio decreased from 8.61% to 1.58%. In the recent global financial crisis, China's banking sector was in general not materially affected, and, as of the end of 2009, Industrial and Commercial Bank of China, Bank of China and China Construction Bank were ranked among the top global banks in terms of market capitalization.

The following table sets forth the non-performing loan ratios and allowance to non-performing loans of the Large Commercial Banks and Other National Commercial Banks from 2005 to 2009.

	At December 31,				
	2005	2006	2007	2008	2009
	(in percentages)				
Non-performing loan ratio[1]	8.9%	7.5%	6.7%	2.4%	1.6%
Allowance to non-performing loans[2]	24.8%	34.3%	39.2%	117.9%	155.4%

Source: CBRC

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

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

Enhanced Regulation and Supervision

China's banking regulators have established and continue to improve a prudent regulatory framework, and at the same time, continue to push forward China's financial reforms in numerous areas such as corporate governance, internal control, compliance and risk management. In particular, regulations have strengthened information disclosure requirements and coordination and cooperation with domestic and foreign regulators.

Following the global financial crisis in 2008, the CBRC has reinforced its policy objectives towards (i) prudential supervision and (ii) counter-cyclical regulation.

- *Prudential supervision*: the CBRC promulgated rules and regulations to guide commercial banks to further improve their risk management systems and establish effective protocols to prevent excessive exposure to high-risk markets and industries. The regulatory measures covered a full range of potential risks including credit, market, operational and liquidity risks.
- *Counter-cyclical regulation*: the CBRC also promulgated guidelines aimed at encouraging commercial banks to better address the lending needs generated by the growing economy while effectively managing potential risks. Specific measures include encouraging the extension of acquisition loans and specialized management of lending to small businesses, broadening industry scope for project financing and promoting innovative credit guarantee and consumer loan insurance arrangements.

As part of its prudential supervision, the CBRC has promulgated a series of regulations and guidelines in accordance with Basel II to strengthen commercial banks' capital management capabilities. These regulations and guidelines relate to, among others, capital adequacy ratio disclosure, capital measurement and risk exposure calculations.

Substantial and Rapid Growth of Banking Business in the County Areas

Driven by China's fast-paced urbanization and industry migration to the County Areas, the County Area economy has grown rapidly and become increasingly important to China's overall economy over the past decade. The County Areas accounted for 95.2% of China's total landmass and 69.8% of China's total population as of December 31, 2008 and 49.6% of China's total GDP in 2008.

The rapid growth of the County Area economy and the favorable policies implemented by the PRC government have in recent years spurred a fast-growing County Area banking market. However, the penetration rate in the County Area banking market remains relatively low, which represents significant growth potential. In this context, certain Large Commercial Banks and foreign banks have intensified their market expansion efforts in the County Areas. In the meantime, non-traditional rural financial institutions have grown rapidly. As of December 31, 2009, 172 non-traditional rural financial institutions had been established in China. According to the CBRC, as of December 31, 2008, the total outstanding loans of all County Area financial institutions amounted to RMB5,996.6 billion, representing 18.7% of the total loans of all banking institutions in China. The CAGR of the County Area loans reached 16.0% between 2005 and 2008, exceeding the national rate of 15.7% during the same period. See "County Area Banking Business—Strategic Position of the County Area Market—Substantial Growth Potential of County Area Economy—Favorable State Policies" and "Supervision and Regulation—Supervision and Regulation of Agriculture-related Financial Services."

Increasing Demand for Retail Banking Products and Services

Due to rising household income and the resulting life-style change and consumption upgrade, residential mortgage loans, bank cards and other consumer finance products as well as wealth management services have become major growth drivers for Chinese commercial banks. Retail banking is presented with significant growth opportunities associated with increasing consumer demand for more diversified banking products and services. The following table sets forth China's GDP per capita, selected household income and the Large Commercial Banks' retail loan data for the periods indicated.

	At and for the year ended December 31,					
	2005	2006	2007	2008	2009	CAGR
GDP per capita (in RMB)	14,144	16,456	20,117	23,648	25,125	15.4%
Per capita disposable income of urban households (in RMB)	10,493	11,759	13,786	15,781	17,175	13.1
Per capita net income of County Area households (in RMB)	3,255	3,587	4,140	4,761	5,153	12.2
Large Commercial Banks' retail loan balance (in billions of RMB)	1,944	2,229	2,872	3,124	4,543	23.6%
Large Commercial Banks' retail loans as percentage of their total loans	16.8%	17.1%	19.4%	19.4%	21.2%	—

Sources: NBSC, annual reports of the Large Commercial Banks

In addition to traditional retail banking, a new market for wealth management services has emerged as a result of the rapid increase in household wealth and an expanding class of wealthy individuals. Commercial banks have started to offer customized and professional wealth management services to mid- to high-end customers, such as asset allocation, dynamic wealth management and corporate finance advisory services. Following the establishment of private banking business by several foreign banks, domestic commercial banks have also set up their own private banking departments and started to increase their market penetration in private banking services to high net worth individuals.

Expanding Beyond Traditional Commercial Banking Business

In addition to growing traditional banking products and services, the PRC financial services industry has in recent years expanded financial product and service offerings in areas such as financial leasing, fund management and insurance. As of December 31, 2008, seven Chinese commercial banks had jointly invested in or established financial leasing subsidiaries and eight Chinese commercial banks, including us, have established fund management subsidiaries. As of December 31, 2008, bank-owned fund management companies commanded a market share of 12.4% in terms of the total net assets under management in China.

Historically, banks in China were prohibited from underwriting insurance products and services. In November 2009, the CBRC promulgated the *Pilot Administrative Measures for Commercial Banks to Make Equity Investments in Insurance Companies*, permitting commercial banks to invest in the insurance industry. Currently, the PRC government is seeking to establish a mechanism for coordinating regulatory supervision in this regard among the PBOC, MOF, CBRC, CSRC, CIRC and other financial regulators.

As banks continue to expand their financial product and service offerings in non-traditional areas, cross-selling financial products across a bank's integrated branch network and electronic banking has become an important way for banks to increase their fee and commission income. In 2009, according to the information made publicly available by China's 14 listed banks, total fee and commission income of these banks accounted for 16.3% of their total income, compared to 6.4% in 2005. However, this is still substantially lower than more mature overseas banking markets and is expected to increase as domestic banks continue to expand their fee- and commission-based product and service offerings to meet the demand of increasingly sophisticated corporate and retail customers. Accordingly, it is expected that the fee- and commission-based businesses of China's banks will have significant growth potential.

Achieving Competitive Differentiation through Customer Segmentation and Process Reengineering

As China's banks continue to expand the scope and scale of their business, their ability to offer differentiated services to meet customers' diversified banking needs has become an increasingly important part of their core competitiveness.

To promote their competitive differentiation, China's banks have taken various measures including: (i) engaging in market segmentation, defining target customer groups and customizing service offerings; (ii) revamping business models to gain competitive advantages in terms of cost control, quality and customer satisfaction, and (iii) promoting brand awareness.

In addition, China's banks have initiated the reengineering of their management and business processes. Some banks have also (i) established dedicated business units and intensified their marketing efforts to provide customers with one-stop tailored products and services; (ii) further streamlined their credit approval processes and implemented vertical risk management; and (iii) centralized back office management to improve efficiency and reduce operating costs. For example, all Large Commercial Banks have established independent operational management departments and data centers as well as processing and settlement centers.

PRC BANKING SUPERVISION AND REGULATION

Overview

The banking industry in the PRC is highly regulated. The principal regulatory authorities in the PRC banking industry include the CBRC and the PBOC. The CBRC is responsible for supervising and regulating banking institutions, and the PBOC, as the central bank of the PRC, is responsible for formulating and implementing monetary policies. We are also subject to regulation by the MOF. The principal laws and regulations relating to the PRC banking industry are the PRC Commercial Banking Law (中華人民共和國商業銀行法), the PRC PBOC Law (中華人民共和國中國人民銀行法) and the PRC Banking Supervision and Regulatory Law (中華人民共和國銀行業監督管理法), and the rules and regulations promulgated thereunder.

History and Development of the Regulatory Framework

Established on December 1, 1948, the PBOC was initially the primary regulator of the financial industry in the PRC. In January 1986, the State Council promulgated the Interim Regulation of the PRC on the Supervision of Banks (中華人民共和國銀行管理暫行條例), which explicitly provided, for the first time, that the PBOC was the central bank of the PRC and the regulatory authority for the PRC financial industry.

The current regulatory framework of the PRC banking industry began to emerge in 1995 with the enactment of the PRC Commercial Banking Law and the PRC PBOC Law. The PRC Commercial Banking Law was promulgated in May 1995 and laid down the fundamental principles of operations for PRC commercial banks. The PRC PBOC Law, which was enacted in March 1995, provided for the scope of responsibilities and the organizational structure of the PBOC, and authorized the PBOC to administer the Renminbi, implement monetary policies and regulate and supervise the PRC financial industry.

Since then, the regulatory regime of the PRC banking industry has undergone further significant reform and development. The CBRC was established in April 2003 and took over from the PBOC its role as the primary regulator of the PRC banking industry. The CBRC was mandated to implement reforms, minimize overall risks, promote stability and development and enhance the international competitiveness of the PRC banking industry. In December 2003, the PRC Commercial Banking Law and the PRC PBOC Law were amended and, on February 1, 2004, the PRC Banking Supervision and Regulatory Law came into effect. The PRC Banking Supervision and Regulatory Law sets out the regulatory functions and responsibilities of the CBRC.

Principal Regulators

CBRC

Functions and Powers

The CBRC is the principal regulatory authority responsible for the supervision and regulation of banking institutions operating in the PRC, including commercial banks, urban credit cooperatives, rural credit cooperatives, other deposit-taking financial institutions and policy banks, as well as certain non-banking financial institutions, such as financial asset management companies, trust and investment companies, financial companies, financial leasing companies and other financial institutions the establishment of which is subject to the CBRC's approval. The CBRC is also responsible for the supervision and regulation of the entities established by domestic financial institutions outside the PRC

and the overseas operations of the above-mentioned banking and non-banking financial institutions. According to the PRC Banking Supervision and Regulatory Law and relevant regulations, the CBRC's primary regulatory responsibilities include:

- formulating and promulgating rules and regulations governing banking institutions and their activities;
- examining and approving the establishment, change and termination of banking institutions and their scope of business, as well as granting banking licenses to commercial banks and their branches;
- regulating the business activities of banking institutions, including their products and services offered;
- approving or overseeing qualification requirements for directors and senior management personnel of banking institutions;
- setting prudential guidelines and standards for risk management, internal control, capital adequacy, asset quality, allowance for impairment losses, risk concentration, related party transactions and liquidity requirements for banking institutions;
- conducting on-site inspection and off-site surveillance of the business activities and risk levels of banking institutions;
- imposing corrective and punitive measures for violations of applicable banking regulations; and
- drafting and publishing statistics and financial reports of national banking institutions.

Examination and Supervision

The CBRC, through its head office in Beijing and its branches throughout the PRC, monitors the operations of banks and their branches through on-site examinations and off-site surveillance. On-site examinations generally include inspecting a bank's business premises, interviewing its employees, and asking its senior management and directors to explain significant issues relating to its operations and risk management, as well as reviewing relevant documents and materials kept by the bank. Off-site surveillance generally includes reviewing various business reports, financial statements and other reports regularly submitted by banks to the CBRC.

If a banking institution is not in compliance with an applicable banking regulation, the CBRC is authorized to impose corrective and punitive measures, including imposing fines, ordering the suspension of certain business activities, imposing restrictions on dividends and other forms of distributions and asset transfers, and suspending the opening of new branches. In extreme cases or when a commercial bank fails to take corrective action within the time period specified by the CBRC, the CBRC may order a banking institution to suspend operations and revoke its financial operating license. In the event of crisis or failure within a banking institution, the CBRC may assume management control over, or arrange for the restructuring of, such banking institution.

PBOC

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

- promulgate and implement orders and regulations in relation to its duties;
- formulate and implement monetary policy in accordance with laws;
- issue Renminbi and administer its circulation;
- regulate the inter-bank money market and the inter-bank bond market;
- implement foreign exchange controls and regulate the inter-bank foreign exchange market;
- regulate the gold market;
- hold, administer and manage state reserves of foreign exchange and gold;
- manage the national treasury;
- safeguard the normal operation of payment and clearing systems;
- guide and orchestrate the financial industry in its anti-money laundering activities and take responsibility for monitoring capital in respect of anti-money laundering; and
- take responsibility for financial industry statistics, surveys, analyses and forecasts.

MOF

As a ministry under the State Council, the MOF is empowered to perform its duties in respect of state finance, tax and state-owned assets management. The MOF mainly regulates the performance review and compensation systems for senior management of state-controlled banks as well as state-owned assets appraisal. Since the PRC Accounting Standards and Accounting Regulations for Business Enterprises (企業會計準則) issued by the MOF came into effect on January 1, 2007, the MOF is also responsible for monitoring their implementation in the banking industry. The MOF's primary responsibilities include:

- drafting laws and regulations in respect of fiscal, finance and accounting management, enacting rules, organizing international negotiation regarding foreign-related finance and debt and agreeing the form of relevant agreements and accords;
- managing financial state-owned assets, participating in drafting rules in relation to state-owned assets management and administering assets appraisal; and
- monitoring and inspecting the implementation of financial and tax rules and policies, reporting critical issues in fiscal income and expenses management and managing supervision commissioners' offices.

Other Regulatory Authorities

In addition to the above regulators, commercial banks in the PRC are also subject to supervision and regulation by other regulatory authorities, including the SAFE, the CSRC, the CIRC, the NAO and the SAT.

Licensing Requirements

Basic Requirements

The PRC Commercial Banking Law and the Measures for Implementation of Administrative Licensing Matters Concerning Chinese-funded Commercial Banks (中資商業銀行行政許可事項實施辦法), effective from February 1, 2006, set out the permitted scope of business, licensing standards and other requirements in respect of commercial banks. The establishment of a commercial bank requires the CBRC's approval and issuance of an operating license. The conditions include:

- the articles of association of the proposed commercial bank complying with relevant requirements of the PRC Commercial Banking Law and the PRC Company Law;
- the registered capital of the proposed commercial bank meeting the minimum requirement under the PRC Commercial Banking Law, which is RMB1 billion, RMB100 million and RMB50 million for a national commercial bank, a city commercial bank and a rural commercial bank, respectively;
- the directors and the senior management of the proposed commercial bank possessing the requisite qualifications;
- the organizational structure and management system of the proposed commercial bank being properly established; and
- the safety and security of the business premises and other facilities of the proposed commercial bank, as well as their security measures complying with relevant requirements.

Significant Changes

Banks are required to obtain the CBRC's approval to undertake significant changes, including:

- change of name;
- change of registered capital;
- change of location of head office;
- change of business scope;
- purchase of an equity interest in the bank that results in the purchaser becoming a holder of 5% or more of the bank's shares, and any change of shareholders holding 5% or more of the bank's total capital or shares;
- amendment to the articles of association;
- merger or division; and
- dissolution and liquidation.

Establishment of Branches

Domestic Branches

A commercial bank must apply to the CBRC or its local offices for approval and issuance of a business license and banking license to establish a branch. To obtain such business license and banking license, the branch must have sufficient operating funds commensurate with its scale and must meet

other operating requirements. A commercial bank is required to allocate a minimum amount of operating funds for each branch, and the total of the operating funds provided to all branches of a commercial bank may not exceed 60% of its total capital.

Overseas Branches

The establishment of overseas branches by a PRC commercial bank is subject to the CBRC's approval in addition to compliance with all applicable regulations in the relevant foreign jurisdictions. The bank making such application must comply with the following conditions:

- its capital adequacy ratio should not be lower than 8%;
- in principle, the balance of equity investment should not exceed 50% of its net assets;
- it was profitable for the past three consecutive fiscal years;
- the balance of its assets was no less than RMB100 billion at the end of the year immediately prior to the application;
- it has legal and sufficient foreign exchange sources;
- it has a good corporate governance system as well as sound and efficient internal control measures in place;
- the major indicators for prudential controls and management fulfill regulatory requirements; and
- other prudential conditions required by the CBRC are satisfied.

Scope of Business

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

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

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

Regulation of Principal Commercial Banking Activities

Lending

To control risks relating to credit extension, PRC banking regulations require that commercial banks should, among other things: (i) establish a strict and unified credit risk management system; (ii) establish standard operation procedures for each step in the extension of credit, including conducting due diligence investigations before granting credit facilities, monitoring borrowers' repayment ability and preparing credit assessment reports on a regular basis; and (iii) make arrangements to appoint qualified risk control personnel.

The CBRC has also issued guidelines and measures to control risks in connection with related party loans. See "—PRC Banking Supervision and Regulation—Corporate Governance and Internal Control—Transactions with Related Parties."

On July 23, 2009, the CBRC issued the Interim Measures for the Administration of Fixed Asset Loans (固定資產貸款管理暫行辦法) to ensure that loans flow to efficient real economy and critical projects, prevent credit risk, optimize lending structure, improve lending management quality of banking institutions, avoid systematic risk in the banking industry as well as promote risk management capabilities of banking institutions.

In addition, the CBRC has issued regulations concerning loans and credit granted to certain specific industries and customers in an effort to control the credit risk of PRC commercial banks. These mainly include:

- the Guidelines on the Management of Risks of Credit Granted by Commercial Banks to Group Borrowers (商業銀行集團客戶授信業務風險管理指引), which require commercial banks to establish a risk management system of credit granted to group borrowers and file with the CBRC. Under the circumstance that the credit exposure to a single group borrower of a commercial bank exceeds 15% of its regulatory capital, the commercial bank shall adopt measures, including syndicated loans, joint loans and transfer of loans, to disperse risks. In line with prudential supervision requirement, the CBRC may lower the ratio for credit exposure to a single group borrower;
- the Guidelines on the Management of Risks of Real Estate Credit Granted by Commercial Banks (商業銀行房地產貸款風險管理指引), which require commercial banks to establish real estate credit review and approval standards as well as a risk management and internal control system in connection with market risk, legal risk and operational risk to real estate credit. Commercial banks are not allowed to issue real estate development loans to borrowers without land use right certificate and relevant permissions. The CBRC conducts a periodic inspection of the implementation of the guidelines;
- the Automobile Loan Measures (汽車貸款管理辦法), which require commercial banks to establish a credit rating system and monitoring system in connection with automobile loans. The measures also set out certain conditions for automobile loans application. In addition, the amount of automobile loans shall not exceed 80% of the price of vehicles for

self-use purpose, 70% of the price of vehicles for commercial purpose and 50% of the price of second-hand vehicles. Commercial banks shall also require borrowers to provide security over their vehicles or other types of security for automobile loans;

- the Interim Measures for the Administration of Working Capital Loans (流動資金貸款管理暫行辦法), which require commercial banks to establish effective internal control and risk management systems to monitor the use of working capital loans and get full access to customer information. Commercial banks shall take reasonable and prudential measures to compute actual demand of clients and determine the amount of loans which shall not exceed actual demand of clients. Commercial banks shall set out definitive and legitimate purpose for working capital loans. Such working capital loans shall not be used for fixed assets investment and equity investment or for fields or purposes as prohibited by laws;
- the Guidelines on the Management of Risks of Merger and Acquisition Credit Granted by Commercial Banks (商業銀行併購貸款風險管理指引), which require commercial banks to establish an operation flow and internal control system pursuant to the guidelines and launch their implementation following reporting to the CBRC. Commercial banks are allowed to operate merger and acquisition credit business if they meet the following requirements: (i) a sound risk management system and an effective internal control system are established; (ii) allowance adequacy ratio for loan impairment is not less than 100%; (iii) capital adequacy ratio is not less than 10%; (iv) general reserve is not less than 1% of the balance of loans for the same period; and (v) professional team for due diligence and risk evaluation is formed. The guidelines also set out certain requirements for risks evaluation and control in relation to merger and acquisition, including overall strategic risk, legal and compliance risk, consolidation risk, operational risk and financial risk;
- the Interim Measures for the Administration of Personal Loans (個人貸款管理暫行辦法), which require commercial banks to establish an effective full process management mechanism and risk limit management system in connection with personal loans. The measures also set out certain conditions for personal loans application. The use of personal loans should comply with relevant laws and policies. Commercial banks must specify the purpose for personal loans; and
- the Guidelines on Project Financing Business (項目融資業務指引), which require banking institutions to establish a sound operation flow and risk management mechanism. Banking institutions shall fully identify and evaluate risks in association with project construction period and operation period, including policy risk, financing risk, completion risk, product market risk, over-budget risk, raw material risk, operational risk, exchange rate risk, environmental risk and other related risk. Banking institutions shall also focus on borrowers' repayment capability to evaluate risks on the aspects of technical and financial feasibility as well as repayment sources. In addition, banking institutions shall require borrowers to set up a designated account to receive all revenues from projects, monitor the account and take actions in case of unusual movements.

We adopt certain rules and measures to comply with the above regulations issued by the CBRC. We also further enhance our risk management and internal control capabilities in respect of loans and credit granted to certain specific industries and customers.

Foreign Exchange Business

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

Securities and Asset Management Businesses

Commercial banks in the PRC are generally prohibited from trading and underwriting equity securities. Commercial banks in the PRC are permitted to:

- underwrite and deal in PRC government bonds, financial institution bonds and commercial bonds issued by qualified non-financial institutions;
- act as agents in transactions involving securities, including bonds issued by the PRC government, financial institutions and other corporate entities;
- provide institutional and individual investors with comprehensive asset management advisory services;
- act as financial advisors in connection with large infrastructure projects, mergers and acquisitions transactions and bankruptcy reorganizations; and
- act as custodians for funds, including securities investment funds and corporate annuity funds.

Under the Administrative Measures on Qualifications for Securities Investment Fund Custodianship (證券投資基金託管資格管理辦法) promulgated jointly by the CSRC and the CBRC on November 29, 2004 and effective on January 1, 2005, a commercial bank is permitted to apply for the qualification to engage in the securities investment fund custodian business, if, among other requirements, such commercial bank had net assets at the year-end of not less than RMB2 billion for each of the latest three fiscal years and its capital adequacy ratio fulfills the relevant regulatory requirements. The fund custodian must ensure the separation of its custodian business from its other businesses, as well as the independence of its fund assets. The CSRC and the CBRC are jointly responsible for examining and approving the qualifications and supervising the activities of fund custodians. In addition, senior managers of a commercial bank's fund custody department must have certain qualifications and their appointments must obtain approval by the CSRC. According to the Interim Measures for the Administration of Corporate Annuity Funds (企業年金基金管理試行辦法) promulgated jointly by the Ministry of Labor and Social Security, the CBRC and other authorities on February 23, 2004 and effective on May 1, 2004, commercial banks are required to file with the CBRC to act as custodian for corporate annuity funds and establish a specialized funds custodian department.

Insurance

Commercial banks in the PRC are not permitted to underwrite insurance policies, but are permitted to act as agents to sell insurance products through their distribution networks. Commercial banks that conduct agency sales of insurance products are required to comply with applicable rules issued by the CIRC. Pursuant to the Interim Measures on the Administration of Ancillary Agency Insurance Business (保險兼業代理管理暫行辦法) promulgated by the CIRC on August 4, 2000, commercial banks are required to obtain licenses from the CIRC before conducting insurance agency business. Pursuant to the Notice Regarding Standardization of Insurance Agency Business Conducted

by Banks (關於規範銀行代理保險業務的通知) issued jointly by the CIRC and the CBRC on June 15, 2006, such licenses are required for all main branches of commercial banks conducting such business.

On January 13, 2010, the CIRC and the CBRC jointly promulgated the Circular on Strengthening Restructuring and Improving the Healthy Development of Banks' Life Insurance Agency Services (關於加強銀行代理壽險業務結構調整促進銀行代理壽險業務健康發展的通知) which enhanced supervision over life insurance agency licenses. The circular requires all commercial banks to obtain a license issued by the CIRC before engaging in life insurance agency business through their outlets.

Personal Wealth Management Services

In September 2005, the CBRC issued the Provisional Administrative Measures on the Personal Wealth Management Business of Commercial Banks (商業銀行個人理財業務管理暫行辦法). Under these measures, commercial banks are required to obtain CBRC approval to provide certain wealth management services whereas in respect of certain other wealth management services, they are only required to submit a report to the CBRC. Commercial banks are also subject to certain restrictions on offering products under personal wealth management plans. In addition, under the Guidelines on Risk Management Regarding Personal Wealth Management Services of Commercial Banks (商業銀行個人理財業務風險管理指引) issued by the CBRC in September 2005, commercial banks are required to establish an auditing and reporting system in respect of their wealth management services and to report to the relevant authorities any material risk management problems. Thereafter, the CBRC issued a series of documents in an effort to further improve the reporting mechanism and risk control for personal wealth management services provided by commercial banks.

In addition to domestic wealth management business, the PBOC, the CBRC, and the SAFE jointly promulgated the Provisional Measures for Overseas Wealth Management by Commercial Banks (商業銀行開辦代客境外理財業務管理暫行辦法) which came into effect on April 17, 2006 and permit duly licensed commercial banks to make overseas investments in pre-approved financial products on behalf of domestic institutions and individuals.

Electronic Banking

In January 2006, the CBRC issued the Administrative Measures Regulating Electronic Banking Business (電子銀行業務管理辦法) and Security Evaluation Guidelines on Electronic Banking (電子銀行安全評估指引) in an effort to enhance risk management and security standards in this sector. All banking institutions applying to establish an e-banking business are required to have sound internal control and risk management systems and should not have any major incidents relating to their primary information management and operations processing systems in the year immediately prior to the application. In addition, all banking institutions conducting e-banking business must adopt security measures to maintain information confidentiality and prevent the unauthorized use of e-banking accounts.

Proprietary Investments

In general, commercial banks in the PRC are prohibited from making domestic investments other than in debt instruments issued by the PRC government and financial institutions, short-term commercial paper, medium term notes and corporate bonds issued by qualified non-financial institutions, and certain derivative products. Unless approved by the PRC government, commercial banks in the PRC are prohibited from engaging in trust investment and securities businesses, investing in real property (other than for their own use) or investing in non-banking financial institutions and enterprises.

Derivatives

On February 4, 2004, the CBRC issued the Provisional Administrative Measures on Derivative Business of Financial Institutions (金融機構衍生產品交易業務管理暫行辦法), which set out, among other things, detailed regulations on market access and risk management for the derivatives business conducted by financial institutions. In accordance with the provisional measures, commercial banks in the PRC seeking to conduct derivatives business must meet relevant qualification requirements and obtain prior approval from the CBRC. On March 22, 2005, the CBRC issued the Circular on Risk Alert Regarding Trading of Derivative Products by Domestic Banks (關於對中資銀行衍生產品交易業務進行風險提示的通知), amended the Tentative Administrative Measures on the Management of Dealings in Derivative Products of Financial Institutions (金融機構衍生產品交易業務管理暫行辦法) on December 28, 2006 (effective from July 3, 2007), and issued the Notice to Further Strengthen Risk Management of Derivative Product Transaction between Banking Institutions and Institutional Customer (關於進一步加強銀行業金融機構與機構客戶交易衍生產品風險管理的通知) on July 31, 2009 in an effort to further strengthen the risk management of derivatives business conducted by commercial banks in the PRC.

Support for, and Encouragement of, Financial Innovation by PRC Commercial Banks

In December 2006, the CBRC promulgated the Guidelines on Financial Innovation of Commercial Banks (商業銀行金融創新指引), the purpose of which is to encourage PRC commercial banks to engage prudently in financial innovation-related activities, including developing new businesses and products and improving existing businesses and products, expanding their scope of business, improving cost efficiency and profitability, and reducing their reliance on lending business for profits. To facilitate financial innovation by PRC commercial banks, the CBRC has indicated that it will streamline the examination and approval procedures for new products and increase the efficiency of the examination and approval process.

Supervision and Regulation of Agriculture-related Financial Services

The PRC regulatory authorities have issued a number of rules and policies to regulate and encourage agriculture-related financial services.

In December 2006, the CBRC issued the Guidelines on Adjustment to and Relaxation of Rural Area Banking Business Entry Policy and Better Support for Developing a New Countryside (關於調整放寬農村地區銀行業金融機構准入政策更好支持社會主義新農村建設的若干意見) which, under the principle of maintaining sustainable business, adjust and relax policy regarding business entry to rural areas by banking institutions and lower the entry threshold.

In January 2007, the CBRC issued the Practice Guidelines on Approval for Establishment of Township Banks (村鎮銀行組建審批工作指引) and the Provisional Rules on Township Bank Management (村鎮銀行管理暫行規定), which set out standards for establishment and management of township banks.

In August 2007, the CBRC released the Guidelines on Promotion of Rural Small Loans by Banking Institutions (關於銀行業金融機構大力發展農村小額貸款業務的指導意見), which allow all banking institutions to issue small loans to rural borrowers. Pursuant to such guidelines, rural borrowers eligible for such loans include traditional rural households and various small businesses; such small loans are targeted at important areas and key sectors which are conducive to the County Area development; the limit for such small loans is raised to the range of RMB100,000 to RMB300,000 in developed areas

and RMB10,000 to RMB50,000 in less developed areas; jointly secured loan limits can be duly increased based on credit limits; and the maturities of the loans can be extended up to three years.

In April 2008, the PBOC and the CBRC jointly issued the Notice on Certain Policies Regarding Township Banks, Loan Companies, Rural Mutual Cooperatives and Small Loan Companies (關於村鎮銀行、貸款公司、農村資金互助社、小額貸款公司有關政策的通知), which sets out certain supervision measures, including measures regarding deposit reserve, interest rates for loan and deposit, payment and settlement and accounting management, to guide and boost sustainable development of such institutions.

In October 2008, the PBOC and the CBRC jointly promulgated the Guidelines on Acceleration of Innovation of Rural Financial Products and Services (關於加快農村金融產品和服務方式創新的意見), which allow pilot innovation programs for promoting rural financial product and service innovations in certain counties and municipalities located in the six provinces of Central China and the three provinces of Northeastern China which are main crop production areas or have solid bases for County Area economic development.

In December 2008, the General Office of State Council issued Several Opinions on Promotion of Economic Development with Financial Policies (關於當前金融促進經濟發展的若干意見), which enhance policy support for rural finance and direct more loans to rural areas.

In January 2009, the CBRC issued the Notice on Adjustment to Certain Loan Supervision Policy and Promotion of Stable Economic Development (關於當前調整部分信貸監管政策促進經濟穩健發展的通知), which makes proper adjustment to relevant loan supervision rules and requirements, emphasizes differentiating loan management and review policy for agriculture-related loans and strengthens issuance of agriculture-related loans.

In June 2009, the CBRC issued the Provisional Rules on Conversion of Small Loan Companies into Township Banks (小額貸款公司改制設立村鎮銀行暫行規定), which require banking institutions to promote the conversion of small loan companies into township banks to develop the financial market in the County Areas and enhance support for Sannong and SMEs.

In July 2009, the CBRC released the Notice on Relevant Issues to Implement Non-traditional Rural Financial Institutions Overall Work Arrangement for 2009-2011 (中國銀監會關於做好<新型農村金融機構2009年-2011年總體工作安排>有關事項的通知) to foster the development of new rural financial institutions.

In April 2010, the CBRC and the CIRC jointly promulgated the Guidelines on Enhancing Cooperation Between Agriculture-related Loans and Agriculture-related Insurance (關於加強涉農信貸與涉農保險合作的意見), which introduce mechanisms for agriculture-related insurance to disperse agriculture-related loan risks, improve loan availability for rural borrowers and further resolve the credit availability problem in rural areas.

In April 2009, the CBRC issued the Guidelines to Agricultural Bank of China's County Area Banking Division Reform and Regulations (中國農業銀行三農金融事業部制改革與監管指引) (the "Guidelines"), which require us to establish sound organizational structure and operational mechanism for our County Area Banking Business and set out certain regulatory indicators to be calculated under PRC GAAP, including (in particular those which are mandatory):

- the ratio of our new loans to new deposits in respect of our County Area Banking Business shall in principle reach 50% within the year following the completion of our financial restructuring;

- the ratio of our outstanding loans to outstanding deposits in respect of our County Area Banking Business shall strive to exceed 50% within five years;
- the loan growth rate of our County Area Banking Business shall not be less than the growth rate of our total loans;
- the percentage of the assets of our County Area Banking Business to our total assets and the percentage of the liabilities of our County Area Banking Business to our total liabilities, shall not be less than their respective percentages as of the end of the year in which our financial restructuring was completed and strive to reach stable growth;
- the cost-to-income ratio of our County Area Banking Business shall be less than 50% starting from the year following the completion of our financial restructuring;
- the return on assets in respect of our County Area Banking Business shall reach 0.5% in the year following the completion of our financial restructuring and shall exceed 0.8% within the next several years thereafter;
- the non-performing loan ratio of our County Area Banking Business shall in principle be less than 5%; and
- the allowance coverage ratio of our County Area Banking Business shall not be less than 60% at the end of the year in which our financial restructuring was completed and shall strive to increase to 100% within three years thereafter.

Pursuant to the requirements under the Guidelines, we endeavor to establish operational management, risk management and internal control systems in respect of our County Area Banking Business division and aim to improve the service and competitiveness of our County Area Banking Business. As of December 31, 2009, total assets of our County Area Banking Business amounted to 36.4% of our total assets; total liabilities of our County Area Banking Business amounted to 37.7% of our total liabilities; outstanding loans of our County Area Banking Business increased by 43.4% from December 31, 2008, 9.9 percentage points higher than the growth rate of our total loans; the loan-to-deposit ratio of our County Area Banking Business amounted to 39.3%, 6.2 percentage points higher than the ratio at December 31, 2008; and our return on assets, non-performing loan ratio, allowance coverage ratio and cost-to-income ratio were 0.62%, 3.69%, 98.3% and 50.5%, respectively (in each case calculated in accordance with PRC GAAP). According to the Guidelines, if we fail to comply with the relevant ratio requirements set in the Guideline, the CBRC will require us to rectify such non-compliance within a prescribed period and if we fail to rectify the non-compliance or do not take any rectification measures within the prescribed period, the CBRC may take further regulatory actions. Although the percentage of the assets of the County Area Banking Business in our total assets, the percentage of the liabilities of the County Area Banking Business in our total liabilities and the cost-to-income ratio at December 31, 2009 did not comply with the requirements of the Guideline, we have not been subject to any regulatory actions for such non-compliance as of the Latest Practicable Date.

We will adopt certain measures to comply with the requirements under the Guidelines, including: (i) endeavoring to boost the implementation of our County Area Banking Business development plan; (ii) promoting the implementation of our County Area Banking Business division reform to further improve our managerial system and operational mechanism; (iii) strengthening performance evaluation and improving our operational efficiency in our County Area Banking Business; (iv) enhancing our County Area market penetration and issuance of loans to the County Areas and improving our services and competitiveness; and (v) further building our risk management system in respect of our County Area

Banking Business to maintain its risk indicators in a reasonable range. We will endeavor to comply with the relevant requirements of the Guidelines.

Pricing of Products and Services

Interest Rates for Loans and Deposits

Interest rates for RMB-denominated loans and deposits were historically set by the PBOC. In accordance with the PRC Commercial Banking Law, each commercial bank is required to determine its loan rate in accordance with the minimum limit of loan rate and its deposit rate in accordance with the maximum limit of deposit rate set by the PBOC, respectively. In recent years, the PBOC has gradually liberalized its regulation of interest rates, allowing banks more discretion to determine the interest rates for RMB-denominated loans and deposits. The following table sets forth, for the periods indicated, the permitted range of interest rates for RMB-denominated loans and deposits.

	Loans Since 10/29/2004[1]	Deposits Since 10/29/2004[2]
Maximum interest rates	No cap (up to 230% of the PBOC benchmark rate for rural and urban credit cooperatives)	PBOC benchmark rate, except for negotiated deposits
Minimum interest rates	Not lower than 90% of the PBOC benchmark rate	No minimum

(1) From March 17, 2005 to August 18, 2006, interest rates for residential mortgage loans were regulated in the same way as most other types of loans. Since August 19, 2006, the minimum interest rates for personal commercial residential mortgage loans have been changed to 85% of the PBOC loan benchmark rate. Since October 27, 2008, the minimum interest rates for personal commercial residential mortgage loans have been changed to 70% of the PBOC loan benchmark rate.

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

From August 19, 2006 to December 23, 2008, the PBOC adjusted the benchmark rate for RMB-denominated loans and the benchmark rate for RMB-denominated deposits upon 12 occasions and 11 occasions respectively. Since then and up to the Latest Practicable Date, the PBOC has not adjusted the benchmark rate for RMB-denominated loans and the benchmark rate for RMB-denominated deposits.

The following table sets forth the PBOC benchmark rates for Renminbi loans since August 19, 2006.

Date of adjustment	Six months or less	Six months to one year (inclusive of one year)	One to three years (inclusive of three years)	Three to five years (inclusive of five years)	More than five years	Residential Mortgage Loans		Housing Provident Fund Loans	
						Five years or less	More than five years	Five years or less	More than five years
	(Interest rate per annum %)								
August 19, 2006	5.58	6.12	6.30	6.48	6.84	6.48	6.84	4.14	4.59
March 18, 2007	5.67	6.39	6.57	6.75	7.11	6.75	7.11	4.32	4.77
May 19, 2007	5.85	6.57	6.75	6.93	7.20	6.93	7.20	4.41	4.86
July 21, 2007	6.03	6.84	7.02	7.20	7.38	7.20	7.38	4.50	4.95
August 22, 2007	6.21	7.02	7.20	7.38	7.56	7.38	7.56	4.59	5.04
September 15, 2007	6.48	7.29	7.47	7.65	7.83	7.65	7.83	4.77	5.22
December 21, 2007	6.57	7.47	7.56	7.74	7.83	7.74	7.83	4.77	5.22
September 16, 2008	6.21	7.20	7.29	7.56	7.74	7.56	7.74	4.59	5.13
October 9, 2008	6.12	6.93	7.02	7.29	7.47	7.29	7.47	4.32	4.86
October 30, 2008	6.03	6.66	6.75	7.02	7.20	7.02	7.20	4.05	4.59
November 27, 2008	5.04	5.58	5.67	5.94	6.12	5.94	6.12	3.51	4.05
December 23, 2008	4.86	5.31	5.40	5.76	5.94	5.76	5.94	3.33	3.87

The following table sets forth the PBOC benchmark rates for Renminbi deposits since August 19, 2006.

Date of adjustment	Demand deposits	Time deposits					
		Three months	Six months	One year	Two years	Three years	Five years
	(Interest rate per annum %)						
August 19, 2006	0.72	1.80	2.25	2.52	3.06	3.69	4.14
March 18, 2007	0.72	1.98	2.43	2.79	3.33	3.96	4.41
May 19, 2007	0.72	2.07	2.61	3.06	3.69	4.41	4.95
July 21, 2007	0.81	2.34	2.88	3.33	3.96	4.68	5.22
August 22, 2007	0.81	2.61	3.15	3.60	4.23	4.95	5.49
September 15, 2007	0.81	2.88	3.42	3.87	4.50	5.22	5.76
December 21, 2007	0.72	3.33	3.78	4.14	4.68	5.40	5.85
October 9, 2008	0.72	3.15	3.51	3.87	4.41	5.13	5.58
October 30, 2008	0.72	2.88	3.24	3.60	4.14	4.77	5.13
November 27, 2008	0.36	1.98	2.25	2.52	3.06	3.60	3.87
December 23, 2008	0.36	1.71	1.98	2.25	2.79	3.33	3.60

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

Commercial banks may determine the discount rate based on the rediscount rate set by the PBOC provided that the discount rate is not in excess of the PBOC benchmark rates of the same period for Renminbi loans. On March 25, 2004, the PBOC set the rediscount rate to commercial banks at 3.24% per annum, which was raised to 4.32% on January 1, 2008, lowered to 2.97% on November 27, 2008 and then further lowered to 1.80% on December 23, 2008.

Pricing for Fee- and Commission-based Products and Services

Under the Tentative Administrative Measures on Pricing of Commercial Banking Services (商業銀行服務價格管理暫行辦法) jointly promulgated by the CBRC and the NDRC on June 26, 2003 and effective on October 1, 2003, services which are subject to governmental pricing guidelines include basic RMB settlement services, such as bank drafts, bank acceptance drafts, promissory notes, checks, remittances and entrusted collection, and other services specified by the CBRC and the NDRC. Fees for other products and services are determined based on market conditions. Commercial banks are also required to report to the CBRC at least 15 business days prior to the implementation of any new fee schedules and to post such fee schedules at their business premises at least ten business days prior to such implementation.

Required Deposit Reserve

Commercial banks are required to maintain a percentage of their total deposits as reserves with the PBOC to ensure they have sufficient liquidity to meet customer withdrawals. Currently, large state-owned commercial banks are required to maintain a deposit reserve equal to 17% of their total outstanding RMB deposits according to the relevant requirements of the PBOC.

The following table sets forth the historical values of the RMB statutory reserve ratios applicable to large deposit-taking financial institutions for recent years. Throughout the Track Record Period, we have complied with the relevant requirements of the PBOC. There has been no adjustment to the statutory reserve ratio from May 10, 2010 up to the Latest Practicable Date.

Date of adjustment	Renminbi required reserve ratios (%)
January 15, 2007	9.5
February 25, 2007	10.0
April 16, 2007	10.5
May 15, 2007	11.0
June 5, 2007	11.5
August 15, 2007	12.0
September 25, 2007	12.5
October 25, 2007	13.0
November 26, 2007	13.5
December 25, 2007	14.5
January 25, 2008	15.0
March 25, 2008	15.5
April 25, 2008	16.0
May 20, 2008	16.5
June 15, 2008	17.0
June 25, 2008	17.5
September 25, 2008	17.5
October 15, 2008	17.0
December 5, 2008	16.0
December 25, 2008	15.5
January 18, 2010	16.0
February 25, 2010	16.5
May 10, 2010	17.0

Supervision Over Capital Adequacy

Capital Adequacy Guidelines

Prior to March 1, 2004, commercial banks were required to maintain a minimum capital adequacy ratio of 8% and a minimum core capital adequacy ratio of 4%, calculated based on the following formulae under PRC GAAP:

$$\text{Capital adequacy ratio} = \frac{\text{Capital} - \text{capital deductions}}{\text{On-and off-balance sheet risk weighted assets}} \times 100\%$$

$$\text{Core capital adequacy ratio} = \frac{\text{Core capital} - \text{core capital deductions}}{\text{On-and off-balance sheet risk weighted assets}} \times 100\%$$

On February 23, 2004, the CBRC promulgated the New Capital Adequacy Regulations, which became effective on March 1, 2004 and was amended on July 3, 2007. While the New Capital Adequacy Regulations did not change the pre-existing requirements of an 8% capital adequacy ratio and a 4% core capital adequacy ratio, it amended the risk weighting for various assets, adjusted the components of capital and included a capital charge for market risk in the calculation of capital adequacy ratios. In addition, the New Capital Adequacy Regulations require commercial banks to make adequate allowance for various impairment losses, including those associated with loans, before calculating their capital adequacy ratios. These changes resulted in a more stringent capital adequacy requirement.

In accordance with the New Capital Adequacy Regulations, capital adequacy ratio and core capital adequacy ratio are calculated based on the following formulae under PRC GAAP:

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

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

Components of Capital

Regulatory capital is composed of core capital and supplementary capital after subtracting relevant capital deductions. Supplementary capital may not exceed core capital. Core capital includes the following:

- paid-in capital or common shares;
- capital reserves;
- surplus and general reserves;
- retained earnings; and
- minority interests.

Supplementary capital includes the following:

- up to 70% of the revaluation reserve;
- the general allowance for impairment losses under the CBRC's requirements. See "—PRC Banking Supervision and Regulation—Loan Classification, Allowances and Write-offs—

Loan Classification" and "—PRC Banking Supervision and Regulation—Loan Classification, Allowances and Write-offs—Loan Allowances";

- preferred shares;
- qualifying bonds convertible into common shares;
- qualifying subordinated debt, which may not exceed 25% of core capital for national commercial banks;
- hybrid capital bonds; and
- changes in fair value (the positive change, but no more than 50%, to the fair value of available-for-sale bonds that have been calculated as part of the owners' equity interests may be calculated into supplementary capital; and the negative change to the fair value shall be deducted from supplementary capital. When a commercial bank calculates the capital adequacy ratio, it shall transfer the fair value of available-for-sale bonds that have been calculated into the capital reserves from the core capital into the supplementary capital).

Capital deductions consist of the following:

- goodwill;
- equity investments in non-consolidated financial institutions; and
- capital investments in real estate not used for the bank's own operations or equity investments in non-banking financial institutions and enterprises.

Core capital deductions consist of the following:

- goodwill;
- 50% of equity investments in non-consolidated financial institutions; and
- 50% of capital investments in real estate not used for the bank's own operations or equity investments in non-banking financial institutions and enterprises.

Risk-weighted Assets

The New Capital Adequacy Regulations provide that, for on-balance sheet items, risk-weighted assets should be calculated by deducting any allowance for impairment losses and then multiplying the amount by their corresponding risk weighting (after taking into account risk mitigating factors). For off-balance sheet items, including foreign exchange contracts, interest rate contracts and other derivative contracts, the nominal principal amount should be first converted to balance sheet credit equivalent amounts by multiplying such amount by a credit conversion factor. In addition, assets secured by certain types of pledges or guarantees are allocated the risk weighting applicable to the pledges or guarantors. Partially pledged or guaranteed loans receive such lower risk weighting only on the portion of the loan that is pledged or guaranteed. The following table sets forth risk weightings for different assets.

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

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

Market Risk Capital

Market risk capital refers to the capital that a bank is required to maintain for the market risks relating to its assets. Market risk refers to the risk of losses in on- and off-balance sheet asset value arising from movements in market prices and includes risks relating to interest rate-sensitive financial instruments and securities under trading accounts, exchange rate risk and commercial banking product-related risks. Since the first quarter of 2005, domestic banks with total trading books position greater than the lower of RMB8.5 billion and 10% of the bank's total on- and off-balance sheet assets are

required to take into consideration market risk arising from trading activities when determining capital adequacy.

Issuance of Subordinated Debt and Subordinated Bonds

Since June 17, 2004, PRC commercial banks have been permitted to issue bonds which are subordinated to the banks' other liabilities but are senior to the banks' equity capital, according to the Measures for Administration on Issuance of Subordinated Bonds of Commercial Banks (商業銀行次級債券發行管理辦法) jointly issued by the PBOC and the CBRC. PRC commercial banks may, upon approval by the CBRC, include such subordinated bonds in the banks' supplementary capital. Subordinated bonds can be issued either in a public offering in the inter-bank bond market or in a private placement. PRC commercial banks may not hold an aggregate amount of subordinated debt issued by other banks in excess of 20% of their core capital. The issuance of subordinated debt by PRC commercial banks is subject to the approval of the CBRC. The PBOC regulates the issuance and trading of subordinated bonds in the inter-bank bond market.

On December 12, 2005, the CBRC issued the Notice Regarding the Issuance of Hybrid Capital Bonds by Commercial Banks for the Replenishment of Supplementary Capital (關於商業銀行發行混合資本債券補充附屬資本有關問題的通知), permitting eligible commercial banks to issue hybrid capital bonds in the inter-bank market and include such bonds in their supplementary capital. The introduction of hybrid capital bonds in the PRC has opened a new channel for commercial banks to replenish their supplementary capital and improve their capital adequacy ratio.

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

CBRC Supervision of Capital Adequacy

The CBRC is responsible for supervising the capital adequacy of banking institutions in the PRC. It reviews and evaluates banking institutions' capital adequacy through both on-site examination and off-site surveillance. Commercial banks are required to report to the CBRC their period-end unconsolidated capital adequacy ratios on a quarterly basis and their consolidated capital adequacy ratios on a semi-annual basis. Commercial banks are classified into three categories based on their capital adequacy ratios as follows:

Category	Capital adequacy ratio		Core capital adequacy ratio
Adequately capitalized banks	not less than 8%	and	not less than 4%
Undercapitalized banks	less than 8%	or	less than 4%
Significantly undercapitalized banks	less than 4%	or	less than 2%

If a bank is not in compliance with the capital adequacy requirements, depending on the degree of its undercapitalization, the CBRC may take various actions, including:

- issuing a supervisory notice;
- requiring the bank to submit and implement an acceptable capital replenishment plan within two months;
- restricting asset growth;
- reducing higher-risk assets;
- restricting the purchase of fixed assets; and
- restricting dividends and other forms of distributions.

In addition, depending on the risk level of the bank and its implementation of a capital replenishment plan, the CBRC may prohibit such bank from establishing new branches or launching new services or suspend the bank's entire business (except for low-risk activities).

The CBRC may require significantly undercapitalized banks to take further actions, including changes to senior management, transfer of control, restructuring of operations, or, in the most severe case, closure in accordance with relevant laws and regulations.

Basel Accords

The Basel Capital Accord, or Basel I, was introduced by the Basel Committee on Banking Supervision, or the Basel Committee, in 1988. Basel I is a capital measurement system for banks that provides for the implementation of a credit risk measurement framework with a minimum capital standard of 8%. Since 1998, the Basel Committee has issued certain proposals for the New Capital Accord, or Basel II, to replace Basel I. Basel II retains the key elements of Basel I, including the general requirement for banks to hold total capital equivalent to at least 8% of their risk-weighted assets, but seeks to improve the capital framework in various key respects, including (i) establishment of the "three pillars" framework, namely the first pillar "minimum capital standard," the second pillar "supervision and regulation by regulatory authorities" and the third pillar "information disclosure"; and (ii) introducing material changes to the calculation of capital adequacy and adopting simple to complicated and diversified approaches.

The CBRC promulgated and amended the New Capital Adequacy Regulations on February 23, 2004 and July 3, 2007, respectively. The CBRC has advised that the New Capital Adequacy Regulations are based on Basel I while taking into consideration certain aspects of Basel II. On February 28, 2007, the CBRC issued the Guidelines on Implementation of the New Capital Accord in PRC Banking Industry (中國銀行業實施新資本協議指導意見), which require large commercial banks, which have set up active operational entities in other countries or regions (including Hong Kong and Macau) and have a significant international business, to implement Basel II by the end of 2010, or upon the CBRC's approval, no later than the end of 2013. To facilitate preparations for the implementation of Basel II, the CBRC adopted the first series of supervision guidelines in respect of implementation of Basel II in September 2008, including the Guidelines on Classification of Commercial Bank Account Credit Risks Exposure (商業銀行銀行賬戶信用風險暴露分類指引), the Guidelines on Supervision of Commercial Bank Internal Rating Based System for Credit Risks (商業銀行信用風險內部評級體系監管指引), the Guidelines on Computation of Commercial Bank Specialized Loan Regulatory Capital (商業銀行專業貸款監管資本計量指引), the Guidelines on

Computation of Commercial Bank Credit Risks Cushion Regulatory Capital (商業銀行信用風險緩釋監管資本計量指引), and the Guidelines on Computation of Commercial Bank Operational Risks Regulatory Capital (商業銀行操作風險監管資本計量指引). In March 2009, China officially joined the Basel Committee and participated in the establishment of international standards for banking supervision, which is conducive to the upgrading of supervision techniques and supervision levels in China's banking industry.

Since November 2009, the CBRC has issued the following five regulatory guidelines to implement Basel II: the Guidelines on Disclosure of Capital Adequacy Ratio (商業銀行資本充足率信息披露指引), the Guidelines on Verification of Advanced Approaches for Capital Measurement (商業銀行資本計量高級方法驗證指引), the Guidelines on Risk Management of Interest Rates of Commercial Bank Account (商業銀行銀行賬戶利率風險管理指引), the Guidelines on Supervision and Review on Capital Adequacy Ratio (商業銀行資本充足率監督檢查指引), and the Guidelines on Measurement of Risk Exposure Relating to Assets Securitization (商業銀行資產證券化風險暴露監管資本計量指引). These five regulatory guidelines facilitate the implementation of Basel II, among which, the Guidelines on Risk Management of Interest Rates of Commercial Bank Account also apply to those banks which are not yet implementing Basel II.

Loan Classification, Allowance and Write-offs

Loan Classification

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

Loan Allowance

According to the Guiding Principles of Risk-based Classification of Loans (貸款風險分類指導原則), a loan classified as substandard, doubtful or loss is considered to be non-performing, and commercial banks are required to make provisions based on a reasonable estimate of the probable loss on a prudent and timely basis. Allowance for impairment losses consists of general allowance, specific allowance and special allowance. General allowance refers to the allowance for all unidentified but possible losses, which are made based on certain percentages of the balance of total outstanding loans; specific allowance refers to the allowance made for specific losses in connection with an individual loan based on its categorization under the guiding principles; and special allowance refers to the allowance made for the risks specifically related to certain countries, regions, industries, or certain types of loans.

Under the Guidelines on Loan Loss Provisions (貸款損失準備計提指引), commercial banks are required to make provisions for impairment losses on a quarterly basis and to have a general allowance of not less than 1% of the total loans outstanding as of December 31 of any year. The guidelines further provide guidance on the level of specific provisions as a percentage of the outstanding amount of loans for each loan category: 2% for special mention loans; 20%-30% for substandard loans; 40%-60% for doubtful loans and 100% for loss loans. Commercial banks may make special provisions in accordance

with special risk factors (including risks in association with certain industries and countries), probability of losses and historical experience.

CBRC Supervision of Loan Classification and Loan Allowance

Commercial banks are required to formulate detailed internal procedures that clearly define the responsibilities of each relevant department with respect to loan classification, approval, review and related matters. In addition, beginning in 2004, commercial banks have been required to submit quarterly and annual reports to the CBRC on the classification of their loan portfolios and their allowance for loan losses. Based on the review of these reports, the CBRC may require commercial banks to explain significant changes in loan classification and loan loss allowance levels, or may carry out further inspections.

Loan Write-offs

Under the regulations issued by the CBRC and the MOF, commercial banks are required to establish a strict examination and approval process to write off loan losses. In order to be written off, a loan needs to meet the standards set by the MOF. Losses realized upon writing off loans are deductible for tax purposes, but such deduction is subject to the review and approval of the tax authorities as to whether the loans written off were in compliance with the MOF's standards.

Allowance and Statutory General Reserve for Impairment Losses

Pursuant to the Administrative Measures for the Provisioning for Non-performing Assets of Financial Institutions (金融企業呆賬準備提取管理辦法) and the subsequent Notice on Relevant Issues Concerning the Provisioning for Non-performing Assets (關於呆賬準備提取有關問題的通知), both issued by the MOF, financial institutions in the PRC are required to maintain adequate allowance for impairment losses. In addition, financial institutions are also required to set up a statutory general reserve to cover potential impairment losses that have yet to be identified. Financial institutions are required to assess the risk profile of their assets in determining the statutory general reserve level. In principle, such level shall not be less than 1% of the aggregate amount of each financial institution's risk-bearing assets before allowance for impairment losses at the balance sheet date. Financial institutions are not allowed to make profit distributions to shareholders until adequate allowance for impairment losses and statutory general reserve has been made. Financial institutions, which could not meet these requirements in 2005 were required to take necessary steps to ensure that they could fulfill such requirements within approximately three years, but in any case by no later than five years, from 2005.

Other Operational and Risk Management Ratios

The Core Indicators for the Risk Management of Commercial Banks (for Trial Implementation) ("Core Indicators (Provisional)") (商業銀行風險監管核心指標(試行)) promulgated by the CBRC became effective on January 1, 2006.

The following table sets forth the required ratios as provided in the Core Indicators (Provisional) and our Bank's ratios for the three years ended December 31, 2009, calculated under PRC GAAP.

Risk level	Primary indicators	Secondary Indicators	Requirement (%)	Ratios of our Bank (%) as of December 31, 2007	2008	2009
Risk Level						
Liquidity risk	Liquidity ratio[1]	RMB	≥25	37.04	44.79	40.99
		Foreign Currency		123.39	205.54	122.54
	Core liabilities ratio[2]		≥60	66.53	74.97	67.66
	Liquidity gap ratio[3]		≥(10)	(24.37)	(19.08)	(9.01)
Credit risk	Non-performing asset ratio[4]		≤4	15.87	2.27	1.49
		Non-performing loan[5] ratio	≤5	23.57	4.32	2.91
	Credit exposure to a single group borrower[6]		≤15	N/A	34.67	25.80
		Loan exposure to a single borrower[7]	≤10	N/A	6.04	4.41
	Overall credit exposure to related parties[8]		≤50	N/A	0.68	0.27
Market risk	Cumulative foreign currency exposure ratio[9]		≤20	N/A	64.45	14.14
Risk Cushion						
Profitability	Cost-to-income ratio[10]		≤45	33.52	44.71	43.11
	Return on assets[11]		≥0.6	0.88	0.84	0.82
	Return on capital[12]		≥11	N/A	N/A	20.53
Allowance adequacy	Allowance adequacy ratio for asset impairment[13]		>100	N/A	132.14	115.60
		Allowance adequacy ratio for loan impairment[14]	>100	108.07	86.56	108.55
Capital adequacy	Capital adequacy ratio[15]		≥8	N/A	9.41	10.07
		Core capital adequacy Ratio[16]	≥4	N/A	8.04	7.74

Calculated as follows:

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

(2) Core liabilities ratio = Amount of core liabilities/amount of total liabilities x 100%. Core liabilities refer to the combined amount of time deposit with remaining maturities of three months or longer, issued debt securities and 50% of demand deposits. Total liabilities refer to total liabilities on the balance sheet prepared under PRC GAAP.

(3) Liquidity gap ratio = Liquidity gap/Amount of on- or off-balance sheet assets with maturities of 90 days or less x 100%. Liquidity gap refers to the amount of on- or off-balance sheet assets with maturities of 90 days or less minus the amount of on- or off-balance sheet liabilities with maturities of 90 days or less.

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

(5) Non-performing loan ratio = Amount of non-performing loans/Amount of total loans x 100%. Non-performing loans refer to loans in the substandard, doubtful and loss categories according to the PBOC and CBRC's five category loan classification system.

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

(7) Loan exposure to a single borrower = Total loans to the largest borrower/Regulatory capital x 100%. Largest borrower refers to the borrower with the highest amount of loans outstanding at the end of the period.

(8) Overall credit exposure to related parties = Total granted credit limit to all related parties/Regulatory capital x 100%. Related parties refer to parties defined in the Related Party Transactions Measures. Total granted credit limit to all related parties refers to total credit limit granted to such parties minus cash deposit guarantees and collateral in the form of bank deposits and PRC government bonds.

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

(10) Cost-to-income ratio = Operating and management expenses/Operating income x 100%.

(11) Return on assets = Net profit/Average balance of total assets for the period x 100%.

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

(13) Allowance adequacy ratio for asset impairment = Actual amount of allowance for assets subject to credit risk/Required amount of allowance for assets subject to credit risk x 100%.

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

(15) Capital adequacy ratio = (Capital – capital deductions)/(Risk-weighted assets + 12.5 x capital charge for market risk). The cash dividend of RMB20 billion declared in respect of the year of 2009 payable to the shareholders on our register of members as of December 31, 2009 was not deducted from regulatory capital in calculating the above capital adequacy ratio at December 31, 2009. Our capital adequacy ratio would have been 9.61% at December 31, 2009 if such cash dividend were deducted from regulatory capital at that date.

(16) Core capital adequacy ratio = (Core capital – core capital deductions)/(Risk-weighted assets + 12.5 x capital charge for market risk). The cash dividend of RMB20 billion declared in respect of the year of 2009 payable to the shareholders on our register of members as of December 31, 2009 was not deducted from the core capital in calculating the above core capital adequacy ratio at December 31, 2009. Our core capital adequacy ratio would have been 7.28% at December 31, 2009 if such cash dividend were deducted from core capital at that date.

In the past, we have failed to comply with certain regulatory ratios as required under the Core Indicators (Provisional). In particular:

- We did not comply with the regulatory requirement for liquidity gap ratio for the years ended December 31, 2007 and 2008, mainly due to a low ratio of short term liquid assets. We subsequently proactively adopted appropriate measures to comply with the applicable regulatory requirement, including: (i) increasing our high quality liquid asset reserve which can be quickly realized; (ii) increasing short term assets such as financial assets held under resale agreements, short term debt securities and discounted bills to shorten the maturities of our assets; and (iii) lengthening the maturities of certain liabilities. We met the applicable regulatory requirement for liquidity gap ratio as of December 31, 2009.

- Our allowance adequacy ratio for loan impairment as of December 31, 2008 was not in compliance with the applicable regulatory requirements, primarily as a result of the significant releases from loan loss allowance in connection with our financial restructuring. However, we believe that the amounts of our loan loss allowance assessed under IFRS reflect our reasonable estimates of the probable losses on our loans. The methodology of assessing loans for impairment to determine allowance for impairment losses under IFRS differs from the methodology under the PBOC's guidelines and therefore the amounts of loan loss allowance under IFRS and the PBOC's guidelines are generally different and not comparable. In 2009, we adopted a conservative approach to provisioning for impairment losses when macroeconomic conditions presented uncertainties. Our allowance adequacy ratio for loan impairment met the regulatory requirement as of December 31, 2009.
- Our credit exposure to a single group borrower ratio did not meet the regulatory requirement as of December 31, 2009. We have taken proactive measures to lower the credit exposure to our largest single group borrower. We met the relevant regulatory requirement of the CBRC as of April 30, 2010.

The CBRC supervises compliance by commercial banks with risk management ratios set out in the Core Indicators (Provisional) and takes regulatory action where it deems appropriate. However, the Core Indicators (Provisional) do not stipulate any penalties for non-compliance. Our directors believe that, as of March 31, 2010, we are in compliance with the regulatory ratios as required by the Core Indictors (Provisional) in terms of our domestic operation, except for the credit exposure to a single group borrower ratio which met the applicable requirement as of April 30, 2010. As of April 30, 2010, there had not been any penalty imposed on us for non-compliance with such core indicators.

In addition, the PRC Commercial Banking Law requires that the loan-to-deposit ratio of commercial banks shall not exceed 75%. As of December 31, 2007, 2008 and 2009, our loan-to-deposit ratios are 65.71%, 50.84% and 55.19%, respectively, which all comply with such requirement.

Corporate Governance and Internal Control

Corporate Governance

The PRC Company Law, the PRC Commercial Banking Law and other laws, regulations and regulatory documents provide for specific requirements relating to corporate governance, of which the Guidelines on Corporate Governance of Joint Stock Commercial Banks (股份制商業銀行公司治理指引) set out standards for corporate governance best practice for PRC joint stock companies. Under the guidelines, PRC joint stock commercial banks should establish a sound corporate governance system and a clear organizational structure, with management and supervisory powers, functions and responsibilities being clearly divided among the shareholders meeting, the board of directors, the board of supervisors and the senior management. In addition, the Guidelines on Independent Directors and External Supervisors of Joint Stock Commercial Banks (股份制商業銀行獨立董事及外部監事指引) recommend that the board of directors of a commercial bank should have at least two independent directors, and the Guidelines on the Establishment of a System of Independent Directors by Listed Companies (關於在上市公司建立獨立董事制度的指導意見) require that at least one-third of the board members of a PRC listed company should be independent directors. The Guidelines on Corporate Governance of Joint Stock Commercial Banks recommend that senior management should comprise at least one-quarter but not more than one-third of the board of directors. In accordance with our Articles

of Association, our senior management includes all executive directors. We currently have four executive directors in our Board of Directors in compliance with such requirement. The Guidelines on the Corporate Governance and other Regulatory Issues regarding State-owned Commercial Banks (國有商業銀行公司治理及相關監管指引) provide that shareholders' general meetings are the governing bodies of the state-owned commercial banks and shareholders of state-owned commercial banks shall exercise their rights through shareholders' general meetings and comply with laws, regulations and their own articles of association. In addition, these guidelines set out, among other things, general principles of corporate governance applicable to the Large Commercial Banks.

In addition to the general qualification requirements applicable to directors and senior management of bank institutions under the PRC Company Law, the PRC Commercial Banking Law and other regulations and rules, the CBRC also sets out certain specific qualification requirements, for example:

- chairman and vice-chairman of the board of directors of a state-owned or joint stock commercial bank should at least hold a Bachelor's degree and have more than eight years work experience in the financial sector or 12 years work experience in related business sectors (including five years or more in the financial sector);
- secretary to the board of directors of a state-owned or joint stock commercial bank should at least hold a Bachelor's degree and have more than six years work experience in the financial sector or ten years work experience in related business sectors (including three years or more in the financial sector);
- president and vice-president of a state-owned or joint stock commercial bank should at least hold a Bachelor's degree and have more than eight years work experience in the financial sector or 12 years work experience in related business sectors (including four years or more in the financial sector);
- assistant president of a state-owned or joint stock commercial bank should at least hold a Bachelor's degree and have more than six years work experience in the financial sector or ten years work experience in related business sectors (including three years or more in the financial sector);
- chief auditor or principal of audit department of a Chinese-funded commercial bank should at least hold a Bachelor's degree, obtain nationally or internationally recognized senior auditing qualification (or pass nationally or internationally recognized auditing or accounting professional examinations) and have more than six years work experience in the financial, accounting or auditing sectors;
- chief accountant or principal of financial department of a Chinese-funded commercial bank should at least hold a Bachelor's degree, obtain nationally or internationally recognized senior accounting qualification (or pass nationally or internationally recognized accounting professional examinations) and have more than six years work experience in the financial, accounting or auditing sectors; and
- an independent director of a joint stock commercial bank shall not hold any positions in other commercial banks. A person shall not hold a position as independent director of a commercial bank if that person:

  (i) holds more than 1% of the registered capital of the commercial bank or holds management positions in the shareholder of the commercial bank;

(ii) holds management positions in the commercial bank or enterprises controlled by the commercial bank;

(iii) held management positions in the commercial bank or enterprises controlled by the commercial bank during the last three years;

(iv) holds management positions in enterprises that have overdue loans owed to the commercial bank;

(v) holds management positions in professional entities which have business relationships with the commercial bank;

(vi) may be controlled or materially influenced by the commercial bank; or

(vii) is a spouse, parent, son, daughter, grandparent, brother or sister of a person referred to above.

During the Track Record Period and up to the Latest Practicable Date, we complied with the above qualification requirements.

Internal Control

Under the Internal Control Guidelines for Commercial Banks (商業銀行內部控制指引) issued by the PBOC and the CBRC in 2002 and 2007 respectively, commercial banks are required to establish internal control to ensure effective risk management for their business activities. PRC commercial banks are also required to establish a risk management department that formulates and implements risk management policies and procedures. In addition, PRC banks are required to establish an internal audit department that can independently supervise and evaluate all aspects of their operations.

On December 25, 2004, the CBRC published the Interim Measures for the Evaluation of the Internal Control Systems of Commercial Banks (商業銀行內部控制評價試行辦法) which set forth the procedures, measures and ranking standards for the CBRC's internal control evaluation of commercial banks. In the event of non-compliance with the Interim Measures for the Evaluation of Internal Control, the CBRC may impose sanctions including, among others, requesting a change of the bank's senior management, suspending the bank's business, revoking the practice licenses of persons involved, or delaying approval or rejecting applications for the establishment of new branch outlets or new business.

On June 27, 2006, the CBRC issued the Guidelines on Internal Audit for Banking Institutions (銀行業金融機構內部審計指引) which became effective on July 1, 2006. Pursuant to the guidelines, banks are required to establish an audit committee of the board with at least three members, a majority of whom must be non-executive directors. Banks are also required to have an internal audit department with employees who meet certain qualifications, in principle representing no less than 1% of the bank's total number of employees. The number of employees responsible for our internal auditing function is determined based on our risk management requirements. Our internal control and compliance department is responsible for regulatory compliance, internal control assessment and certain audit functions of our Bank. As of the Latest Practicable Date, the personnel in our internal control and compliance department who, together with our internal audit personnel, comprise more than 1% of our total number of employees.

On May 22, 2008, the Basic Rules on Enterprise Internal Control (企業內部控制基本規範) were issued jointly by the MOF, the CBRC, the NAO, the CSRC and the CIRC and became effective on July 1, 2009. The rules require enterprises to establish and implement internal control systems, utilize information technology to strengthen internal control, and establish information systems addressing their operational and management needs, among other matters.

Information Disclosure Requirements

On July 3, 2007, the CBRC issued the Measures for the Information Disclosure of Commercial Banks (商業銀行信息披露辦法) which became effective on the same day. Under the measures, a PRC commercial bank is required to publish an audited annual report within four months after the end of each financial year, disclosing its financial position and operational results.

The Information Disclosure Rules on Companies Publicly Offering Securities No.26—Special Disclosure Rules on Commercial Banks (公開發行證券的公司信息披露編報規則第 26 號—商業銀行信息披露特別規定), which was issued by the CSRC and became effective on September 1, 2008, set out guidelines on information disclosure, including financial and risk-related disclosure by commercial banks offering securities to the public. The rules also require commercial banks to publish announcements in relation to certain events which may have a material impact on their operational capability or profitability.

Apart from the disclosure requirements above, PRC listed commercial banks are also required to comply with the relevant disclosure requirements imposed by the CSRC through the Administrative Measures on Listed Companies Information Disclosure (上市公司信息披露管理辦法) and the relevant stock exchanges.

Transactions with Related Parties

Apart from the general rules regarding related party transactions issued by the CSRC and the relevant stock exchanges, the CBRC promulgated the Administrative Measures for Related Party Transactions between Commercial Banks and their Insiders or Shareholders (商業銀行與內部人和股東關聯交易管理辦法) in April 2004, which provided more stringent and detailed requirements on related party transactions of PRC commercial banks. The measures require PRC commercial banks to adhere to the principles of honesty and fairness in conducting related party transactions. PRC commercial banks are not allowed to grant unsecured loans to related parties or grant secured loans to related parties on terms more favorable than those offered to other third party borrowers.

The measures also set out detailed provisions on the definition of a related party, the form and content of a related party transaction as well as the procedures and principles which must be followed for related party transactions.

Pursuant to the measures, commercial banks must submit to the CBRC, on a quarterly basis, status reports regarding their related party transactions, as well as disclose matters relating to related parties and related party transactions in their financial statements. Furthermore, the board of directors is required to report related party transactions and the implementation of mechanisms for the monitoring and approval of such transactions annually at shareholder meetings. The CBRC has the power to require the rectification of transactions that violate the measures and to impose sanctions on the bank and/or the related parties.

Ownership and Shareholder Restrictions

Regulations on Equity Investment in Banks

Any natural or legal person intending to acquire 5% or more of the total equity interest of a commercial bank is required to obtain prior approval of the CBRC. If any existing shareholder of a commercial bank increases its shareholding to 5% or more threshold without obtaining the CBRC's prior approval, that shareholder will be subject to CBRC sanctions, which include, among others, rescission of the acquisition, disgorgement of profits, if any, for that shareholder and fines.

Under the Measures for the Administration of the Investment and Shareholding in Chinese-funded Financial Institutions by Foreign Financial Institutions (境外金融機構投資入股中資金融機構管理辦法), foreign financial institutions may make equity investments in PRC domestic commercial banks, subject to the CBRC's approval. However, no single foreign financial institution may own 20% or more of the equity of any domestic commercial bank. In addition, if aggregate foreign investment exceeds 25% of the total equity interest in a non-listed PRC domestic commercial bank, such bank will be regulated as a foreign invested bank. A listed PRC domestic commercial bank is regulated as a PRC domestic bank even if the aggregate foreign investment exceeds 25% of its total equity interest.

Restrictions on Shareholders

The Guidelines on Corporate Governance of Joint Stock Commercial Banks impose certain additional requirements on shareholders of PRC joint stock commercial banks. For example:

- in the event that a PRC commercial bank encounters liquidity problems, its shareholders are required to immediately repay outstanding loans due and repay in advance outstanding loans not yet due from the bank;
- if a PRC commercial bank fails to maintain the required capital adequacy ratios, its shareholders are obligated to support measures determined by the bank's board of directors that are aimed at increasing the capital adequacy level; and
- if shareholders of a PRC commercial bank fail to repay outstanding loans when due, their voting rights will be restricted for the period during which the relevant loan is overdue.

In addition, the PRC Company Law and relevant CBRC rules and regulations impose certain restrictions on the ability of a commercial bank's shareholders to pledge their shares. For example, a joint stock commercial bank may not accept its own shares as collateral. Moreover, there are legal limitations on the ability of shareholders in a joint stock commercial bank to pledge to any other party their shares in the bank. According to the Guidelines on Corporate Governance of Joint Stock Commercial Banks, (i) any shareholder of a joint stock commercial bank must give prior notice to the board of directors of the bank if it wishes to pledge its shares as collateral, and (ii) if the outstanding amount of the bank's loans to a shareholder exceeds the audited value of such shareholder's equity in the bank for the immediately preceding year, and such shareholder does not pledge any government bonds or bank deposit certificates as collateral, the shareholder may not pledge its shares.

Risk Management

Since its inception, the CBRC has published numerous risk management guidelines and rules in an effort to improve risk management of PRC commercial banks, including credit risk management, operational risk management, market risk management, compliance risk management and risk rating

system, in addition to guidelines concerning loan and credit to certain specific industries and customers and guidelines in respect of the implementation of Basel II, see "—Regulation of Principal Commercial Banking Activities—Lending" and "—Supervision over Capital Adequacy—Basel Accords." The CBRC also promulgated the Core Indicators (Provisional) as a basis of supervising the risk management of PRC commercial banks. The CBRC established requirements for certain ratios relating to risk levels and risk provisions in the Core Indicators (Provisional) and is expected to establish requirements for certain ratios relating to risk mitigation for the purpose of evaluating and monitoring the risks of PRC commercial banks. See "—PRC Banking Supervision and Regulation — Other Operational and Risk Management Ratios." The CBRC periodically collects data through off-site surveillance to analyze such indicators and evaluate and issue early warnings of the risks on a timely basis.

Operational Risk Management

On March 22, 2005, the CBRC issued the Circular on Strengthening Control of Operational Risk (關於加大防範操作風險工作力度的通知) to further strengthen PRC commercial banks' ability to identify, manage and control operational risks. Under this circular, commercial banks are required to establish internal policies and procedures specifically for the management and control of operational risks. A bank's internal audit department and business operations department are required to conduct independent and ad hoc reviews and examinations of the bank's business operations from time to time, and ongoing reviews and examinations for business areas involving a greater degree of operational risks. Moreover, a commercial bank's head office is required to assess the implementation of, and compliance with, its internal policies and procedures on operational risks.

In addition, the circular sets out detailed requirements relating to, among other things, establishing a system under which branch officers responsible for business operations are required to rotate on a regular basis; establishing a system to encourage employees to fully comply with applicable regulations and internal rules and policies; improving the regular checking of account balances between PRC commercial banks and their customers; improving the timely checking of the banks' internal accounting; segregating persons responsible for book-keeping from those responsible for account reconciliation; and establishing a system to strictly control and manage the use and keeping of chops, specimen signatures and evidential vouchers.

Furthermore, on May 14, 2007, the CBRC issued the Guidelines on Operational Risk Management of Commercial Banks (商業銀行操作風險管理指引) to enhance risk management abilities of the PRC commercial banks. These guidelines mainly address, among other things, the supervision and controls of the board of directors, responsibilities of senior management, proper organizational structure, and policies, approaches and procedures for operational risk management. Those policies and procedures shall be submitted to the CBRC for filing. If a commercial bank incurs a significant operational incident and fails to adopt effective corrective measures within a required period, the CBRC shall take relevant regulatory measures.

Market Risk Management

On December 29, 2004, the CBRC promulgated the Guidelines on the Market Risk Management of Commercial Banks (商業銀行市場風險管理指引), which became effective on March 1, 2005, to strengthen the market risk management of PRC commercial banks. These guidelines mainly address, among other things, (i) the responsibilities of the board of directors and the senior

management in supervising market risk management, (ii) the policies and procedures for market risk management, (iii) the detection, quantification, monitoring and control of market risk, and (iv) the responsibilities for internal control and conducting external audits.

Compliance Risk Management

In order to strengthen the compliance risk management of commercial banks and maintain the safety and stability of the operations of PRC commercial banks, the CBRC promulgated the Guidelines on Compliance Risk Management of Commercial Banks (商業銀行合規風險管理指引) on October 20, 2006. These guidelines have clarified the responsibilities of the board of directors and the senior management of a PRC commercial bank with respect to compliance risk management, standardized the organizational structure for compliance risk management and set out the regulatory mechanisms for a bank's risk management.

Risk Rating System

Joint stock commercial banks in the PRC are subject to evaluation by the CBRC based on a provisional risk rating system. Under this system, the capital adequacy, asset quality, management quality, profitability, liquidity and exposure to market risk of PRC joint stock commercial banks are evaluated and scored by the CBRC on a continuous basis. Each bank is classified into one of five risk rating categories based on its scores. The CBRC's supervisory activities in respect of a certain bank, including the frequency and scope of its on-site examinations, depend on such bank's risk rating category. Such risk rating also forms the basis for the CBRC's evaluation of a bank's applications for new business licenses and its senior management qualification. These risk ratings are currently not publicly available.

Anti-money Laundering Regulation

The PRC Anti-money Laundering Law (中華人民共和國反洗錢法), which became effective on January 1, 2007, sets out the responsibilities of the relevant financial regulatory authorities regarding anti-money laundering, including participating in the formulation of the rules and regulations regarding anti-money laundering activities of the financial institutions which they regulate and requiring financial institutions to establish sound internal control systems regarding anti-money laundering. To facilitate the implementation of the PRC Anti-money Laundering Law, the PBOC promulgated the Anti-money Laundering Regulations for Financial Institutions (金融機構反洗錢規定) which became effective on January 1, 2007. According to these regulations, PRC commercial banks are required to establish an internal anti-money laundering procedure and either establish an independent anti-money laundering department or designate a relevant department to implement their anti-money laundering procedures. PRC commercial banks are required to establish a customer identification system in accordance with the Measures on the Administration of Customer Identity Identification and Materials and Transaction Recording of Financial Institutions (金融機構客戶身份識別和客戶身份資料及交易記錄保存管理辦法) promulgated jointly by the PBOC, the CBRC, the CSRC and the CIRC, which became effective on August 1, 2007. PRC commercial banks are also required to record the identities of all customers and the information relating to each transaction and keep retail transaction documents and books. In accordance with the Administrative Measures for the Financial Institutions' Report of Large Transactions and Suspicious Transactions (金融機構大額交易和可疑交易報告管理辦法) promulgated by the PBOC which became effective on March 1, 2007, upon the detection of any suspicious transactions or transactions involving large amounts, PRC commercial banks are required to report the transactions to the PBOC or

the SAFE, where applicable. Where necessary and pursuant to appropriate judicial proceedings, PRC commercial banks are required to cooperate with government authorities in preventing money laundering activities and freezing assets. The PBOC supervises and conducts on-site examinations of PRC commercial banks' compliance with its anti-money laundering regulations, and may impose penalties for any violations thereof in accordance with the PRC Anti-money Laundering Law.

Other Requirements

Use of Funds

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

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

Upon obtaining approvals from relevant authorities, including the CBRC, commercial banks are permitted to invest in insurance companies, fund management companies and financial leasing companies.

On February 20, 2005, the PBOC, the CBRC and the CSRC jointly promulgated and implemented the Pilot Administrative Measures on Establishment of Funds Management Companies by Commercial Banks (商業銀行設立基金管理公司試點管理辦法), pursuant to which state-owned commercial banks and joint stock commercial banks are allowed to set up or acquire fund management companies after obtaining approvals from the CBRC and the CSRC. In addition, commercial banks shall adopt effective measures to prevent risks associated with capital markets and banking industry.

In accordance with the Administrative Measures on Financial Leasing Companies (金融租賃公司管理辦法) which were amended by the CBRC in 2007, commercial banks can invest in financial leasing companies where commercial banks are able to meet relevant requirements for capital adequacy, profitability, corporate governance and other matters.

On November 5, 2009, the CBRC enacted the Pilot Administrative Measures on Investment by Commercial Banks in Insurance Companies (商業銀行投資保險公司股權試點管理辦法). These pilot administrative measures require a pilot plan for investment by a commercial bank in an insurance company to be filed to the relevant regulator for the approval of the State Council. Each commercial bank is allowed to invest in one insurance company only. The pilot administrative measures also set out rules for the qualifications of a commercial bank which intends to invest in an insurance company, and for the target insurance company.

SUPERVISION AND REGULATION OF OUR OVERSEAS OPERATIONS

Our branch in Hong Kong, and certain of our subsidiaries, namely ABCI Securities Company Limited, ABCI Insurance Company Limited and ABCI Insurance Broker Limited, which are subsidiaries under ABC International Holdings Limited, are subject to the regulation of the Hong Kong Monetary Authority, the SFC and the Office of the Commissioner of Insurance of Hong Kong. Our branch in Singapore is subject to the regulation of the Monetary Authority of Singapore. We are duly licensed to operate in Hong Kong and Singapore by the respective regulatory authorities.

Banking activities in Hong Kong are primarily governed by the Banking Ordinance and are regulated by Hong Kong Monetary Authority. The principal function of the Hong Kong Monetary Authority is to promote the general stability and effectiveness of the banking system in Hong Kong. The Hong Kong Monetary Authority is responsible for supervising compliance with the provisions of the Banking Ordinance and the Hong Kong Monetary Authority's guidelines and legislation promulgated by the SFC. The Hong Kong Monetary Authority is responsible for regulating banking institutions and granting banking licenses, and has the discretion to attach conditions to a bank's operating license. The Hong Kong Monetary Authority requires every authorized institution to implement a comprehensive risk management system to identify, measure, monitor and control the various types of risks relating to its activities and, where appropriate, to hold capital against those risks.

The Banking Ordinance requires banks to report to the Hong Kong Monetary Authority certain periodic returns and other information and establishes certain minimum standards and ratios relating to capital adequacy, liquidity, capitalization, limitations on shareholdings, exposure to any single customer, unsecured advances to persons affiliated with the bank and holdings of interests in land, with which all banks operating in Hong Kong must comply.

Banking activities in Singapore are primarily governed by the Singapore Banking Act and are regulated by the Monetary Authority of Singapore. The principal functions of the Monetary Authority of Singapore are to (i) act as the central bank of Singapore, including the conduct of monetary policy, the issuance of currency, the oversight of payment systems and serving as banker to and financial agent of the Singapore government; (ii) conduct integrated supervision of financial services and financial stability surveillance; (iii) manage the official foreign reserves of Singapore; and (iv) develop Singapore as an international financial center.

We have six overseas representative offices located in New York, London, Tokyo, Frankfurt, Seoul and Sydney, respectively. These representative offices are subject to the regulation of Federal Reserve Bank of New York and Banking Department of State of New York, the UK Financial Services Authority, the Financial Services Agency of Japan, the Federal Financial Services Supervisory Authority of Germany, the Financial Services Commission of the Republic of Korea and the Australian Prudential Regulation Authority, respectively. Our overseas branches and representative offices are also subject to the local banking regulatory requirements, including requirements with respect to internal control, capital adequacy and others.

OUR HISTORY

Agricultural Cooperative Bank, our predecessor, was established in 1951. In the 1950s, as a specialized subsidiary bank of the PBOC, we assumed the functions of organizing and promoting rural financial initiatives as well as channeling the state investments in agricultural development and providing loans for agricultural purposes. From November 1963 to November 1965, as a financial institution operated directly under the State Council, we managed the state funds allocated to support and lend for agricultural purposes and also led rural credit cooperative businesses.

Since February 1979, we have evolved from a state-owned specialized bank to a wholly state-owned commercial bank, and have been subsequently restructured into a joint stock commercial bank. Prior to the reform in China's rural financial system in the 1990s, as a state-owned specialized bank, our main functions were supporting rural economic development, leading rural credit cooperatives, and acting as the main channel to raise capital for rural financing. In 1994, we transferred our policy-related banking business to Agricultural Development Bank of China. In 1996, after the administrative relations between us and rural credit cooperatives were severed, we evolved into a wholly state-owned commercial bank, providing credit support for agricultural businesses and accelerating urban financial business development. Over the years, we have become a large state-owned commercial bank with a nationwide branch network covering both urban and rural areas, a comprehensive range of products and services and strong brand recognition and reputation.

In the late 1990s, the PRC government undertook a number of initiatives to strengthen the capital base and asset quality of state-owned commercial banks. In 1998, the MOF issued a 30-year special government bond in the aggregate principal amount of RMB93.3 billion to us and used the proceeds to improve our capital adequacy. In 1999, we received approval to transfer our non-performing assets with an aggregate amount of RMB345.8 billion at book value to China Great Wall Asset Management Corporation.

In 2007, the PRC government, at the National Financial Conference, resolved that our Bank would cater to the needs of Sannong, undertake an integrated restructuring, implement commercially-driven operations and go public at an appropriate time. This heralded our new era to develop into a modern commercial bank. With a clear market positioning, we launched a pilot project to develop financial services for serving Sannong and actively grow our County Area Banking Business. On October 21, 2008, the State Council approved in principle our restructuring plan. We have subsequently completed a number of major financial restructuring initiatives such as the state capital contribution and our disposal of non-performing loans and other impaired assets. Through financial restructuring, our asset quality, profitability, capital base and financial condition have significantly improved. On January 15, 2009, we were converted from a wholly state-owned commercial bank into a joint stock limited liability company.

FINANCIAL RESTRUCTURING

In 2008, we undertook a financial restructuring, which included: (i) our disposal of non-performing loans and other impaired assets in an aggregate amount of RMB815.7 billion at their book value at December 31, 2007; (ii) the MOF retaining RMB130.0 billion of our then existing capital; and (iii) Huijin making a capital contribution of approximately US$19.0 billion (equivalent to RMB130.0 billion) to us.

Disposal of Non-performing Loans and Other Impaired Assets

On November 21, 2008, upon the approval by the MOF, we disposed of non-performing loans and other impaired assets in an aggregate amount of RMB815.7 billion, including RMB217.3 billion in loans classified as doubtful and RMB549.5 billion in loans classified as loss and impaired assets in an aggregate amount of RMB48.9 billion, at their book value at December 31, 2007. Such disposal of non-performing loans and other impaired assets was on a non-recourse basis.

A portion of these non-performing loans and impaired assets were used to offset a loan of RMB150.6 billion from the PBOC. The remainder of these non-performing loans and impaired assets were exchanged for a receivable from the MOF in an aggregate principal amount of RMB665.1 billion, which started to accrue interest at an annual rate of 3.3% on January 1, 2008.

A co-managed fund was set up and is jointly managed by the MOF and us to pay us the principal of and the interest accrued on the receivable from the MOF within 15 years. The assets held in this fund are owned by the MOF. The funding sources of the co-managed fund include (i) corporate income tax paid by us to the PRC central government during the life of the co-managed fund, (ii) cash dividends distributed by us to the MOF during the life of the co-managed fund, (iii) cash proceeds, net of related expenses, from the disposal of the non-performing loans and impaired assets which we disposed of to the MOF in connection with our financial restructuring, (iv) proceeds, which are allocated to the co-managed fund, from the sale by the MOF of our shares, (v) other funds allocated by the MOF or other PRC government agencies, and (vi) interest income from the funds deposited in the co-managed account.

The MOF will make payments of the principal of and the interest on the MOF receivable in installments according to schedules varying depending upon the funding sources. For funding sources (i) and (ii) above, the MOF will generally make payments to us on an annual basis. For funding source (iii), the MOF will make payments to us on a quarterly basis. For other funding sources, the MOF will make payments to us after the funds from these funding sources become available. In the event that the funds from this co-managed fund are insufficient to repay the outstanding principal of and interest accrued on the MOF receivable by December 31, 2022, the MOF will, upon consultation with us and approval by the State Council, adopt measures, including extending the life of the co-managed fund and providing financial support, to settle the remainder of the amounts due on the MOF receivable.

We are authorized by the MOF to act as its agent to manage, dispose of and recover the non-performing loans and other impaired assets together with the corresponding interest receivables, for which services we charge agency commissions pursuant to the relevant arrangements with the MOF.

Capital Contribution

On October 29, 2008, we received approximately US$19.0 billion (equivalent to RMB130.0 billion) from Huijin, which constituted Huijin's capital contribution to us upon our incorporation. The MOF retained RMB130.0 billion of our then existing capital, based on the appraisal value of our net assets at December 31, 2007.

See "Relationship with our Promoters and Connected Transactions" for information on the MOF and Huijin.

ESTABLISHMENT OF OUR BANK AS A JOINT STOCK LIMITED LIABILITY COMPANY

On January 13, 2009, the CBRC approved our conversion into a joint stock limited liability company. The CBRC also issued to us a new financial institution permit on January 13, 2009. On January 15, 2009, we were incorporated as a joint stock limited liability company and received a new business license from the SAIC. Our registered capital was RMB260 billion upon our incorporation, with the MOF and Huijin, as our promoters, each owning 50% of our shares.

ISSUANCE OF SUBORDINATED BONDS

On May 20, 2009, to strengthen our capital base and optimize our capital structure, we obtained approvals from the CBRC and the PBOC to issue three tranches of subordinated bonds with an aggregate principal amount of RMB50 billion on the inter-bank bond market. See "Financial Information—Capital Resources— Debt—Subordinated Bonds." The issuance of subordinated bonds further improved our capital adequacy ratio.

INVESTMENT BY THE SSF

We, the MOF, Huijin and the SSF entered into a share subscription agreement on April 21, 2010 (the "Share Subscription Agreement"), pursuant to which the SSF subscribed for 10,000,000,000 shares newly issued by us (the "Purchased Shares") for a consideration of approximately RMB15.5 billion, increasing our registered capital to RMB270 billion. Upon the completion of this transaction on April 22, 2010, the shareholding percentage in the registered capital of our Company held by the MOF, Huijin and the SSF was approximately 48.15%, 48.15% and 3.70%, respectively. The voting rights of the Purchased Shares are delegated to the MOF pursuant to the Share Subscription Agreement.

Pursuant to the Share Subscription Agreement, the Purchased Shares held by the SSF are subject to a lock-up period of five years commencing on the transaction completion date or three years commencing on the pricing date of our initial public offering, whichever is longer. Prior to the first anniversary following the expiration of the lock-up period, the SSF is allowed to transfer no more than 30% in aggregate of the Purchased Shares (including any split shares, bonus shares and allocated shares attached thereto) and prior to the second anniversary of the expiration of the lock-up period, the SSF is allowed to transfer no more than 60% in aggregate of the Purchased Shares (including any split shares, bonus shares and allocated shares attached thereto), provided that our initial public offering is completed within five years following the transaction completion date.

The SSF are entitled to several rights described below pursuant to the Share Subscription Agreement.

Exit right

The SSF is entitled to sell all its then held shares in our Bank to the MOF and/or Huijin in a lump sum within 30 calendar days following the fifth anniversary of the transaction completion date at the price it paid for each Purchased Share. However, such right will be revoked if our Bank becomes a listed company and all shares held by the SSF in our Bank are traded on domestic stock exchanges or the Hong Kong Stock Exchange or the New York Stock Exchange prior to the fifth anniversary of the transaction completion date.

Information right

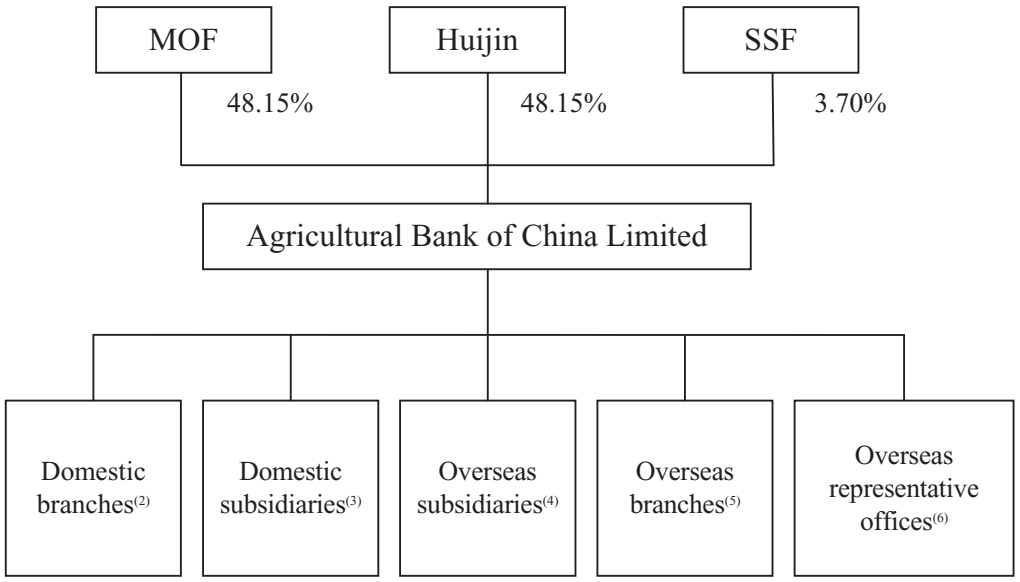
We are required to provide the SSF with various periodic financial statements as well as all financial and operational data and other information which are provided to our shareholders and Board of Directors in accordance with PRC laws as long as the SSF holds no less than 50% of the Purchased Shares. However, such right will lapse upon the completion of our initial public offering.

Anti-dilution right

The SSF was granted a right to purchase our shares in our initial public offering at the offer price thereunder so that upon the completion of our initial public offering, its percentage of interest in our Bank will be equal to its percentage of interest in our Bank immediately prior to our initial public offering. Such right will lapse upon the completion of our initial public offering.

OUR SHAREHOLDING AND GROUP STRUCTURE

The following chart sets forth our shareholding and group structure immediately prior to the completion of the A Share Offering and the Global Offering(1).



(1) For information regarding our shareholding and share capital prior to the completion of the A Share Offering and the Global Offering, see "Share Capital."

(2) Includes our head office, 32 tier-1 branches, five branches directly managed by the head office, 307 tier-2 branches, 3,520 tier-1 sub-branches and 19,759 other establishments as of December 31, 2009.

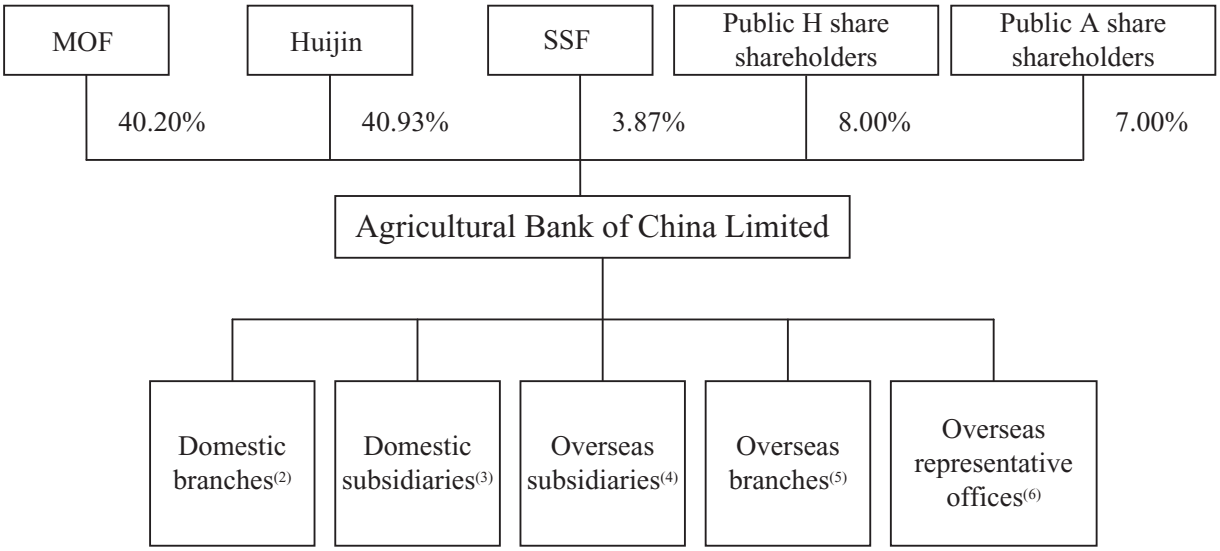
(3) Our major domestic subsidiaries include ABC-CA Fund Management Co., Ltd., ABC Hexigten Rural Bank Limited Liability Company, ABC Hubei Hanchuan Rural Bank Limited Liability Company, ABC Ansai Rural Bank Limited Liability Company and ABC Jixi Rural Bank Limited Liability Company.

(4) Our major overseas subsidiaries include ABC International Holdings Limited, China Agricultural Finance Co., Ltd., ABCI Securities Company Limited, ABCI Insurance Company Limited and ABCI Insurance Broker Limited.

(5) Hong Kong and Singapore branches.

(6) New York, London, Tokyo, Frankfurt, Seoul and Sydney representative offices.

The following chart sets forth our shareholding and group structure upon the completion of the A Share Offering and the Global Offering, assuming that neither of the over-allotment options for the A Share Offering and the Global Offering is exercised(1).



(1) For information regarding our shareholding and share capital immediately following the completion of the A Share Offering and the Global Offering before or after the exercise of the over-allotment options, see "Share Capital."
(2) Includes our head office, 32 tier-1 branches, five branches directly managed by the head office, 307 tier-2 branches, 3,520 tier-1 sub-branches and 19,759 other establishments as of December 31, 2009.
(3) Our major domestic subsidiaries include ABC-CA Fund Management Co., Ltd., ABC Hexigten Rural Bank Limited Liability Company, ABC Hubei Hanchuan Rural Bank Limited Liability Company, ABC Ansai Rural Bank Limited Liability Company and ABC Jixi Rural Bank Limited Liability Company.
(4) Our major overseas subsidiaries include ABC International Holdings Limited, China Agricultural Finance Co., Ltd., ABCI Securities Company Limited, ABCI Insurance Company Limited and ABCI Insurance Broker Limited.
(5) Hong Kong and Singapore branches.
(6) New York, London, Tokyo, Frankfurt, Seoul and Sydney representative offices.

OPERATIONAL REFORM

To become a world-class commercial bank, we have accelerated our internal restructuring and reform by articulating a long-term business development strategy with clearly defined mission and vision, implementing joint stock reform, promoting business transformation and streamlining management structure. Our recent restructuring and reform efforts consist primarily of the following initiatives:

- initiating organizational reform and reengineering operational processes;
- accelerating business transformation;
- reforming and developing our County Area Banking Business;
- establishing comprehensive risk management and internal control systems;
- implementing a comprehensive reform on capital and financial management;
- enhancing the utilization of information technology to support our business; and
- promoting human resources development.

Initiating Organizational Reform and Reengineering Operational Processes

We have optimized the operations of our key departments. We organized the departments in our head office into seven functional divisions: three front office marketing divisions, including the County Area banking division, corporate banking division and retail banking division, and four middle and back office management and support divisions, including the risk management division, financial division, technology and products division and administrative division. We have gradually rolled out this new management structure based on the seven divisions in our head office to our branch network and increased our efforts to rationalize the organizational structure in our sub-branches in accordance with the different characteristics of the Urban and County Areas.

Furthermore, we have actively reengineered our core operational processes, including our marketing, credit approval and business operations. We have adopted differentiated marketing strategies targeted at different customer groups. We have implemented a tiered credit approval system, appointed credit approval officers and sought to establish a centralized and vertical credit approval system. In addition, we have centralized our back office operations.

We believe these initiatives allow us to enhance our operational efficiency.

Accelerating Business Transformation

We have focused our business transformation on corporate banking, retail banking and product development.

In corporate banking, our strategic reform has been focused on customers, services and processes. We have adopted differentiated marketing strategies to provide a wide range of products and services to our customers. We have identified our key customers at our head office, tier-1 branch and tier-2 branch levels and implemented a customer list-based management system. We have sought to become a one-stop banking service provider to cater to our corporate customers' demand for diversified financial products. We have also expanded our fee- and commission-based business such as the investment banking business to diversify our revenue mix and adjusted our business model to introduce additional value-added services. We have implemented initiatives to streamline our operational processes and improve the marketing and cross-selling capabilities of our corporate banking business.

In retail banking, we are implementing initiatives to enhance the overall service and marketing capability of our branch outlets through rationalizing our branch network, integrating our IT systems and service channels, and strengthening the marketing function of our branch outlets. In addition, we have streamlined the procedures for our teller services and retail lending business to improve customer experience. We have also increased our efforts to expand our retail banking product offerings, including the introduction of various bank card and wealth management products. Furthermore, we have strengthened our self-service infrastructure and electronic banking channels in order to enhance the quality of our services and overall customer satisfaction.

In product development, we have established a centralized development mechanism and adopted a project management system to improve the efficiency of our product development processes. We share research and development information through a centralized database. We also conduct regular assessment and evaluations in respect of product development and provide incentives to

enhance the quality and the profitability of our products. We have also focused on rolling out new products to our County Area customers. We have introduced a tailored product portfolio consisting of a wide range of lending and deposit products and fee- and commission-based products to cater to the diversified customer demands in the County Areas.

Reforming and Developing Our County Area Banking Business

We have implemented a pilot program to develop our County Area Banking Business, focusing on refining our product offerings, strengthening risk management, expanding distribution channels, and enhancing financial accounting and resource allocation systems in our County Area Banking Business. We initially carried out the pilot program in 123 counties in eight provinces (regions and municipalities) in October 2007 and extended this program to a total of 1,027 counties nationwide in October 2008. In October 2009, our County Area Banking Business was further expanded throughout our Bank.

To promote further development of our County Area Banking Business, we have established a dedicated County Area banking division, which consists of 2,048 county-level sub-branches and 22 business departments of tier-2 branches. We clarified the organizational, business and management responsibilities and reporting lines for this new division. We have selected eight tier-1 branches to conduct our County Area Banking Business as a business line on a pilot run basis, in order to explore a more efficient operating mechanism for our County Area Banking Business.

Through these pilot programs, we have explored a differentiated management system for our County Area Banking Business in the following areas: (i) *credit management*. We have adopted a policy guideline for our County Area credit businesses and established an authorization management system and a credit approval mechanism for our County Area banking division; (ii) *resources allocation*. We have set out unique plans in economic capital, business operation, and operating cost and fixed assets for our County Area banking division; (iii) *performance evaluation*. We have established a comprehensive performance evaluation system based on the development and operating plans for our County Area banking division. Our County Area banking division has also established an internal performance-based evaluation systems linking remuneration to performance evaluation; and (iv) *risk management*. We have implemented differentiated risk management policies for our County Area Banking Business under our risk management system.

For more information about our County Area Banking Business, see "County Area Banking Business."

Establishing Comprehensive Risk Management and Internal Control Systems

In recent years, we have started to build a comprehensive risk management system and improve our risk identification, measurement, monitoring and control capabilities. We have established the Risk Management Committee under the Board of Directors, restructured the departments with risk management function and built an integrated risk management organizational structure. We have appointed risk officers from tier-1 branches to tier-2 branches as well as risk managers from tier-2 branches to sub-branches, to strengthen the independence of our risk management function. We have continued to refine our risk management policies, procedures and tools. For example, we have adopted various methodologies, including economic capital, risk exposure limits, risk pricing and internal transfer pricing, to improve our risk management capabilities. We have also established a designated internal audit function.

Under the applicable PRC laws and regulations and Basel Committee guidelines, we have been establishing an integrated internal control system covering internal environment, risk assessment, control activities, information and communication and internal supervision.

For more information about our risk management and internal control systems, see "Risk Management."

Implementing a Comprehensive Reform on Capital and Financial Management

We have implemented initiatives to establish a comprehensive, accurate, transparent and effective accounting and financial management system, including:

- formulating new financial management policies and undertaking budgeting process reforms in our head office's departments and branches;
- introducing approval and authorization policies and procedures in order to establish an effective and clearly delineated financial decision-making system;
- streamlining and centralizing financial management of our sub-branches by their respective tier-2 branches;
- implementing a performance evaluation system based on Economic Value Added (EVA) and Risk-Adjusted Return on Economic Capital (RAROC) to improve resource allocation;
- establishing a financial reporting platform to reflect the results of operations by business line and product through the Financial Management Information System (FMIS), the Performance Value Management System (PVMS) and the reporting system by business line; and
- reforming capital management through centralized treasury operations to manage and allocate our funds based on an internal funds transfer pricing (FTP) system. Currently, our tier-1 branches have implemented centralized treasury operations.

Enhancing the Utilization of Information Technology to Support Our Business

We have developed our IT platform, strengthened our IT capacities and enhanced our IT utilization. In particular, we have:

- strengthened our IT infrastructure and application platforms by expanding, upgrading and refining our existing IT systems, equipments and networks to improve the core banking application systems, investment business platform, electronic banking application platform, basic data platform, enterprise information portal technology platforms and other infrastructure;
- improved software research and development capacity and streamlined the software development process, to improve the quality of our software research and development;
- developed and improved the application of various IT systems and enhanced IT services and standards in order to provide effective technical support for decision-making, business reporting, risk management, performance evaluation, and customer relationship management; and
- strengthened information security and risk prevention to enhance the stability of our business operations and system management.

Promoting Human Resources Development

We have continued to reform our human resources management system according to a comprehensive reform plan. Our 32 tier-1 branches and five branches directly managed by the head office have implemented organizational structure reforms which are expected to allow us to (i) establish a clear career development system by introducing multiple career paths such as "managerial," "professional" and "operational," in order to facilitate employee career development; (ii) implement performance-based evaluation systems linking remuneration to performance and compensating employees based on their positions, responsibilities, capabilities and achievements to encourage our employees to improve their capabilities and performance; and (iii) introduce market-oriented recruitment channels and employment promotion mechanisms. We believe these initiatives will assist us in incentivizing our employees and attracting talents.

OVERVIEW

We are a leading commercial bank in China in terms of total assets, total loans and total deposits. At December 31, 2009, we had RMB8,882.6 billion in total assets, RMB4,138.2 billion in total gross loans and RMB7,497.6 billion in total customer deposits, representing a market share of 11.3%, 9.7% and 12.3%, respectively, of all banking institutions in China. We were ranked No. 8 in *The Banker's* "Top 1000 World Banks" list in terms of profit before tax for the year of 2008.

We have the largest domestic distribution network among the Large Commercial Banks in terms of the number of branch outlets. As of December 31, 2009, we had a total number of 23,624 domestic branch outlets. Leveraging our extensive network, we provide a wide range of banking products and services to our corporate and retail customers in China. We are a market leader in a number of areas in the PRC banking sector:

- We believe that we are the largest retail bank in China in terms of the number of retail customers, with approximately 320 million retail customers as of December 31, 2009;
- We have a nationwide distribution network with the broadest geographic coverage in China and the largest number of ATMs among the Large Commercial Banks;
- We were consistently ranked first among all commercial banks in China in terms of the total number of bank cards issued and bank card deposit amounts as of the end of each year from 2006 to 2009 and total transaction volume on debit cards in each year from 2006 to 2009;
- We were ranked first and second, respectively, among all commercial banks in China in terms of new premiums for insurance products sold through our distribution network and fees generated from our bancassurance business in 2009;
- We were the second largest custodian bank and the largest custodian bank for insurance funds in China in terms of assets under custody as of December 31, 2009; and
- We accomplished data centralization in 2006, and we were ranked No. 5 among the "2008 PRC Top 500 Enterprises in Information Technology" ("2008年度中國企業信息化500強") by the *National Informatization Evaluation Center*.

As a leading bank in China's Urban Areas, we have benefited from China's strong economic growth. We have leveraged our extensive distribution network and large customer base to further strengthen our market position in the Urban Areas. At December 31, 2009, our loans and deposits in the Urban Areas totaled RMB2,944.8 billion and RMB4,463.0 billion, representing an increase of 29.8% and 24.6%, respectively, from December 31, 2008.

We are a primary provider of financial services and a market leader in China's vast, fast-developing County Areas, with the largest number of domestic branch outlets among the Large Commercial Banks. We provide customers in the County Areas with a broad range of financial products and services through our 2,048 county-level sub-branches and 22 business departments of tier-2 branches. We refer to such banking business as the "County Area Banking Business" or "Sannong Banking Business." We believe that the established market leadership and vast distribution network of our County Area Banking Business enable us to continue to take advantage of the various growth opportunities arising from the rapid urbanization and favorable economic and policy developments in the County Areas. At December 31, 2009, our loans and deposits in the County Areas

totaled RMB1,193.4 billion and RMB3,034.6 billion, representing an increase of 43.4% and 20.7%, respectively, from December 31, 2008.

We believe that "Agricultural Bank of China" ("中國農業銀行") is one of the most recognized financial services brands in China. We have received many international and domestic honors and awards for our business performance, including the "Annual Achievement Award on Cash Management (Greater China)" in 2009 from *The Asian Banker*, the "Top 10 Corporate Finance Products" in 2009 by *The Chinese Banker* ("銀行家"), the "Business Progress Award" in 2008 from *Visa International* and the "Best Product Design Award" in 2008 from *MasterCard International*.

Headquartered in Beijing with a nationwide distribution network, we also have branches in Hong Kong and Singapore and representative offices in New York, London, Tokyo, Frankfurt, Seoul and Sydney. In addition, we have a number of wholly-owned subsidiaries incorporated in Hong Kong, including ABC International Holdings Limited and China Agricultural Finance Co., Ltd.

Our Competitive Strengths

Our principal competitive strengths include:

Well-positioned to Capitalize on China's Future Growth in Both Urban Areas and County Areas

With a significant market share and a broad presence in both Urban Areas and County Areas, we are well-positioned to capitalize on China's future growth by providing comprehensive products and services to our customers through an integrated platform that covers both Urban Areas and County Areas.

Rapid urbanization, increasing business flows between the Urban Areas and the County Areas and the continued shift to a more consumption-driven economy have stimulated a strong growth in both Urban Areas and County Areas. In addition, as a key part of its future development strategy, the PRC government plans to continue to focus on promoting the economic development of the County Areas. In the past three years, the amount of subsidy related to the County Areas in the PRC central government's national budget has grown by a CAGR of 29.6%. We believe that this trend is likely to continue in the foreseeable future. As a result of a number of initiatives by the PRC government to stimulate domestic demand, narrow the urban and rural development gap, accelerate the urbanization process and promote development across all regions, the share of China's GDP attributable to the County Areas increased from 45.9% in 2001 to 49.6% in 2008. We believe that the continued trend of urbanization will further increase the County Areas' contribution to China's GDP. The economic development in the County Areas has spurred rapid growth of the banking industry in these areas. As a result of our established leadership in both Urban Areas and County Areas, we believe that we are well-positioned to capitalize on China's future growth in both Urban Areas and County Areas.

We endeavor to maintain balanced development in both Urban Areas and County Areas. We believe our broad coverage and large customer base in both Urban Areas and County Areas will continue to provide us with significant competitive advantages compared to other commercial banks in China.

Extensive Nationwide Branch Outlet Network Complemented by a Multi-channel Electronic Banking System

We have a nationwide distribution network with the largest number of branch outlets among the Large Commercial Banks. As of December 31, 2009, we had a total number of 23,624 domestic branch outlets, covering all of the cities and 99.5% of the counties in China. We maintain a strong presence in economically developed areas. As of December 31, 2009, we had 3,116, 2,590 and 3,355 branch outlets in the Yangtze River Delta, Pearl River Delta and Bohai Rim regions, respectively, more than any other Large Commercial Banks in each of these regions.

As an important complement to and extension of our nationwide distribution network, we have a multi-channel electronic banking transaction system consisting primarily of ATMs, Internet banking, phone banking, mobile phone banking and non-cash transaction terminals. We also have a leading electronic customer service system with Internet portals and a call center which operates 24 hours a day, seven days a week. As of December 31, 2009, we had 41,011 ATMs, the largest number of ATMs among the Large Commercial Banks. For the year ended December 31, 2009, 49.8% of all of our transactions were conducted through our electronic banking system.

Our extensive nationwide branch outlet network complemented by our multi-channel electronic banking system provides us with a strong sales platform, which enables us to cross-sell our products and to deliver high-quality, convenient and comprehensive services. It has also allowed us to establish a leading position in major product and service offerings including deposits, lending, settlement, custody, agency services and bank cards.

Large and Diversified Customer Base Providing Significant Growth Potential

Through our extensive multi-channel distribution network, we serve a large and diversified corporate and retail customer base.

As of December 31, 2009, we had approximately 2.60 million corporate customers, of which approximately 68,000 customers had outstanding loans from us. As of the same date, we also had approximately 3.15 million corporate RMB settlement accounts, approximately 51,000 cash management customers and approximately 25,000 contractual customers of our financial advisory services. In addition to expanding our customer base, we have focused on optimizing our customer mix by developing relationships with large industry-leading companies, financial institutions and government agencies. As of December 31, 2009, we had established close business relationships with 62 out of the 129 large-scale state-owned enterprises supervised by the SASAC. In addition, as of the same date, we had developed business cooperation relationships with 59 insurance companies, 93 securities firms and 161 futures companies in China.

We believe that we have the largest retail banking customer base in China with approximately 320 million retail customers as of December 31, 2009. In particular, we have an extensive customer base for our retail lending business, with approximately 8.24 million customers with outstanding loans from us at December 31, 2009. In addition, as of the same date, we had approximately 3.01 million retail customers each maintaining a deposit balance of over RMB200,000, and the aggregate retail deposit amount of these customers represents 38.2% of our total retail deposits. Our large and affluent retail customer base enables us to identify and introduce attractive new products and services. We believe the demand for emerging financial services, such as wealth management, bancassurance and investment, will increase significantly as our customers' personal wealth continues to grow.

We believe our large and diversified customer base enhances our competitive position across various business segments by providing us with significant business growth opportunities.

Strong Deposit Base Providing Stable and Low-cost Funding

We believe that our large distribution network has enabled us to provide convenient services to our broad customer base across China and to establish a strong brand recognition among our customers. We have one of the largest customer deposit bases among all commercial banks in China, amounting to RMB7,497.6 billion at December 31, 2009, representing a market share of 12.3% among all PRC banking institutions.

We had RMB4,365.4 billion in retail deposits at December 31, 2009, representing a market share of 16.5% among all PRC banking institutions, the second largest among all commercial banks in China. At the same date, our retail deposits accounted for 58.2% of our total deposits, the highest percentage among the Large Commercial Banks. Our large retail deposit base provides us with a stable source of funding. In addition, we have a greater percentage of demand deposits within our deposit mix. Demand deposits accounted for 55.5% of our total deposits at December 31, 2009, the highest percentage among the Large Commercial Banks. Having deposits primarily consisting of demand deposits enables us to maintain a lower cost of deposits compared to other commercial banks in China. For the years ended December 31, 2009 and 2008, our average domestic deposit cost was 1.49% and 1.98%, respectively, which were the lowest among the Large Commercial Banks.

We believe that our large deposit base provides us with access to stable source of funding at a relatively low cost, which enables us to grow our loan business and improve our financial results.

Fast Growing Fee- and Commission-based Business

It has been an important strategic focus for us to grow fee- and commission-based business. Our integrated branch and electronic banking network and increasingly diversified product and service portfolio have enabled us to successfully develop our fee- and commission-based business. In 2009, our net fee and commission income was RMB35.6 billion, representing a 49.8% increase from 2008. The ratio of our fee and commission income to our operating income grew from 12.5% in 2007 to 15.9% in 2009. Through product innovation, resources sharing among our different business segments and cross-selling efforts, we have been able to maintain our strengths in settlement, asset custody, bank cards and bancassurance businesses.

In 2009, the transaction volume of our Renminbi settlement business was RMB234.4 trillion. As of December 31, 2009, our assets under custody reached RMB1,391.3 billion, the second largest among all commercial banks in China, among which, the value of our insurance assets under custody was the largest among all commercial banks in China. In addition, we were consistently ranked first in terms of total number of bank cards issued as of the end of each year from 2006 to 2009. We had issued approximately 365 million bank cards as of December 31, 2009 and our "Kins Card" ("金穗卡") brand is widely recognized in the PRC. In 2009, we collected RMB72.8 billion new premiums from our sales of insurance products, the largest among all commercial banks in China, and earned RMB2.8 billion of fees and commissions, the second largest among all commercial banks in China.

Furthermore, given our large and diversified customer base, we have experienced a rapid growth in certain new business areas. From 2007 to 2009, fees and commissions from our financial advisory service and electronic banking service increased at CAGRs of 307.2% and 84.2%,

respectively. In addition, we have also taken initiatives in new business areas that we believe present strong growth potential, such as asset management, wealth management and investment banking. We were one of the first banks to offer CBRC-approved RMB-denominated wealth management products among approximately 100 banking institutions in China that currently offer such wealth management products. In addition, we were one of the first banks licensed to provide custody services to mutual funds among 17 commercial banks in China licensed to provide such custody services as of April 30, 2010.

Continuously Enhanced Risk Management and Internal Control Capabilities

In recent years, we have strengthened our risk management and internal control capabilities by improving our policies and procedures and introducing advanced risk management tools.

We have adopted a prudent risk management strategy and continued to enhance our risk management organizational structure, in order to create a centralized risk management system and an independent and effective risk management function. We have also continued to enhance our credit risk management system. In this context, we have adopted industry-specific credit guidelines and a customer list-based management system, and implemented a standardized authorization and credit approval process, where credit applications are reviewed by dedicated professionals. We have further refined our risk management tools and systems by adopting credit limits with respect to our exposure to borrowers, developing a risk reporting system and implementing a 12-category loan classification system and adopting a customer credit rating system for corporate loans. We have developed a plan to implement Basel II and upgrade our internal rating-based system for our customers. We have also expanded the use of economic capital management tools from credit risk management to market risk and operational risk management.

We have also started to implement a program to appoint risk officers from tier-1 branches to tier-2 branches, and appoint risk managers from tier-2 branches to sub-branches.

We believe that our efforts in strengthening risk management have improved our asset quality. The downgrade migration ratios of our domestic loan portfolio classified as normal and special mention loans decreased to 1.65% in 2009 compared to 3.35% in 2008.

We have established and improved our internal control and compliance management system and internal audit system. These systems have enabled us to enhance our internal control and compliance management capabilities, strengthen our designated internal audit function and reduce operational risks and incidences of fraud and other non-compliance.

Leading Information Technology Platform

We believe that we have one of the most advanced information technology platforms among all commercial banks in China. We accomplished data centralization in 2006 and have gradually established a centralized computer network system which, through our national data center, covers more than 20,000 branch outlets and links 170,000 teller terminals throughout China. We were ranked No. 5 among the "2008 PRC Top 500 Enterprises in Information Technology" ("2008年度中國企業信息化500強") by the *National Informatization Evaluation Center*. Furthermore, we are in the process of upgrading our information technology platform to establish a more advanced core banking system to meet the needs of our business development and operational management.

By establishing an information technology system which effectively integrates our customer service channels, including physical counters, Internet banking, customer service system, phone banking, mobile phone banking and information platforms, we are able to provide our management team with certain financial and operational data on a T+1 basis and better serve our customers in an efficient and effective manner. We have also focused on calibrating our information systems to meet the requirements of our County Area Banking Business and strengthen our information technology capabilities in support of our continued expansion in the County Areas.

Experienced Management Team with a Proven Track Record

We have an energetic, experienced and entrepreneurial management team with an established proven track record in the financial services industry. Our chairman, Mr. XIANG Junbo, has extensive experience in audit supervision and financial macroeconomic management and control. He was the deputy Auditor General of the NAO and the deputy governor of the PBOC before joining us. Our president, Mr. ZHANG Yun, has served us for over 20 years and was previously our executive assistant president and executive vice president. The chairman of our Board of Supervisors, Mr. CHE Yingxin, has extensive experience in supervising financial institutions and was the assistant to chairman of the CBRC and the chairman of the Board of Supervisors of Key State-owned Financial Institutions (國有重點金融機構監事會). Our senior management team, namely, our chairman, president, executive vice presidents and secretary to the Board of Directors, have on average over 20 years of professional experience in the financial industry. All members of our management team have in-depth knowledge of banking operations and management and, through their working experience with us and in other Chinese financial institutions, have gained a deep understanding of China's macroeconomic environment, its banking industry and the financial system in China's County Areas in particular.

Our experienced management team has demonstrated a track record of successfully implementing a series of transformational initiatives, including our financial restructuring and the improvement of our corporate governance and risk management. Under the leadership of our management team, we have significantly improved our operations and financial results, and are moving toward our goal of becoming a world-class commercial bank.

OUR STRATEGIES

By leveraging our leading positions in both Urban Areas and County Areas, we believe we will become a world-class financial institution through the successful implementation of the following strategies.

Further Strengthen Our Leadership in the Urban Areas

We plan to further strengthen our leadership in the Urban Areas by focusing on key customers and selected geographical regions and promoting innovative, high value-added products and services. Specifically:

- We plan to further develop our business in the more economically developed regions, such as the Yangtze River Delta, Pearl River Delta and Bohai Rim, focusing on key cities and other areas with abundant financial resources, such as provincial capitals and regional centers.
- We will continue to focus on large and high-quality customers in our corporate banking business, including industry leading companies, large state-owned enterprises and Chinese

subsidiaries of global Fortune 500 companies, while maintaining our leadership in the SME segment. In addition, we plan to tailor our sales and marketing efforts to industry sectors with significant growth potential.

- We will further upgrade our outlets and strengthen our customer segmentation capabilities to enhance cross-selling in our retail banking business. We aim to achieve higher returns through continued focus on high-growth business areas, such as wealth management and private banking.

Solidify Our Dominant Position in the County Areas

We believe that China's vast, fast-growing County Areas present significant growth potential and will be a key driver for China's long-term economic growth. We have a business unit dedicated to the County Area banking market. We intend to leverage our dominant market position and our first-mover advantage, to strengthen our presence and customer penetration in the County Areas, which we believe will deliver more significant profit contribution to us. Specifically:

- We intend to capture opportunities arising out of the urbanization and industrialization process to provide customers in the County Areas, particularly industry-leading companies in the County Areas as well as their suppliers, customers and distributors, with comprehensive financial products and services.
- We aim to meet the needs of mid- to high-end retail customers in the County Areas, and to leverage our Huinong Card (惠農卡) to develop businesses related to new rural pension insurance and new rural cooperative medical insurance schemes.
- We plan to leverage our extensive electronic distribution channels to expand our coverage in the County Areas, provide our customers in the County Areas with more convenient and user-friendly services and increase our operational efficiency in the County Areas.
- We will continue to allocate additional resources to selected sub-branches in the County Areas to drive the growth of our business in the County Areas.

Diversify Our Revenue Mix by Expanding Our Product and Service Offerings

We intend to further diversify our revenue sources and increase our overall revenue by expanding our product and service offerings, particularly fee- and commission-based business, through the following efforts:

- We aim to leverage our extensive distribution network to strengthen our leading position in bank cards, settlement, insurance agency and custody services.
- We also intend to further expand emerging business areas, such as asset management, investment banking, financial leasing and rural insurance.

In addition to expanding our product and services portfolio, we also intend to adopt a more sophisticated pricing mechanism by taking into account several factors, including market competition and customer risk profiles.

Continuously Upgrade Our Multi-channel Distribution Network

We aim to upgrade our multi-channel distribution network. We believe our upgraded outlets and improved electronic banking will enable us to further enhance our operational efficiency and profitability.

- We plan to continue to upgrade our outlets, allocate separate space to different service functions and streamline the business operations to increase our operational efficiency and marketing capability.
- We intend to continue our efforts to upgrade certain of our branch outlets, including establishing more high-end wealth management centers to develop our wealth management business, and provide a wider range of products and services to our customers.
- In electronic banking, we intend to leverage our leading information technology platform to expand our service offerings and improve our service quality, while at the same time increasing efficiency.

Continuously Strengthen Our Risk Management and Internal Control Capabilities

We plan to continue to enhance our risk management and internal control capabilities by:

- continuing to focus on implementing a comprehensive risk management strategy characterized by a sound governance structure, independent credit risk management and strong risk management culture shared by all our employees;
- proactively preparing for the implementation of Basel II guidelines, applying advanced risk management tools, upgrading related information technology system and continuously enhancing our risk identification, measurement, monitoring and control capabilities; and
- further streamlining our internal control organization structure, continuously examining and improving our internal control policies and procedures and supervising and evaluating the implementation of such policies and procedures to enhance the effectiveness of our internal control system.

Attract, Motivate and Develop Talented and Experienced Professionals

We believe a key to our success is our ability to recruit, retain, motivate and develop talented and experienced professionals. We intend to:

- continue to enhance our human resources management to meet our growth plans and our business needs;
- continue to focus on the recruitment and cultivation of a high-quality and professional workforce, provide training and development programs for our employees to enhance their professional knowledge and capabilities, and create a collegial culture that promotes our employees' personal and professional development; and
- continue to improve our management and employee incentive programs, including an enhanced economic value-added based incentive scheme, to align compensation with employee performance.

OUR PRINCIPAL BUSINESSES

Our business segments consist of corporate banking, retail banking, treasury operations and other operations. The following table sets forth, for the periods indicated, our operating income by business segments.

	For the year ended December 31,					
	2007		2008		2009	
	Amount	% of total	Amount	% of total	Amount	% of total
	(in millions of RMB, except percentages)					
Corporate banking	96,592	52.6%	116,375	54.4%	123,105	55.0%
Retail banking	61,013	33.3	67,996	31.8	73,614	32.9
Treasury operations	24,238	13.2	29,073	13.6	26,109	11.7
Other operations	1,608	0.9	572	0.2	809	0.4
Total	**183,451**	**100.0%**	**214,016**	**100.0%**	**223,637**	**100.0%**

Corporate Banking

Corporate banking constitutes our primary source of income and has consistently contributed more than 50% of our total operating income. We offer a broad range of corporate banking products and services to corporations and other entities, including state-owned enterprises, private enterprises, foreign-invested enterprises and government agencies, which we collectively refer to as our corporate banking customers. Our corporate banking business consists primarily of corporate lending, discounted bills, corporate deposits, clearing and settlement services, cash management, investment banking, custody services, corporate treasury services, guarantee services, third-party depository and futures margin depository and other agency services. Corporate banking accounted for 55.0%, 54.4% and 52.6%, of our total operating income in 2009, 2008 and 2007, respectively. Our domestic corporate loans accounted for 71.7%, 76.1% and 79.5% of our total loans, and our domestic corporate deposits accounted for 38.7%, 35.5% and 39.9% of our total deposits from customers at December 31, 2009, 2008 and 2007, respectively.

Customer Base

As of December 31, 2009, we had approximately 2.60 million corporate customers, of which approximately 68,000 had outstanding loans from us.

At December 31, 2009, our major corporate loan customers were concentrated in (i) manufacturing, (ii) real estate, (iii) production and supply of power, gas and water and (iv) transportation, logistics and postal services industries, which accounted for 29.9%, 14.4%, 13.9% and 10.2%, respectively, of our total corporate loans outstanding.

In addition to expanding our customer base, we have focused on optimizing our customer mix by developing relationships with large state-owned enterprises, industry-leading companies and government agencies.

As of December 31, 2009, we established business relationships with 62 out of 129 large-scale state-owned enterprises supervised by the SASAC and a large number of leading companies in the energy and resources, telecommunications, aviation, iron and steel, automobile, chemical engineering and electronics industries, including all of China's major power grid companies, national power

generation companies, national petroleum companies and national telecommunications service providers.

Major Products and Services

Corporate Loans

Corporate loans have historically constituted the largest component of our loan portfolio. Our corporate loans include working capital loans, real estate development loans, project loans and trade finance products. Our corporate loans consist substantially all of our RMB-denominated loans. At December 31, 2009, we had RMB2,968.7 billion in domestic corporate loans outstanding, accounting for 71.7% of our total loans.

Working Capital Loans

We provide working capital loans to our customers primarily to meet their working capital needs. Our working capital loans are typically short-term loans. At December 31, 2009, we had RMB1,377.3 billion of working capital loans outstanding, representing 46.4% of our total domestic corporate loans, an increase of 15.5% from December 31, 2008.

Real Estate Development Loans

We provide real estate development loans to our corporate banking customers to meet their property development funding needs, including residential property development loans, commercial property development loans, land development loans, business property mortgage loans and loans for government authorized land reserve. At December 31, 2009, we had property development loans of RMB432.5 billion outstanding, accounting for 14.6% of our total domestic corporate loans outstanding, RMB157.3 billion of which consisted of residential property development loans, representing 36.4% of our total property development loans.

We offer business property mortgage loans to owners of shopping malls, office buildings, serviced apartments and manufacturing plants. The underlying properties serve as collateral for the loans while the income generated from the operations of the properties typically constitutes the primary source of repayment for the loans. At December 31, 2009, our business property mortgage loans outstanding were RMB87.1 billion, representing an increase of 47.7% from December 31, 2008.

Project Loans

We provide project loans to our corporate customers primarily to meet their funding needs associated with various fixed asset investment projects, such as infrastructure development and technical improvements. At December 31, 2009, we had project loans of RMB635.1 billion outstanding, accounting for 21.4% of our total domestic corporate loans outstanding and an increase of 24.7% over the prior year.

Trade Finance

We provide trade finance services to customers engaging in international trade primarily through three families of products, namely "Foreign Exchange Financing for Imports" ("進口融匯通"), "Foreign Exchange Financing for Exports" ("出口融匯通") and "Receipt and Payment Express"

("收付通"). Each family of these products integrates certain functions of our trade finance products and services. Our primary trade finance products and services include letters of credit, import bill advances, shipping guarantees, packing loans, forfaiting, export bill discounting, export invoice financing, export credit insurance financing, per aval and international factoring. The volume of international trade finance transactions conducted by our domestic branch outlets amounted to US$27.1 billion, US$20.2 billion and US$17.7 billion in 2009, 2008 and 2007, respectively, representing a CAGR of 23.6% over this period.

Small Business Loans

As one of the first banks to start specialized management of services for small businesses, we established a dedicated management unit to serve small businesses in 2006. The unit was further reorganized into the Small Business Finance Department in 2009 to further enhance the efficiency and quality of our services to small business customers. We continue to improve the specialized management of our small business loans and have implemented a one-stop review and approval process for credit applications made by small business customers. At December 31, 2009, we had small business loans (including discounted bills) of RMB376.6 billion outstanding.

In addition to traditional financing and credit products and services, we also provide small business customers with unique products such as "Easy Loans" ("簡式快速貸款"), "Self-Service Revolving Credit Facilities" ("自助可循環貸款") and supply chain financing.

The Easy Loans are designed for small businesses that require small credit lines. Applicants can go through the credit rating, approval and disbursement process more efficiently. At December 31, 2009, our outstanding Easy Loans were RMB25.6 billion, representing an increase of 98.6% over the prior year.

The Self-Service Revolving Credit Facilities are designed to meet the working capital requirements arising from the operations of our small business customers. Within the given credit limits, small business customers can access the revolving credit facilities through either bank counters or ATMs. At December 31, 2009, we had RMB1.0 billion in outstanding Self-Service Revolving Credit Facilities, representing an increase of 37.3% over the prior year.

Syndicate Loans

We provide syndicate loans to borrowers, as the lead arranger or as a participant, in collaboration with other banks or non-financial institutions, typically in connection with large-scale construction and development projects. At December 31, 2009, we had syndicate loans of RMB136.5 billion outstanding, representing 4.6% of our total domestic corporate loans outstanding. In 2009, we were awarded the "Best Achievement in Syndicate Loans Award" by the *China Banking Association*.

Discounted Bills

Discounted bills refer to our discounted purchase of bank acceptance bills and commercial acceptance bills with a remaining maturity of less than six months. Bill discounting is a form of short-term financing provided to corporate customers. We may resell these bills to the PBOC or other financial institutions authorized to conduct bill discounting, providing us with additional liquidity and spread income. At December 31, 2009, we had domestic discounted bills of RMB352.2 billion

outstanding, representing 8.5% of our total loan portfolio. At December 31, 2009, bank acceptance bills accounted for 90.1% of our total discounted bills outstanding.

Corporate Deposits

We offer our corporate customers time and demand deposits in Renminbi and major foreign currencies. In addition, we offer a call deposit product that bears a higher interest rate than those of demand deposits but also retains some of the flexibility of demand deposits by allowing our customers to withdraw money with one or seven days' prior notice. At December 31, 2009, our total corporate deposits increased by 34.1% to RMB2,901.2 billion from RMB2,163.9 billion at December 31, 2008.

Fee- and Commission-based Products and Services

We provide our corporate customers with a broad range of fee- and commission-based products and services, including settlement services, cash management, investment banking, custody services, corporate treasury services, guarantee services, agency services and depositary services for securities transaction clearing fund and futures margin. As we have focused on developing and offering fee- and commission-based corporate banking products and services in recent years, this segment of our corporate banking business has grown significantly and generated net fee and commission income of RMB20.0 billion, RMB8.7 billion and RMB10.8 billion in 2009, 2008 and 2007, respectively, representing a CAGR of 36.1% over this period.

Settlement Services

We offer broad and convenient settlement services through a wide range of channels such as bank counters, Internet banking, phone banking, ATMs and POS. By leveraging our strength in traditional settlement services, we continue to promote the usage of electronic settlement accounts, through which our customers can settle payments online. As of December 31, 2009, we had approximately 3.15 million RMB-denominated corporate settlement accounts with a settlement transaction volume of RMB144.2 trillion for the year ended December 31, 2009.

Our international settlement services include documentary letters of credit, documentary collection, remittances and clean collection. We have developed a centrally-managed global transaction system (GTS) for international settlement to further enhance our professional services. In 2009, the international settlement volume of our domestic branches totaled US$349.1 billion. In 2009, our domestic branches generated income of RMB918 million from international settlement services.

We have traditionally been a leading participant in cross-border trade settlement and were one of the first banks to introduce this service. In 2009, our transaction volume for cross-border trade settlement rose to US$5.3 billion.

Cash Management

We provide integrated cash management services to our corporate customers for their liquidity management, including, account management, information services, collection and disbursements, trade settlement, investment and financing services. Cash management services are particularly useful for large companies that need to centrally manage their cash flow across many locations or subsidiaries. In 2009, we introduced our new cash management brand "Sailing Cloud" ("行雲") through

which we offer customers integrated global services in both RMB and foreign currencies. As of December 31, 2009, we had approximately 51,000 cash management customers, representing an increase of 48.5% from December 31, 2008. The total transaction volume processed by our cash management services reached RMB32.9 trillion in 2009. Our customers include 55% of the Top 100 Chinese Enterprises and approximately 35% of the Top 500 Chinese Enterprises. In 2009, we were honored by *Asian Banker* magazine as the winner of the "Annual Achievement Award on Cash Management (China)" and received the "Cash Management Business Innovation" award at the *21st Century Asian Finance Annual Conference.*

Investment Banking

We provide investment banking services to our corporate customers and engage in financial advisory services, restructuring and acquisition services, underwriting of debt instruments such as commercial paper and medium-term notes, fixed-income investment advisory services and asset securitization advisory services. By leveraging our traditional corporate banking customer relationships, our investment banking business has grown rapidly. From 2007 to 2009, revenue generated from our investment banking services increased at a CAGR of 292.2% to reach RMB5.9 billion in 2009.

Through our financial advisory service platform, we provide our customers with financial advice, business plan formulation and in-depth industry and financial markets analysis. We had approximately 25,000 contracted customers for our financial advisory services as of December 31, 2009. Our financial advisory services generated revenues of RMB4.4 billion in 2009, representing a 300.3% increase from 2008. We actively promote product innovation in investment banking, such as the introduction in the PRC of the first foreign currency-denominated medium-term note, the first private company medium-term notes and the pilot test of collective notes for rural and agricultural small businesses. We were recognized by *Securities Times* as the "Best Innovative Investment Bank" and the "Best Investment Bank on Debt Underwriting" in both 2009 and 2010.

Custody Services

We have one of the most comprehensive custody services among all commercial banks in China. Assets under custody primarily include assets of investment funds, insurance assets, corporate annuities, investments managed by QFIIs and QDIIs, certain customer assets of fund management companies, collective investment scheme funds managed by securities firms and private equity funds. Our custody services include custody, fund clearing, asset valuation, investment monitoring and custody reporting services. In addition, we offer value-added services, such as providing market information, research reports and tax consultation. We seek to continuously streamline the business process and enhance the effectiveness and soundness of our internal control systems in respect of custody services on an ongoing basis and have successfully passed SAS70 international authentication for internal control. Furthermore, we were named the "Bank with the Best Custody Service in 2008" by the Annual China Funds Summit held by the *Securities Association of China*.

We are the largest insurance assets custodian and the second largest custodian in China in terms of assets under custody. As of December 31, 2009, we had RMB1,391.3 billion in assets under custody, of which RMB845.8 billion was insurance assets. In 2009, we generated fees and commissions of RMB761 million from custody and other fiduciary services.

We started our pension fund custody business in 2008, which has developed to cover corporate annuities, pension funds for farmers and social security funds. As of December 31, 2009, pension funds under custody amounted to RMB73.7 billion, representing an increase of 368.7% over the prior year.

Corporate Treasury Services

Our corporate treasury services include the provision of asset securitization services, asset management services as well as treasury products and services to our corporate customers. We have made efforts to introduce flexible and stable corporate treasury products denominated in both Renminbi and foreign currencies. In 2009, we placed corporate treasury services products with a total amount of RMB84.8 billion.

Guarantee Services

We provide surety services for our corporate banking customers primarily through performance guarantees, bid guarantees, prepayment guarantees and quality guarantees. We generated fees and commissions of RMB772.0 million from our guarantee services in 2009 and achieved a CAGR of 15.7% from 2007 to 2009.

Third-party Depositary and Futures Margin Depositary

We offer third-party depositary services to securities firms in respect of settled funds for securities trading and to futures companies and exchanges in respect of futures margins. As of December 31, 2009, we offered third-party depositary services to 93 securities firms, or 87.0% of all domestic securities firms, and our contracted customers reached 9.45 million. In 2009, the aggregate daily average balance of funds deposited from securities firms amounted to RMB106.7 billion, and we generated fees and commissions of RMB178 million in relation to this business, a CAGR of 101.1% from 2007 to 2009.

We have established business relationships with three major domestic commodities and futures exchanges as well as the China Financial Futures Exchange. As of December 31, 2009, we offered margin depositary service to 161 domestic futures companies, and the outstanding margin deposit was RMB19.1 billion.

Agency Services for Government Revenues and Expenditures

We provide agency services to central and local governments in respect of collection of revenues and payment of expenditures. In 2009, we provided agency services to the treasury of PRC central government with an aggregate transaction volume totalling RMB157.6 billion.

Other Products and Services

In addition to the products and services described above, we cooperate with other banks and non-banking institutions and participate in factoring, mutual and common entrustment.

Marketing

Our head office is responsible for formulating our overall corporate business development plans and establishing our general marketing guidelines based on industry, geographical region, customer

and product considerations. Our tier-1 branches develop detailed marketing plans tailored to key regions, customers and businesses based on these guidelines.

We conduct customer segmentation to implement differentiated marketing strategies. We classify our key customers into three categories and assign them to the head office, tier-1 branches and tier-2 branches, respectively. We employ marketing strategies customized for specific customers and markets. We strategically allocated more resources to certain of our tier-1 and tier-2 branches and encourage them to grant more flexibility to their sales department catering to local market.

Marketing for corporate banking is conducted primarily by our relationship and product managers across different departments. We promote cooperation among the different departments and set up matrix marketing and service programs.

We promote individualized marketing and cross-selling to meet the specific needs of our customers. We adopt a marketing model which focuses on using one principal product or service to drive the sale of additional products or services, namely a "1+N Model" to grow our business. Moreover, we cooperate with securities firms, insurance companies and futures companies to develop third-party depositary, bancassurance and fund transfer businesses with futures companies to strengthen the interaction between corporate and retail banking.

Retail Banking

We provide our retail banking customers with a broad range of products and services, including retail loans, bank cards, retail deposits, settlement, bancassurance, personal wealth management and other fee- and commission-based products and services.

In 2009, our retail banking business generated operating income of RMB73.6 billion, representing 32.9% of our total operating income. At December 31, 2009, we had the second largest domestic retail deposit base among all commercial banks in China, with RMB4,365.4 billion in domestic retail deposits, representing 58.2% of our total deposits. At December 31, 2009, our domestic retail loans outstanding amounted to RMB789.3 billion, representing 19.1% of our total loans. As of December 31, 2009, we had issued 365 million bank cards. We were consistently ranked first among all commercial banks in China in terms of the total number of bank cards issued as of the end of each year from 2006 to 2009.

Customer Base

As of December 31, 2009, we had approximately 320 million retail banking customers. Of these customers, approximately 8.24 million were retail loan customers, of which approximately 2.69 million were residential mortgage loan customers and approximately 300,000 were private business loan customers. As of December 31, 2009, we had approximately 3.01 million customers, each with a deposit balance above RMB200,000, accounting for 38.2% of our total retail deposits. This represented an increase of 31.8% from December 31, 2008. As of December 31, 2009, we had more than 20,000 customers with a deposit balance above RMB5 million, representing an increase of 65.3% from December 31, 2008. These customers' deposits accounted for 4.9% of our total retail deposits at December 31, 2009.

Major Products and Services

Retail Loans

At December 31, 2009, we had a total of RMB789.3 billion in domestic retail loans outstanding, which accounted for 19.1% of our total loans. This represented an increase of 69.9% from December 31, 2008.

Residential Mortgage Loans

We provide our customers with floating-rate residential mortgage loans, fixed-rate residential mortgage loans and hybrid-rate residential mortgage loans. Our residential mortgage loans are generally secured by the underlying property being purchased. At December 31, 2009, our residential mortgage loans outstanding amounted to RMB497.9 billion, representing 63.1% of our total domestic retail loans outstanding.

Personal Consumption Loans

We provide a variety of personal consumption loans including personal credit lines, consumer auto loans, comprehensive consumer loans and retail loans secured by pledges. At December 31, 2009, we had RMB85.6 billion of personal consumption loans outstanding, representing 10.8% of our total domestic retail loans.

We provide credit to a retail customer when the customer provides us with the required mortgage, pledge or guarantee or when we are otherwise satisfied with the credit-worthiness of the customer. Within the granted credit line, a customer has quick access to credit during a designated period on a revolving basis. Personal credit line services are only available to our high-quality customers who have made a higher contribution than other customers to our deposit, loan and fee-based business. At December 31, 2009, we had outstanding RMB60.0 billion in personal credit line representing an increase of 156.8% from the end of 2008.

We extend consumer auto loans for up to 80% of the purchase price of the automobile and usually require collateral for the loan. At December 31, 2009, we had RMB10.4 billion in consumer auto loans outstanding, an increase of 10.6% over 2008.

We extend comprehensive consumer loans for living-related expenses and general consumption such as home renovation, car parking spaces, large-ticket durable goods and overseas education. At December 31, 2009, we had comprehensive consumer loans outstanding of RMB10.2 billion, representing an increase of 100.7% from the end of 2008.

Loans to Private Businesses

Loans to private businesses are generally granted to private business owners to meet their funding needs arising from their operations, primarily including loans to finance the operations of private businesses, commercial mortgage loans to private businesses and auto loans to private businesses. At December 31, 2009, we had RMB106.0 billion in loans to private businesses outstanding, which represented 13.4% of our total domestic retail loans outstanding.

Overdraft on Personal Bank Cards

Our credit card and quasi-credit card customers are allowed to withdraw or overdraft through our credit consumption function. At December 31, 2009, the outstanding overdraft amounts for our personal bank cards totaled RMB14.1 billion, which represented 1.8% of our total domestic retail loans outstanding.

Other Retail Loans

We offer other types of retail loans to customers, such as loans to rural households and education loans. At December 31, 2009, our outstanding amount for these types of retail loans was RMB85.7 billion, which represented 10.9% of our total domestic retail loans outstanding.

Bank Cards

We offer integrated card products and services to personal customers under the brand name "Kins Card," which consist of RMB-denominated debit cards, credit cards and quasi-credit cards and dual-currency credit cards denominated in RMB and U.S. dollars.

As of December 31, 2009, we issued 365 million bank cards, ranked first among the Large Commercial Banks. Our merchants network had approximately 274,000 members, representing an increase of 80.2% from December 31, 2008. In 2009, total transaction volume for our bank cards was RMB1,410.8 billion, which ranked second among all commercial banks in China. The total fees and commissions generated by our bank card business in 2009 were RMB4.8 billion, representing a 26.1% increase from 2008.

We are one of the founding members of China Unionpay, the Chinese bank card network organization. Our bank cards are accepted through our own network in China and the domestic and overseas network of China Unionpay. Our dual-currency credit cards are also accepted outside of China through MasterCard and Visa networks.

The table below sets forth, for the periods indicated, the number of bank cards issued and the total transaction volumes for these bank cards.

Item	As of December 31, 2007	2008	2009
	(in thousands)		
Number of debit cards issued	310,438	334,115	347,468
Number of credit cards issued	3,252	9,277	15,428
Number of quasi-credit cards issued	2,950	2,716	2,516
Total	**316,640**	**346,108**	**365,412**

	For the year ended December 31, 2007	2008	2009
	(in millions of RMB)		
Transaction volume for debit cards	658,493	775,271	1,292,044
Transaction volume for credit cards	15,918	52,372	107,368
Transaction volume for quasi-credit cards	15,672	15,072	11,345
Total	**690,083**	**842,715**	**1,410,757**

Kins Debit Card

We issue debit cards to customers who maintain deposit accounts with us and directly deduct from the cardholder's deposit accounts payments for transactions. Our Kins debit card provides our customers with access to various financial services including cash deposit and withdrawal, fund transfer, settlement and bill payment. In addition, the Kins debit card provides customers with enhanced services, such as arranged deposits, automatic payments, investment trading, withholding and collections. Our income on debit cards primarily consists of commissions we collect from merchants accepting our cards and annual fees and other service fees we collect from cardholders.

We seek to enhance the services we provide to holders of our Kins debit card to maintain our leading position in terms of the number of cards issued and total transaction volume processed through these cards. As of December 31, 2009, we had issued 347.5 million debit cards, the most among all commercial banks in China, and total transaction volume for the year 2009 on these cards was RMB1,292.0 billion, the highest among all commercial banks in China.

Kins Credit Card and Quasi-credit Card

We issue RMB-denominated credit cards and quasi-credit cards and dual-currency credit cards, which are centrally managed by our credit card center. Our credit card center maintains independent accounting and management systems and coordinates with our branches to facilitate credit card and quasi-credit card related marketing, application, approval, card distribution, account management and customer service functions.

We issue Kins credit cards, which grant credit to cardholders to make payments to merchants or enable cardholders to withdraw cash from ATMs in the China Unionpay, VISA and MasterCard networks. Our Kins dual-currency credit cards can be used in China and overseas to purchase goods and services denominated in RMB and U.S. dollars. Our Kins dual-currency credit cards are accepted globally through China Unionpay, VISA and MasterCard systems. We aim to diversify the types of cards and currently offer a wide product selection including, among others, VIP cards, credit cards for work-related spending by corporate or government employees, travel cards, retail cards, dining cards and public interest cards. In addition, we intend to continue to enhance the quality of our Kins credit cards by further implementing new features, including multiple repayment solutions, card loss protection, overseas support, offline payment, real-time monitoring and a 24-hour service hotline. We received the "Best Growth Award for Dual-Currency Cards" award and the "Best Product Design Award" from *MasterCard International* in 2007 and 2008, respectively.

As of December 31, 2009, we had issued approximately 15.4 million credit cards, representing a CAGR of 117.8% from the end of 2007 to the end of 2009. In 2009, the total transaction volume for our credit cards was RMB107.4 billion, representing a CAGR of 159.7% from 2007 to 2009.

We also issue Kins quasi-credit cards which, as compared to Kins credit cards, require the cardholder to maintain deposit accounts with us. Payments for transactions conducted through Kins quasi-credit cards will first be deducted from the cardholder's deposit accounts. After all deposits in the cardholders' accounts have been used up, the quasi-credit cardholders will then be able to utilize the granted credit line.

We assess the credit lines granted to holders of Kins credit cards and quasi-credit cards based on a number of factors, such as their personal background, family status, employment status, relationship with us, as well as the value and type of guarantee and collateral provided.

Our income on credit cards and quasi-credit cards consists primarily of commissions we collect from merchants accepting our cards and annual fees, interest, settlement fees and late payment penalties that we collect from our cardholders. As credit cards become an increasingly accepted payment alternative in China, we expect our credit card business to continue to experience significant growth.

Retail Deposits

We offer retail demand deposits and time deposits in Renminbi and foreign currencies to our retail banking customers. Retail demand deposits include general demand deposits and flexible- term deposits. Retail time deposits consist of general time deposits, call deposits, education savings deposits, and deposits and withdrawals in lump sums, deposits in installments while withdrawing in lump sums and time deposits with periodic interest payments that can be withdrawn on demand. We currently offer regular time deposit products with terms ranging from three months to five years for RMB-denominated deposits and one month to two years for foreign currency-denominated deposits.

Our domestic retail deposits amounted to RMB4,365.4 billion at December 31, 2009, accounting for 58.2% of our total outstanding deposits. According to the PBOC, the total amount of our retail deposits outstanding accounted for 16.5% of total retail deposits of all banking institutions in China, the second largest among all commercial banks in China. We had a CAGR of 21.0% from the end of 2007 to the end of 2009 in the amount of outstanding domestic retail deposits.

Fee- and Commission-based Products and Services

We offer retail banking customers products and services, such as bancassurance, personal wealth management, personal settlement and agency sales of PRC government bonds, fund products and physical gold. In 2009, our net fees and commissions relating to our retail banking business amounted to RMB15.7 billion, representing a CAGR of 13.3% from 2007 to 2009.

Bancassurance

We distribute insurance policies as an agent for insurance companies. We have been actively expanding our relationships with insurance companies, which has enabled us to maintain a leading position among all commercial banks in China. As of December 31, 2009, we had entered into cooperation agreements with 59 insurance companies, which covered most of the domestic insurance companies.

In 2009, we collected RMB123.5 billion in insurance premiums from our sales of insurance products, of which RMB72.8 billion was new insurance premiums, the latter representing the largest among all commercial banks in China. In 2009, we received fees and commissions from our bancassurance business of RMB2.8 billion and were the second largest among all commercial banks in China, and representing a CAGR of 44.5% from 2007 to 2009.

Distribution of Fund Products

In collaboration with approximately 50 fund management companies and securities firms, we distribute various fund products as an agent. As of the end of 2009, we had placed 435 funds. In 2009, we distributed fund products with a total transaction volume of RMB163.0 billion and received fees and commissions of RMB1.2 billion.

Personal Wealth Management Services

We have a comprehensive portfolio of product for our personal wealth management services. In 2009, we placed RMB- or foreign currency-denominated wealth management products with total transaction volume of RMB133.4 billion. We were named the "Best Bank for Foreign Currency Wealth Management" in the rankings of China's Best Financial Institutions for 2008 jointly released by *China Financial News* and the *Financial Research Institute of the Chinese Academy of Social Sciences*.

Agency Sales of PRC Government Bonds

In 2009, we acted as an agent for the issuance of certificated PRC government bonds of RMB24.0 billion and the cashing of certificated PRC government bonds of RMB25.9 billion. We also served as an agent for the sale of electronic PRC government bonds of RMB17.5 billion. We were named by the *MOF* and the *PBOC* as one of the "2008/2009 Outstanding Underwriters of Certificated PRC Government Bonds" and by the *MOF* as one of the "2009 Outstanding Underwriters of PRC Government Bonds in Book Entry Form."

Settlement Services

We offer settlement services to our retail banking customers, including RMB- and foreign currency-denominated money transfer and remittance services, collection services and settlement of cashier's checks, bank drafts and checks. In 2009, the business volume of our RMB-denominated settlement amounted to RMB90.2 trillion. We also provide settlement services to merchants in respect of payments made with debit cards, credit cards and quasi-credit cards. As of December 31, 2009, we provided such settlement services to approximately 274,000 merchants.

Agency Sales of Gold Bullions

We act as agent for gold companies to trade physical gold in designated branches. We were among the first banks to open gold bullion counters for our retail banking customers. In 2009, our transaction volume for gold bullion was 1,560 kilograms with aggregate sales of RMB340 million.

Marketing

Our head office formulates overall marketing strategies, guidelines and standards for promoting our retail banking products and services. Our tier-1 branches formulate specific marketing plans in accordance with instructions from our head office, tailor such plans to specific regions, customer preferences and market conditions.

We have consolidated retail banking services into four major product lines consisting of basic accounts, investments and personal wealth management, retail loans and credit card services. Within each product line, we aim to select primary products, establish key brands and prioritize the development of key products. Among our "Golden Key" ("金鑰匙") family of products, we offer

"Jijinbao" ("基金寶") for our funds business, "Benlifeng" ("本利豐"), "Huilifeng" ("匯利豐"), "Jingwaibao" ("境外寶") and "Caifubao" ("財富寶") for our personal wealth management business, "Haoshidai" ("好時貸") for retail loans and "Heirlooms" ("傳世之寶") for sales of physical gold.

We segment our customers into general customers and mid- to high-end customers. Our marketing efforts to general customers are primarily based on outreach from our relationship managers, presentations given at our branches and general media advertisements. For our mid- to high-end customers, we introduce customized financial products bundled with exclusive and value-added services tailored to our customers' individual risk preferences, financial goals and service preferences. We have also adopted an advanced customer data mining and segmentation, such as the Personal Client Relationship Management (PCRM) system and Golden Key Client Fortune Expert (CFE) system, to further improve the quality of our services.

We provide ongoing training to our dedicated personal wealth management advisors. As of December 31, 2009, we had over 20,000 retail banking relationship managers and wealth management advisors, over 7,000 associate financial planners (AFP), over 800 certified financial planners (CFP), and over 400 executive financial planners (EFP). Furthermore, we have established 852 high-end wealth management centers including 838 Golden Key wealth management centers and 14 Golden Key fortune centers.

Treasury Operations

Our treasury operations consist primarily of (i) money market activities, (ii) investment and trading activities, (iii) treasury transactions on behalf of customers, and (iv) gold trading and other businesses. In conducting our treasury operations, we seek to ensure our liquidity and achieve a balance between returns and risks on our investment portfolio, taking into consideration the market and macroeconomic conditions. In 2009, operating income from our treasury operations was RMB26.1 billion, representing 11.7% of our total operating income.

Money Market Activities

Our money market activities primarily consist of (i) inter-bank money market activities, repurchase and reverse repurchase transactions and (ii) public market bidding, including bidding for repurchase and reverse repurchase transactions by the PBOC, PBOC bills and national treasury cash administration. The securities underlying our inter-bank repurchase and reverse repurchase transactions are predominantly RMB-denominated PRC government and policy bank bonds, bank acceptance bills and PBOC bills, with a portion of foreign currency-denominated bonds primarily issued by foreign governments and agencies.

We were one of the first banks to be approved by the PBOC to engage in SHIBOR quoting. We were named an "Outstanding Trade Member" from 2002 to 2008 in the inter-bank money market of China for seven consecutive years and "Most Influential Market Participant" in 2009 by the *Chinese Inter-bank Lending Association*. As one of the SHIBOR-quoting banks, we provide daily quotes according to our own liquidity and capital supply and demand. In 2009, our RMB-denominated financing volume was RMB6,587.2 billion.

Investment and Trading Activities

At December 31, 2009, the value of our investment portfolio was RMB2,616.7 billion, representing an increase of 13.3% from December 31, 2008. At December 31, 2009, financial assets at fair value through profit or loss, available-for-sale financial assets, held-to-maturity investments and receivables were RMB112.2 billion, RMB730.4 billion, RMB883.9 billion and RMB890.2 billion, which accounted for 4.3%, 27.9%, 33.8% and 34.0% of our total investment portfolio, respectively. See "Assets and Liabilities—Assets—Investment Securities and Other Financial Assets."

Trading Activities

We purchase and sell various highly-liquid debt securities and bills for trading purposes, from which we seek to obtain short-term profits. We primarily invest in debt securities issued by the PRC government, PBOC bills and debt securities issued by foreign governments. We classify such trading securities as financial assets at fair value through profit or loss, and we employ strict stop-loss and other limits for such trading transactions. In addition, we hedge our investment risks through the purchase of derivative financial instruments, such as interest rate swap contracts.

Investment Activities

We set the target returns on available-for-sale financial assets, held-to-maturity investments and receivables, principally through our assessment of the interest rate, exchange rate, credit, liquidity, macroeconomic trends and other risks associated with the investment. In the domestic market, we primarily invest in debt securities issued by the PRC government, PBOC bills, debt securities issued by the policy banks and, to a lesser extent, debt securities issued by other financial institutions and non-financial institutions. In light of the global macroeconomic environment, a substantial portion of our debt securities denominated in foreign currencies are short-term.

Treasury Transactions on Behalf of Customers

We are one of the first commercial banks in China approved to provide forward settlement services and other financial derivative products. We also engage in a broad range of treasury transactions on behalf of our corporate and retail banking customers. In addition, we primarily provide settlement, foreign currency trading, foreign currency derivatives trading and treasury services on behalf of our customers through our treasury operations. From 2007 to 2009, we were named the "Most Outstanding Market Maker," the "Most Influential Market Maker" and the "Best Derivatives Market Maker" by the *China Foreign Exchange Trading Center*.

Gold Trading

We engage in gold trading for our own account and on behalf of our customers. In 2009, we traded gold for our own account and on behalf of our customers with a volume of 137.2 tons and 31.4 tons, respectively. We were named "Most Outstanding Trading Member" in 2009 by *Shanghai Gold Exchange*.

Overseas Operations

We conduct our overseas operations through our two branches in Hong Kong and Singapore, our subsidiaries in Hong Kong and our representative offices in New York, London, Tokyo, Frankfurt, Seoul and Sydney. In addition, as of December 31, 2009, we had established correspondent

relationships with 1,201 foreign banks in 108 countries. Our overseas branches and subsidiaries had total assets of RMB40.9 billion at December 31, 2009 and generated profit before tax of approximately RMB600 million in 2009.

Our Hong Kong branch holds a banking business license and focuses on corporate banking business, providing domestic and overseas companies with syndicate loans, working capital loans, bond underwriting and distribution, international settlement, trade finance and deposit-taking services. At December 31, 2009, the total assets of our Hong Kong branch were RMB31.7 billion.

Our Singapore branch holds an offshore banking business license and focuses on corporate banking, providing domestic and overseas companies with commercial banking products and services. At December 31, 2009, the total assets of our Singapore branch were RMB8.6 billion.

ABC International Holdings Limited and China Agriculture Finance Co., Ltd. are among our wholly-owned subsidiaries incorporated in Hong Kong. ABC International Holdings Limited engages in investment banking activities through its operating subsidiaries, primarily corporate finance, securities brokerage, principal investments and fund management.

Our overseas representative offices do not conduct business operations, and they primarily carry out liaison and information collection activities.

PRODUCTS AND SERVICES PRICING POLICY

The interest rates we charge on our RMB-denominated loans are generally regulated by the PBOC. For RMB-denominated corporate loans and retail loans (other than residential mortgage loans and credit card balances), we are not permitted to set the interest rate lower than 90% of the relevant PBOC benchmark rate, but there has been no upper limit since October 29, 2004. With respect to interest rates for residential mortgage loans, the lowest interest rates we can charge on residential mortgage loans is 70% of the PBOC benchmark interest rate of the same term. See "Supervision and Regulation—PRC Banking Supervision and Regulation—Pricing of Products and Services—Interest Rates for Loans and Deposits." Interest rates for foreign currency-denominated loans are generally not subject to PRC regulatory restrictions, and we are permitted to negotiate the interest rates on such loans.

Interest rates for our RMB-denominated demand and regular time deposits cannot be higher than the applicable PBOC benchmark rate. However, we are permitted to provide negotiated time deposits to insurance companies, the National Council for Social Security Fund and China Post under certain circumstances. We are permitted to negotiate the interest rates on foreign currency deposits other than those denominated in U.S. dollars, Euros, Japanese Yen and HK dollars in an amount less than US$3 million or equivalent. See "Supervision and Regulation—PRC Banking Supervision and Regulation—Pricing of Products and Services—Interest Rates for Loans and Deposits."

With respect to fee- and commission-based business, certain services are subject to government guideline prices, such as basic Renminbi settlement services specified by the CBRC and the NDRC. See "Supervision and Regulation—PRC Banking Supervision and Regulation—Pricing of Products and Services—Pricing for Fee and Commission-based Products and Services."

Our Asset and Liability Management Committee is responsible for determining our pricing policies. In compliance with the provisions of applicable regulatory requirements, we price our

products based on various criteria, such as the risk profile of our assets, an individual customer's contribution to our business, our costs, the expected risk- and cost-adjusted returns and our internal fund pricing benchmarks. In addition, we consider general market conditions and prices for similar products and services offered by our competitors.

Currently, our tier-1 branches have implemented centralized treasury operations. Subject to the approval of our Asset and Liability Management Committee, our Asset and Liability Management Department determines our internal transfer pricing benchmarks based on a number of factors, including prevailing interest rate trends in the China's capital markets, the interest rate structure of our deposits and loans, and the strategies and objectives set by our Asset and Liability Management Committee.

Our Fee- and Commission-based Business Management Committee is responsible for the development of, and pricing policies applicable to, our fee- and commission-based business. In principle, our Fee- and Commission-based Business Management Committee adjusts the prices of fee- and commission-based products annually based on several factors, such as our fee collection rate and changing market conditions.

DISTRIBUTION CHANNELS

Our distribution network consisted of 23,624 domestic branch outlets nationwide as of December 31, 2009 and is complemented by comprehensive electronic banking channels. We provide our customers with convenient services through our multi-channel distribution network.

Branch Outlets

As of December 31, 2009, we had 23,624 domestic branch outlets, and were ranked first in terms of the number of branch outlets among the Large Commercial Banks. Our branch outlets consist of our head office, 32 tier-1 branches, five branches directly managed by the head office, 307 tier-2 branches, 3,520 tier-1 sub-branches and 19,759 other establishments. Our head office is located in Beijing, and is responsible for the overall decision-making and management of us. Our tier-1 branches are located at the capital cities of the provinces, autonomous regions and directly-controlled municipalities in China. The tier-1 branches serve as the regional head office managing all the branch outlets in the respective regions and directly report to our head office. Our tier-2 branches are generally located in prefectural-level cities within the provinces and autonomous regions. The tier-2 branches report to the respective tier-1 branches in each of the regions. In addition to carrying out their own operations, our tier-2 branches are also responsible for the management of lower-tier branch outlets. Our tier-1 sub-branches are primarily responsible for the business operations and management of outlets and report to the tier-2 branches directly above them. Our other establishments are primarily branch outlets that provide financial services directly to customers but are not classified as any of the above categories.

Our branch outlets cover 100% of the provincial-level administrative region, 100% of the prefectural-level cities, and 99.5% of the county-level administrative regions. We believe we are the only Large Commercial Bank to have branch outlets covering all of the cities and most of the counties in China.

We have extensive coverage of the economically developed areas in China. As of December 31, 2009, we had 3,116, 2,590 and 3,355 branch outlets in the Yangtze River Delta, Pearl

River Delta and Bohai Rim areas, respectively, more than other Large Commercial Banks in each of these regions.

The following table sets forth, for the periods indicated, the number of our domestic branch outlets by geographical region.

	As of December 31,					
	2007		2008		2009	
Regions	Number	% of total	Number	% of total	Number	% of total
Head Office[1]	4	0.0%	4	0.0%	4	0.0%
Yangtze River Delta	3,212	13.1	3,162	13.1	3,116	13.2
Pearl River Delta	2,701	11.1	2,661	11.1	2,590	11.0
Bohai Rim	3,649	14.9	3,490	14.5	3,355	14.2
Central China	5,310	21.7	5,288	22.0	5,243	22.2
Northeastern China	2,375	9.7	2,311	9.6	2,233	9.4
Western China	7,201	29.5	7,148	29.7	7,083	30.0
Total	**24,452**	**100.0%**	**24,064**	**100.0%**	**23,624**	**100.0%**

(1) Including the head office, business departments dealing with discounted bills and large customers, respectively, and the credit card center.

We have a significant proportion of outlets located in the County Areas. As of December 31, 2009, we had 12,737 branch outlets located in the County Areas, representing 53.9% of our total branch outlets.

We are in the process of implementing a significant outlet upgrade project. This initiative includes the expansion of spaces for key outlets, the allocation of separate space to different service functions, the enhancement of our customer service capabilities and the increase of our operational efficiency. From 2007 to 2009, we increased the number of outlets between 300 square meters and 500 square meters from 2,755 to 3,718 and also increased the number of outlets larger than 500 square meters from 1,509 to 1,888.

As of December 31, 2009, the outlets that had over five separated function areas, including cash services, non-cash services, self-services and VIP services, increased to 5,817, accounting for 24.6% of our total outlets. As of the same date, there were 11,189 outlets with established separate self-service areas, accounting for 47.4% of our total outlets, and 7,577 outlets with established VIP services areas, accounting for 32.1% of our total outlets.

Electronic Banking

We provide our customers with secure, fast, flexible and efficient electronic banking services, including account management, cash deposit and withdrawal, money transfer and settlement, fee payment and investment and wealth management. We offer these services 24 hours a day, seven days a week through Internet banking, phone banking, mobile phone banking and self-service banking.

As of December 31, 2009, we had over 70 million electronic banking customers, representing a significant increase from approximately 30 million as of December 31, 2008. In 2009, we completed approximately 10.5 billion electronic transactions, accounting for 49.8% of our total number of transactions. In 2009, our electronic banking service fees and commissions totaled RMB1.2 billion. From 2007 to 2009, the CAGR of the fees and commissions from our electronic banking services was

84.2%. In 2009, 2008 and 2007, our "Golden E" ("金e順") electronic banking brand was awarded the "Electronic Finance Brand Satisfactory to Customers" by *the China E-Commerce Association*.

Internet Banking

Our Internet banking platform consists of both retail Internet banking and corporate Internet banking systems. Our retail Internet banking products and services include retail account management, money transfer and remittance, fee payment, investment and wealth management, credit card, retail loans and online shopping.

Our corporate Internet banking products and services include account management, money transfer and remittance, group treasury services, loans, foreign currency business, investment and treasury services and cash management.

As of December 31, 2009, we had 22.56 million Internet banking customers, including registered retail customers of 22.07 million, representing a CAGR of 108.6% from the end of 2007 to 2009, and we had registered corporate customers of 0.49 million, representing a CAGR of 53.6% for the period from the end of 2007 to 2009. In 2009, the total transaction volume for our Internet Banking was RMB37.3 trillion. In 2008, our Internet banking business received "the Award of Best Business Development among National Commercial Banks" ("全國商業銀行最佳業務拓展獎") from the *China Financial Certification Centre*.

Phone Banking

We offer phone banking services through our customer service number "95599", which can be accessed throughout China. Our phone banking service includes account management, information inquiry, money transfer and settlement, bill payment, investment and wealth management and retail loans. As of December 31, 2009, we had 17.32 million phone banking customers, comprising 16.92 million retail customers and 0.41 million corporate customers. In 2009, the total transaction volume for our phone banking business was RMB296.1 billion.

Mobile Phone Banking

Our mobile phone banking service was officially launched nationwide in April 2008, providing services such as account inquiry, money transfer, fee payment and credit card repayment. As of December 31, 2009, we had 3.01 million retail customers of our mobile phone banking business. In 2009, the total transaction volume for our mobile phone banking business was RMB441 million.

We provide short messaging services (SMS) to our contracted customers, including sending short messages relating to bank account transactions, customer care and safety verification. As of December 31, 2009, we had 27.87 million customers contracted for our SMS. In 2009, we sent a total number of 1.3 billion short messages to our contracted customers.

Self-service Banking

As of December 31, 2009, we had 54,688 self-service terminals, including 41,011 ATMs, the largest number of ATMs among the Large Commercial Banks. We had 9,151 self-service banking centers which operate 24 hours a day, seven days a week, including 915 self-service banking centers that are located away from our branch outlets and 1.37 million money transfer telephones to provide

services. In 2009, we had 4.3 billion self-service banking transactions, with a total transaction volume of RMB8.7 trillion.

E-Commerce

We have a leading E-Commerce payment platform. Our electronic payment product line includes B2C, B2B, credit payment platforms, and has formed an E-Commerce model to sell funds directly. In 2009, we had 237 million E-Commerce transactions, with a total transaction volume of RMB107.3 billion.

In addition, we also provide home banking service to meet our customers' daily financial service requirements, including primarily financial information inquiry, account balance inquiry, money transfer and remittance, bill payment, funds trading, third-party depositary, lottery purchase and TV shopping.

INFORMATION TECHNOLOGY

Information technology is at the core of our competitiveness. We focus on the development of our information technology capabilities and have established an Information Technology Development Committee under our senior management. We have also developed an IT development decision-making system to meet our operational needs as well as the IT management system and capabilities to provide comprehensive support to our business operations.

We developed a centralized computer network system in 2006 which, through the Shanghai data center, covers all of our domestic branch outlets except a small number of branch outlets in the Tibet Autonomous Region and links approximately 170,000 teller terminals throughout China. Only a small number of branch outlets located in the Tibet Autonomous Region have not been linked to the central network system due to a number of constraints including the lack of sufficient power and telecommunication infrastructure at these remote locations. Transactions at these branch outlets, typically small in volume, are manually recorded and then the financial accounts of these branch outlets are entered into the system on a monthly basis.

Information System

Our information system covers all aspects of our business. It consists of six application systems, including our core banking system, front office application system, channel application system, internal management system, marketing analysis system and office automation system.

Core banking system. Agricultural Bank of China's Integrated Banking System (ABIS) is our core banking system, centrally linking and managing substantially all of our branch outlets' network. Our ABIS supports our accounting function, centralized customer information management and our other basic services such as loans, deposits and settlement. In particular, our cash management system for our corporate customers has been widely used by approximately 1,300 group customers, which included 35% of the Top 500 Chinese Enterprises and 55% of the Top 100 Chinese Enterprises.

Front office application system. Our front office application system is anchored on our Application Integrated Preconsole System (AIPS), financial services platform named "TULIP," investment platform, Bank International Business System (BIBS) and other IT application platforms and supports our derivatives, fee- and commission-based and localized businesses, such as distribution

of funds and bonds, third-party depositary, treasury, custody and other emerging lines of business. In addition, through our front office application system, we have developed a banking service platform to support our business growth and product development and integrate our various functions such as management, research and development, operation, maintenance and statistical analysis.

Channel application system. Our channel application system forms the basis of our Advanced Client Browser System (ACBS), Internet banking, customer service system, telephone banking and mobile phone banking platforms and provides comprehensive support to our various banking service channels and banking services to our customers for 24 hours a day, 7 days a week. We rely on the advanced ".Net" platform and have developed our proprietary Internet banking system. We have established a 95599 telephone banking system and an IT system for our three customer service centers in Tianjin, Chengdu and Shanghai.

Internal management system. Our internal management system includes credit management, financial management and assets and liabilities management. It is capable of meeting our needs relating to risk control, internal management, decision-making analysis and information disclosure.

Our credit management system supports the routine processing, evaluation and approval of loans, post-disbursement management, risk alert, loan classifications, loan and customer information administration as well as data-mining.

Our financial management information system supports cost management, financial budgets, financial settlements and performance evaluations.

Our assets and liabilities management information system provides technological support to our bank-wide assets and liabilities management and capital management.

Marketing analysis system. Our customer relationship management system provides market analysis to support our marketing efforts. This system allows us to manage our individual customers and group customers by performing market segmentation and customer ranking analysis, retrieving information on customer defaults and conducting marketing performance evaluations.

Office automation system. Our office automation system includes an e-mail system and a documentation system. The e-mail system allows internal and external communication by our employees. The documentation system allows certain workflows to be automated and completed electronically. The office automation system enhances our operating efficiency by increasing communication efficiency and enabling long-term record-keeping.

IT Risk Management

Our IT risk management is coordinated by an operational risk management committee, with responsibilities allocated to the information technology department, risk management department, audit office and internal compliance department. The scope of our IT risk management also covers security, personnel, network, research and development, operation and maintenance, emergency response and outsourcing.

We have adopted IT safety security measures, including firewalls, transmission encryption, intrusion detection and centralized authentication. Our Shanghai branch obtained the information

safety administration international certification (ISO27001), which evidenced the enhanced safety of our IT system.

In addition, we have established a dedicated disaster recovery management unit and constructed a comprehensive disaster recovery management system to protect our data center, tier-1 branches and tier-2 branches. Our core production system is located at the Shanghai data center, with the disaster recovery testing center at Beijing serving as a disaster recovery function for the core production system and core operating data. Our disaster recovery system enables our branches to link smoothly to our Beijing disaster recovery testing center if a disaster occurs at the Shanghai data center.

Information Technology Research and Operational Ability

Software research and development capability. Our software research and development center located at our head office is responsible for the implementation of major IT projects and the research and development of IT software, and has the capability to carry out demand analysis, process design, project implementation and promotion for large-scale projects. We have managed to continue streamlining our software development procedures, improving IT product quality and enhancing our IT risk management. Our software research and development center obtained the level-3 CMMI certification at the end of 2008.

Production and operation capability. Our data center in Shanghai is responsible for the support of our business operations and production of our management information, technology and business security, production data management, trading supervision and back-end processing for our overall operation and data administration. In 2009, the available rate of our data production system reached 99.9%. Our disaster recovery testing center in Beijing provides long-distance backup and emergency recovery for the core operational data in our Shanghai data center. We currently plan to establish a third data center in northern China. In May 2009, our data center in Shanghai obtained the ISO20000 IT service management system certification by an international authoritative certification entity.

IT Planning and Blueprint

In 2008, in order to adapt to changing requirements of corporate governance and overall risk management, we launched a new core banking system construction project, which will take three to five years to complete. We plan to upgrade the current system and optimize the application structure, basic infrastructure, data structure and IT governance structure. The construction of the new core banking system can support flexible product customization, promote innovation and increase the speed of meeting our business demands.

CAPITAL MANAGEMENT

Pursuant to regulations issued by the CBRC, including the New Capital Adequacy Regulations and the Notice on Improving the Mechanism for Capital Replenishment of Commercial Banks (關於完善商業銀行資本補充機制的通知), we have developed our capital plans for 2010 to 2012 to enhance and strengthen our capital management and ensure our capital adequacy. On June 2, 2010, these plans were approved at our board meeting and the extraordinary general meeting of our shareholders.

Key Principles of Our Capital Management

- Continue to satisfy the regulatory requirements, maintain a reasonable capital level, and align our capital adequacy level with the maximization of shareholders' value;
- Continue to refine our economic capital-based value management system, optimize our asset mix, reasonably allocate economic capital, cover all types of risks and ensure a sustainable business growth; and
- Utilize various capital instruments, refine our capital base and structure, enhance capital quality and reduce capital costs.

Targets for Our Capital Adequacy Ratio Management

We have developed our capital adequacy ratio targets under the general principles of our capital management and based on an analysis of the macroeconomic and financial environment, various regulatory requirements, our business strategy and risk preferences. Assuming that, among other things, there will be no material deterioration in the economic and financial environment, our core capital adequacy ratio and capital adequacy ratio targets are no less than 8.5% and 11.5%, respectively, from 2010 to 2012.

Capital Enhancement Mechanism

Our priority approach to enhance our capital base will be through retention of profits. We may also enhance our capital base through various external alternatives, including, but not limited to, issuances of subordinated bonds, convertible bonds or hybrid capital bonds, conducting rights offerings or private placements, and certain other alternatives acknowledged by the CBRC.

Capital Management Measures

- *Strengthen Profitability and Improve Internal Capital Generation Capability.* We plan to enhance our profitability through various measures including accelerating business operations transformation, promoting revenue diversification and increasing operating efficiencies. In addition, we seek to strengthen internal capital generation capability through setting a reasonable dividend payout ratio.
- *Explore Capital Enhancement Tools and Expand Capital Enhancement Channels.* We seek to utilize the various types of tools and channels under current regulatory framework, and continue to explore new capital enhancement tools and expand capital enhancement channels.
- *Refine Capital Control Mechanism and Enhance Capital Allocation Efficiency.* We seek to strengthen capital budgeting management, increase our focus on performance evaluation based on economic capital metrics such as Economic Value Added ("EVA") and Risk-adjusted Return on Economic Capital ("RAROC"), promote awareness of capital constraints and control the growth of risk-weighted assets through economic capital management. We also plan to refine economic capital allocation management, guide the adjustment of our business and asset mix, prioritize the development of business that provides higher overall return and requires lower capital, in order to reduce capital consumption.

- *Enhance Risk Management Capability and Establish Capital Adequacy Assessment Procedures.* We seek to establish and continue to refine our capital adequacy assessment procedures, which form an important component of our internal management and decision-making. We plan to accelerate our utilization of quantitative risk management measurement techniques, refine economic capital measurement, ensure adequate capital to be held against our major risk exposures and commensurate with our risk management capabilities.
- *Strengthen Capital Planning Management and Maintain Adequate Capital Base.* Based on changes in the macroeconomic and regulatory environment, as well as the progress of our implementation of Basel II and our business development needs, we plan to actively adjust our capital planning to ensure that the size of our capital base is commensurate with the future growth of our business and our risk exposure.

COMPETITION

We face significant competition in our principal areas of business from other commercial banks and other financial institutions in China. We currently compete primarily with the Large Commercial Banks and Other National Commercial Banks. We also face increasing competition from other financial institutions, including city commercial banks and foreign banks operating in China. Our competition with other commercial banks and financial institutions in China primarily focuses on the variety, pricing and quality of products and services, convenience of banking facilities, reach of distribution network and brand recognition as well as information technology capabilities.

In the County Areas, our competitors vary across geographical regions as a result of the differences among regions in terms of economic development and maturity of the financial market. In addition to other Large Commercial Banks, Other National Commercial Banks, city commercial banks and foreign-invested bank operating in China, we primarily compete with local rural cooperatives, rural commercial banks, Postal Savings Bank of China and other agriculture-related financial institutions in the County Areas. With the easing of regulatory restrictions on access to the County Area banking market, an increasing number of township banks, loan companies, rural mutual cooperatives and other new types of rural financial institutions have been established in the County Areas. In addition, various financial institutions have strengthened their penetration in the County Area banking market. As a result, we face increasingly intense competition in the County Areas.

In addition, we face competition from non-banking institutions such as securities firms and insurance companies in providing financing services to our customers.

Our competition with foreign-invested financial institutions will likely intensify in the future. In 2006, pursuant to its WTO commitment, the PRC government eliminated measures restricting the geographic presence, customer base and operational licenses of foreign-invested banks operating in China. In addition, China's Closer Economic Partnership Arrangement with Hong Kong and Macau allows smaller banks from those jurisdictions to operate in the PRC, which has also increased competition in the PRC banking industry.

See "Risk Factors—Risks Relating to the Banking Industry in China—We face intense competition in China's banking industry as well as competition from alternative corporate financing and investment channels" and "Financial Information—General Factors Affecting Our Results of Operations—The Competitive Landscape in the PRC Banking Industry."

In response to the competitive environment, we intend to continue to implement our strategies to differentiate us from our competitors and to enable us to compete effectively in the PRC commercial banking industry.

The table below sets forth our market shares in RMB- and foreign currency-denominated deposits and loans:

	At December 31,		
	2007	2008	2009
	(in percentages)		
RMB-denominated deposits	13.4	12.9	12.4
RMB-denominated loans	12.9	10.0	10.0
Foreign currency-denominated deposits	6.4	5.6	6.5
Foreign currency-denominated loans	5.3	4.7	6.0

EMPLOYEES

We had 441,144 employees as of December 31, 2009. As of December 31, 2008 and 2007, we had 441,883 and 447,519 employees, respectively. The number of our employees as of December 31, 2009 includes 74 employees at our domestic subsidiaries and 240 employees at our overseas branches, subsidiaries and representative offices.

The following table sets forth the total number of our employees by function as of December 31, 2009.

	As of December 31, 2009	
	Number	% of total
Management	13,723	3.1%
Corporate banking	60,487	13.7
Retail banking	178,921	40.6
Treasury operations	3,072	0.7
Finance and accounting	69,455	15.7
Risk management, internal control, and legal	41,939	9.5
Information technology	11,795	2.7
Others[1]	61,752	14.0
Total	**441,144**	**100.0%**

(1) Consist primarily of supporting functions.

The following table sets forth the total number of our employees by age as of December 31, 2009.

	As of December 31, 2009	
	Number	% of total
Under 31	49,489	11.2%
31 to 40	173,234	39.3
41 to 50	189,540	43.0
over 50	28,881	6.5
Total	**441,144**	**100.0%**

The following table sets forth the total number of our employees by education level as of December 31, 2009.

	As of December 31, 2009	
	Number	% of total
Master's degree and above	8,329	1.9%
Bachelor's degree	122,191	27.7
Associate degree and vocational schools	172,524	39.1
Others	138,100	31.3
Total	**441,144**	**100.0%**

We contribute to our employees' social insurance, provident housing fund and certain other employee benefits in accordance with PRC laws and regulations.

We have established a performance-based compensation system whereby an employee's compensation is determined based on his position and performance review.

We provide training programs to our employees to improve their professional competence and skills.

Our training programs mainly include:

- management training programs for senior management of our head office, tier-1 branches and tier-2 branches;
- professional training programs for professionals in areas such as investment and asset management, risk management, financial accounting, product development, legal and compliance and information technology;
- overseas training programs for employees to gain exposure to international practice; and
- technical training programs for skilled employees.

We have also been developing our job qualification system whereby we will define the required qualifications for each position throughout our operational processes and arrange respective trainings. Our labor union represents the interests of the employees and works closely with our management on labor-related issues. We have not experienced any strikes or other material labor activities that have interfered with our operations, and we believe that the relationship between our management and the labor union has been good.

In addition to employees, we had also engaged 38,954 contractors through third party human resources agencies as of December 31, 2009. These contractors are not our employees and generally hold non-key positions with us, such as bank tellers, customer service officers, security guards and cleaners. We do not enter into employment agreements with these contractors directly. The relevant branch outlets that engage these contractors have entered into employment contracting agreements with third party human resources agencies. In accordance with the employment contracting agreements, we have the power to make the final decision on the selection of contractors and have the right to reject contractors designated by third party human resources agencies who do not meet our recruitment criteria and job requirements. According to the legal opinion of our PRC legal advisors, DeHeng Law Offices, we do not have obligations to make the social security contributions in relation to these contractors under PRC laws. However, pursuant to the employment contracting agreements,

we make salary payments, social security contributions and other related payments for the contractors engaged by us to the third party human resources agencies. The third party human resources agencies shall handle the payments of salary to the contractors and of social security contributions to relevant governmental entities for the contractors. If the third party human resources agencies fail to remunerate the contractors, we may also be jointly liable for claims brought by the contractors in accordance with PRC laws. However, we can seek indemnification from the third party human resources agencies under the employment contracting agreements.

PROPERTIES

We are headquartered in Beijing, PRC. At March 31, 2010, we held 37,619 properties and leased 8,170 properties in the PRC, Hong Kong and overseas.

Owned Properties

At March 31, 2010, we owned 37,564 properties with an aggregate gross floor area of approximately 30,448,180 square meters in the PRC. Among the 37,564 properties, we have obtained title certificates for 35,192 properties, representing an aggregate gross floor area of approximately 27,995,294 square meters. There are 625 properties representing an aggregate gross floor area of approximately 748,782 square meters with building ownership certificates which are located on land with allocated land use rights certificates or with approval for state-capital-injection land use rights. We do not have the relevant title certificates for 1,747 properties with an aggregate gross floor area of approximately 1,704,104 square meters due to various title defects or for other reasons.

In addition, at March 31, 2010, we owned 55 properties outside the PRC with an aggregate gross floor area of approximately 9,057 square meters.

Properties under Construction and Properties to be Acquired

At March 31, 2010, we had 278 properties under construction, which we estimate will have an aggregate gross floor area of approximately 807,133 square meters upon completion. We have not obtained the relevant proper land use rights certificates and/or construction permits for 132 of these properties with an estimated aggregate gross floor area upon completion of approximately 497,211 square meters. At March 31, 2010, we had entered into contracts to purchase 374 properties with an aggregate gross floor area of approximately 684,696 square meters.

Leased Properties

At March 31, 2010, we leased 8,160 properties in the PRC with an aggregate lettable area of approximately 2,171,146 square meters and 10 properties outside the PRC with an aggregate lettable area of approximately 2,636 square meters.

For the 8,160 leased properties in the PRC, according to the opinion given by our PRC legal advisors, the relevant lessors have provided title certificates or consent from the property owners to lease 3,399 properties, representing a total lettable area of approximately 1,024,024 square meters. We have not been provided with the relevant title ownership certificates or consent from the owners for the leasing of 4,761 properties, representing a total lettable area of approximately 1,147,122 square meters. Nevertheless, we have obtained confirmation letters of 2,313 properties, representing an aggregate

lettable area of approximately 582,318 square meters from these lessors which undertake to compensate us for all of our losses arising from defective legal titles.

Property Titles

For the 37,564 properties we hold and occupy in the PRC, we have obtained title certificates for 35,192 properties, representing an aggregate gross floor area of approximately 27,995,294 square meters. There are 625 properties representing an aggregate gross floor area of approximately 748,782 square meters with building ownership certificates which are located on land with allocated land use rights certificates or with approval for state-capital-injection land use rights. For the remaining 1,747 properties with an aggregate gross floor area of approximately 1,704,104 square meters, we have not obtained title certificates. We are in the process of applying for the relevant land use rights and building ownership certificates that we do not yet hold, and we plan to cooperate closely with the local land and property management authorities to expedite such applications and obtain the relevant valid title certificates as soon as practicable. We have been unable to obtain certain of these title certificates due to various title defects or for other reasons. While there may be legal impediments to our obtaining certain of these title certificates as a result of these title defects, the aggregate gross floor area of these properties with defective titles is immaterial comparing to all of the properties we own. We believe that since the relevant properties are situated in different provinces in the PRC, the risk of losing the ability to use all of such properties at any one time is comparatively low. We also believe that we will be able to obtain replacements in nearby locations, and accordingly, it is not expected that any relocation will have any material adverse impact on the operations and financial position of the Group as a whole.

For the 8,160 leased properties in the PRC, the relevant lessors have not provided valid title certificates or consent to lease 4,761 properties, representing an aggregate lettable area of approximately 1,147,122 square meters, which are mainly served for commercial uses including outlets, offices and ATM. As the owner of the properties, the lessors are responsible for applying relevant valid title certificates or providing us the consent to lease properties. In respect of this, we have pro-actively procured these lessors to apply for the relevant valid title certificates or provide us the consent to lease properties. Among these leased properties with defective legal title, the lessors of 2,313 leased properties with an aggregate lettable area of approximately 582,318 square meters have provided confirmation letters to undertake to compensate us for losses arising from their defective legal title. For the remaining 2,448 properties without such confirmation letters, as advised by our PRC legal advisors, we will have the right to seek compensation from the lessors pursuant to the relevant lease agreements. We are of the view that most of these leased properties occupied can, if necessary, be replaced by other comparable alternative premises without any material adverse effect on our operations.

Due to various title defects or for other reasons, we cannot obtain title certificates for some of these properties. For title defects that we cannot cure, we believe that the lack of such title certificates and/or the existence of such title defects will not have a material adverse effect on our business, financial condition and results of operations, as the relevant properties represent a minor portion of the total value of our properties. Our directors are of the view that the defective properties individually and collectively are not crucial to our operations. See "Risk Factors—Risks Relating to Our Business—We do not possess the relevant land use right certificates or building ownership certificates for some of our properties, and we may be required to seek alternative premises for some of our offices or business sites due to our landlords' lack of relevant title certificates."

Property Valuation

Jones Lang LaSalle Sallmanns Limited, an independent property valuer, has valued the property interests that we owned at March 31, 2010 with commercial value of RMB96,009 million. The text of the valuation letter, a summary of values and the valuation certificates issued by Jones Lang LaSalle Sallmanns Limited for this prospectus are set out in Appendix VI.

No commercial value is attributed to any leased properties, properties to be acquired, owned properties and properties under construction without proper title certificates.

Exemption/Waiver

Regarding the format and content of the valuation report, owing to the substantial number of properties we own (37,619 in total), lease (8,170 in total) and buildings under construction (278 in total), we have applied for and obtained a waiver from the Hong Kong Stock Exchange from strict compliance with Rule 5.01, Rule 5.06, Rule 19A.27(4) and Paragraph 3(a) of Practice Note 16 of the Listing Rules on the grounds that (i) it would be unduly burdensome to list all of the properties and show their particulars and values individually in this prospectus and the inclusion of such detailed information would be irrelevant to potential investors in a commercial bank; and (ii) it would be unduly burdensome to prepare an English translation of the report, as substantially all of the properties are located in the PRC and consequently the underlying valuation and title information is in Chinese.

We have applied for and obtained an exemption from the SFC from strict compliance with paragraph 34(2) of part II of the Third Schedule to the Hong Kong Companies Ordinance on the ground that it would be unduly burdensome to list all of the properties and show their particulars and values individually in this prospectus and the inclusion of such detailed information would be irrelevant to potential investors in a commercial bank.

Our Directors confirmed that the certificate of exemption from the SFC and waiver from the Hong Kong Stock Exchange would not prejudice the interest of potential investors. The exemption has been granted by the SFC under section 342A(1) of the Hong Kong Companies Ordinance, on the conditions that (i) the full valuation report complying with all the requirements of paragraph 34 of Part II of the Third Schedule to the Hong Kong Companies Ordinance, which will be prepared in the Chinese language only, will be made available for public inspection; (ii) a summary valuation report of all of our property interests prepared on the basis of the full valuation report is included in Appendix VI to this prospectus; and (iii) this prospectus shall set out particulars of this exemption.

The waiver has been granted by the Hong Kong Stock Exchange on the conditions that (i) the full valuation report complying with all the requirements of paragraph 34 of Part II of the Third Schedule to the Hong Kong Companies Ordinance, which will be prepared in the Chinese language only, will be made available for public inspection; (ii) a summary valuation report of all of our property interests prepared on the basis of the full valuation report is included in Appendix VI to this prospectus; and (iii) we obtain a certificate of exemption from the SFC in relation to compliance with relevant requirements under the Hong Kong Companies Ordinance.

See "Appendix X—Document Delivered to the Registrar of Companies and Available for Inspection" for the time and place that the full valuation report will be available for public inspection.

LAND USE RIGHTS AND MAJOR INTANGIBLE ASSETS

Our Land Use Rights

As of March 31, 2010, the carrying value of our land use rights amounted to RMB24.9 billion.

Our Major Intangible Assets

We own various intellectual property rights including trademarks, patents, domain names, copyrights and non-patented technology. We conduct business under the "中國農業銀行," "Agricultural Bank of China," "ABC" and "  " brand names and logos.

Trademarks

As of March 31, 2010, we held 179 registered trademarks and 124 registration applications which have been accepted for consideration in the PRC. We also held 12 registered trademarks and 23 registration applications which have been accepted for consideration outside the PRC.

Patents

As of March 31, 2010, we had two patents and 27 patent applications which have been accepted for consideration in the PRC.

Copyrights

As of March 31, 2010, we had 50 copyrights and copyright registration certificates in the PRC.

Domain Names

As of March 31, 2010, we had registered ten domain names in the PRC.

Non-patented Technology

As of March 31, 2010, we had 621 non-patented technology in the PRC.

Value of Our Land Use Rights and Intangible Assets

Land use rights and intangible assets are reflected on the balance sheet as cost or revaluation less accumulated amortization and allowance for impairment losses. The cost or revaluation amount of land use rights and intangible assets is amortized using a straight-line method.

At December 31, 2009, 2008 and 2007, the cost value, accumulated amortization, allowance for impairment losses and carrying value of our land use rights and intangible assets are set forth in the table below:

		At December 31,		
		2007	2008	2009
		(in millions of RMB)		
Software	Cost value	2,490	1,874	2,348
	Accumulated amortization	(1,190)	(417)	(786)
	Allowance for impairment losses	—	(28)	(29)
	Carrying value	1,300	1,429	1,533
Others	Cost value	66	69	71
	Accumulated amortization	(39)	(12)	(24)
	Allowance for impairment losses	—	—	—
	Carrying value	27	57	47
Subtotal	Cost value	2,556	1,943	2,419
	Accumulated amortization	(1,229)	(429)	(810)
	Allowance for impairment losses	—	(28)	(29)
	Carrying value	1,327	1,486	1,580
Land Use Rights	Cost value	1,116	26,272	26,552
	Accumulated amortization	(328)	(733)	(1,443)
	Allowance for impairment losses	—	(25)	(47)
	Carrying value	788	25,514	25,062
Total	Cost value	3,672	28,215	28,971
	Accumulated amortization	(1,557)	(1,162)	(2,253)
	Allowance for impairment losses	—	(53)	(76)
	Carrying value	2,115	27,000	26,642

LEGAL AND REGULATORY

Licensing Requirements

As of the Latest Practicable Date, we had obtained the financial operating licenses required for conducting our current businesses.

Legal Proceedings

We are involved in certain legal proceedings in the ordinary course of our business. Most of these proceedings involve enforcement claims initiated by us to recover payments on our non-performing loans. The legal proceedings against us include actions relating to customer disputes and claims brought by our counterparties on contracts related to our banking operations.

As of December 31, 2009, we had 34 pending litigation and arbitration cases each with a claim value of over RMB100 million, amounting to approximately RMB6,561 million in aggregate. Out of these 34 cases, we or our branch outlets were plaintiffs in 23 cases with an aggregate amount of RMB5,097 million; and we or our branch outlets were defendants in 11 cases with an aggregate amount of RMB1,464 million. We believe that we have made adequate provisions with respect to current and pending proceedings against us. At December 31, 2009, our litigation provisions amounted

to RMB2,974 million. See Note VI.36(3) to our consolidated financial statements in the Accountants' Report in Appendix I to this prospectus. We do not expect any of our current and pending legal or arbitration proceedings to have, individually or in the aggregate, a material adverse effect on our business, financial condition or results of operations, even if they are determined against us.

As of the Latest Practicable Date, none of our directors, supervisors and senior management were involved in any material litigation, arbitration or administrative proceedings.

Regulatory Reviews and Proceedings

We are subject to inspections and examinations by the relevant PRC regulatory authorities, including the PBOC, CBRC, MOF, CSRC, CIRC, SAIC, SAFE, NAO and SAT, and their respective local offices. These audits and examinations have previously resulted in findings of incidents of non-compliance and the incurrence of certain penalties. Although these incidents and penalties did not have any material adverse effect on our business, financial condition and result of operations, we have implemented improvement and remedial measures to prevent the reoccurrence of such incidents. Our directors believe that, save as disclosed in this prospectus, there were no other material breaches and material incidents of regulatory non-compliance during the Track Record Period.

Our overseas branches, representative offices and subsidiaries are subject to local laws and regulations, as well as the regulatory oversight of relevant authorities in their respective jurisdictions. As of the Latest Practicable Date, they were not in breach of respective local legal and regulatory requirements and follow ordinary and routine supervisory procedures. During the Track Record Period, our overseas branches, representative offices and subsidiaries were not subject to any material investigations or penalties in their respective jurisdictions.

Administrative Proceedings

Certain regulatory inspections and examinations have resulted in our being subject to fines and penalties as a result of our non-compliance with regulatory requirements. From January 1, 2007 to December 31, 2009, we were subject to a total of 117 fines and penalties imposed by the PRC regulatory authorities (other than the tax authorities) for an aggregate amount of approximately RMB26.66 million for fines and penalties over RMB100,000 each. Of the 117 fines and penalties, 43, 37, and 37 fines and penalties were imposed on us for 2009, 2008 and 2007, respectively. The amount of such fines and penalties were approximately RMB10.48 million, RMB7.03 million and RMB9.14 million for 2009, 2008 and 2007, respectively. We were also subject to a total of 32 fines and penalties imposed by the PRC tax authorities in an aggregate amount of RMB28.76 million for fines and penalties each over RMB100,000, which had been paid in full as of the Latest Practicable Date. In addition to monetary fines and penalties imposed, we also received warnings, official reprimands or rectification directives from the relevant PRC regulatory authorities in respect of a small number of the above mentioned violations. Other than the above, there was no other sanction or additional requirement arising from administrative proceedings imposed on us by the PRC regulatory authorities during the Track Record Period. Among administrative fines and penalties each over RMB100,000:

- 30 fines and penalties totaling RMB5.36 million were imposed by the PBOC for, among others, failure to report certain large and suspicious transactions;
- 29 fines and penalties totaling RMB7.56 million were imposed by the CBRC for, among others, failure to comply with certain prescribed internal control standards;

- 34 fines and penalties totaling RMB6.91 million were imposed by the SAFE for, among others, non-compliance with foreign exchange settlement regulations;
- six fines and penalties totaling RMB1.31 million were imposed by the SAIC for, among others, concluding business exceeding our prescribed business scope;
- 18 fines and penalties totaling RMB5.52 million were imposed by other administrative agencies, including the departments responsible for land and resources administration and the department responsible for construction planning administration, for, among others, failure to obtain approvals in respect of altering the land use purposes or delays in the registration of our property titles; and
- 32 fines and penalties totaling RMB28.76 million (including late payment penalties) were imposed by the PRC tax authorities for, among others, failure to report all tax income, non-compliance in the withholding of personal income tax primarily due to certain of our accounting staff's misunderstanding of the statutory scope of taxable income, and improperly obtaining expense reimbursement.

These penalties did not, individually or in aggregate, have a material adverse effect on our business, financial condition or results of operations. We have taken, and will continue to take, the following key steps and measures to rectify the issues identified by the PRC regulatory authorities: (i) for issues with clear solutions, we promptly rectify such issues in accordance with recommendations from the PRC regulatory authorities and our policies and procedures; (ii) for issues arising from deficiencies in our policies and procedures, we rectify and improve the relevant policies and procedures in order to further streamline our operations; (iii) for issues arising from deficiencies in the implementation of policies, we hold the responsible employees accountable and issue relevant internal warnings and instructions; (iv) in relation to branch outlets which were not inspected by the PRC regulatory authorities, we consider issues identified by the PRC regulatory authorities and carry out further investigations in order to eliminate similar operational risks and management weaknesses; and (v) to prevent recurrence of these issues, we provide additional training to our employees, adopt new measures for risk management and reform our internal control systems. Through the above measures, we believe that we have taken appropriate actions to rectify the identified deficiencies. In developing and implementing these measures, we consider relevant government policies as well as actual and anticipated regulatory developments and, to the extent practicable, work with the relevant regulatory authorities. The CBRC recognized in its 2009 regulatory report that our overall management capabilities had improved. For steps and measures relating to our remedial actions with respect to reviews conducted by the CBRC and the NAO, see "—Findings of Regulatory Examinations." As of the Latest Practicable Date, we had paid substantially all of the fines and penalties according to the requirements of the PRC regulatory authorities.

Findings of Regulatory Examinations

Certain routine or *ad hoc* examinations or inspections conducted by the PRC regulatory authorities, although not resulting in fines or other penalties imposed on us, have revealed certain deficiencies or incidents of non-compliance in various areas of our business operations, risk management and internal control. The results of the principal examinations or inspections are summarized below.

CBRC

The CBRC conducts routine and *ad hoc* inspections of our Bank, including on-site inspections of our head office, branches and sub-branches. Based on these inspections, the CBRC issues inspection reports setting forth its findings and recommendations.

From 2007 to 2009, the CBRC carried out routine inspections of our head office and some of our branches and sub-branches. During the same period, the CBRC also conducted *ad hoc* inspections of our internal control systems, bill acceptance business, loans to foreign-related companies, certain incremental loans and discounted bills. The main issues at certain of our branches and sub-branches identified by the CBRC through these inspections included lack of standardized business processes, deficiencies in security management, failure to follow standardized credit extension procedures, loan concentration risks, the need for improvement in post-disbursement monitoring, delays in the disposal of repossessed assets, and the need for improvement in internal audit and compliance management. The key recommendations made by the CBRC in its reports and our primary remedial measures adopted are set forth below.

Key recommendations	Our primary remedial measures
● Strengthen credit risk management and improve asset quality	● Continue to improve our credit management policies and procedures, implement credit guidelines and industry-specific credit guidelines, adopt customer list-based management, refine the mix of our customer base and improve our credit risk management capabilities
● Further corporate governance reform and improve internal control and management capabilities	● Increase our efforts to form a sound corporate governance structure, strengthen our Board of Directors' role in strategic decision-making and risk management, and refine our three-level internal control organizational framework consisting of the decision-making, execution as well as supervisory and evaluation levels
● Improve capital enhancement mechanism and strengthen risk tolerance capability	● Proactively refine our capital structure, enhance capital base by introducing strategic investors and listing on stock exchanges and improve internal capital generation capabilities
● Prepare for the implementation of Basel II and promote the establishment of a compliance program	● Accelerate the preparation for the implementation of Basel II, promote the application of quantitative risk measurement methodologies in our risk management process, further improve our compliance management system and strengthen our compliance management and employee compliance training
● Improve the management of loans extended to government financing vehicles	● Enhance our control over the risks relating to loans to government financing vehicles, improve post-disbursement monitoring, establish stricter customer qualification requirements and enhance our management of loan drawdowns

As of the Latest Practicable Date, the CBRC did not require us to take further remedial measures, and had not conducted any further inspections on us following its inspection in 2009. We believe that the CBRC's findings described above did not reveal any material deficiencies in our

business operations, internal audit, internal control and risk management functions, and have no material adverse effect on our financial condition and results of operations.

NAO

The NAO conducts audits of state-owned and state-controlled enterprises, including us, from time to time. During its most recent audit on us, the NAO audited the profit and loss and assets and liabilities of our head office and 11 branches in Heilongjiang, Jilin and other provinces for the year 2008. The NAO also identified certain operational deficiencies which occurred in recent years. The findings by the NAO did not have any material adverse effect on our financial condition and results of operations.

In the publicly available summary of its audit report, the NAO noted our progress in transitioning to a joint stock company and significant improvements in our asset quality and operational efficiency. However, the NAO also identified the following issues at certain of our branch outlets: (A) incidents of non-compliance involving an aggregate amount of RMB10.6 billion, including (i) non-compliance in extending loans of RMB4.8 billion (including lending to enterprises and projects that did not meet industry policies or our loan extension requirements, non-compliance in issuing bank guarantees, extending loans without specified purpose and extending loans that were used by the borrower to invest in the stock markets); (ii) non-compliance in issuing RMB4.8 billion of acceptance bills or discounted bills that were unrelated to any trade; (iii) non-compliance in conducting deposit-taking and settlement businesses involving an aggregate amount of RMB596 million such as certain of our employees improperly providing their personal accounts to customers to facilitate fund transfers; and (iv) non-compliance in booking revenues and expenses involving an aggregate amount of RMB332 million, which includes mainly the existence of off-balance sheet fixed assets and under-statement of non-operating income; and (B) management deficiencies which subject certain of our businesses to risks, including (i) management deficiencies in the extension of loans to government financing vehicles; (ii) failure to disburse certain agricultural loans to the Sannong business; and (iii) deficiencies in management and risk control.

We take the issues raised by the NAO's audit seriously and have implemented relevant remedial measures. As of the Latest Practicable Date, we had remedied 90 out of the 96 of our identified operational deficiencies. In addressing the issues identified by the NAO, we strengthened our compliance culture, refined our management philosophies to further commercialize our operations, and strengthened our internal control, risk management and risk tolerance capabilities.

The operational deficiencies which are still being rectified include the non-compliance in extension of five loans. We disposed of some of these loans in our 2008 financial restructuring and have made provisions for the remaining non-compliant loans. The other outstanding operational deficiency involves an RMB64 million off-balance sheet asset relating to the non-compliance in construction of an office building by one of our tier-2 branches and which was not recorded as a fixed asset on our balance sheet. This tier-2 branch has since initiated remedial measures, including the verification of the property, obtaining the relevant property titles, organizing property valuations and audits and resolving relevant disputes.

The key recommendations of the NAO audit and our primary remedial measures adopted are set forth below:

Key recommendations	Our primary remedial measures
● Implement national macroeconomic policies, improve loan services to SMEs, increase support for agriculture, and implement national industry policies strictly	● Strengthen the management of designated units for loans to small businesses, refine the credit management system for loans to small businesses and introduce a one-stop approval process of loans to small businesses ● Establish a County Area banking division, grant the division relative management independence and strengthen the provision of pilot "Sannong-specific" financial services ● Establish credit limits for industries on a periodic basis based on changes to national industry policies, reduce loans to industries with high risks and optimize our loan mix
● Improve corporate governance structure, strengthen financial reform and innovation and enhance competitiveness and the quality of financial services	● Strengthen the Board structure, enhance the core role of the Board in corporate governance and policy decision-making, refine the policies in relation to our senior management and exercise the supervisory function of the Board of Supervisors ● Capitalize on the synergy between the Urban Areas and the County Areas, create an integrated business platform of the Urban Areas and the County Areas, clarify the differentiated development strategies, provide our customers in the Urban Areas and the County Areas with comprehensive, high-quality and efficient financial services, accelerate the implementation of business operation transformation, consolidate channels, products and system resources, implement market segmentation and customer segmentation strategies, constantly improve core competitiveness
● Regulate operational activities, strengthen internal control and risk management in the course of financial innovation and improve risk tolerance capabilities	● Accelerate the establishment of a comprehensive risk management system, implement customer list-based management taking into account industry-specific credit guidelines, allocate staffing dedicated to loan reviews, develop risk management tools such as risk limits management and the 12-grade loan classification system for corporate loans, promote the implementation of internal rating methodologies, and promote the appointment of on-site risk officers and risk managers ● Establish a dedicated internal control and compliance department, streamline the operational procedures for our core businesses and facilitate the preparation of compliance handbooks ● Move the audit function of our tier-1 branches to our head office and establish an independent internal audit system under our Board

Reporting and Monitoring of Employee Non-compliance

We have established internal reporting procedures for reporting employee misconduct to ensure that all incidents of employee misconduct are reported to our head office in a timely manner. In addition, we are required to report and have in the past reported, to the CBRC, significant cases of employee misconduct. For material criminal cases and material incidents of employee non-compliance, we carry out a level-by-level, upwards reporting and consolidation process: all our levels must, within 24 hours, report the relevant information, level-by-level, to our head office. For incidents involving employee criminal misconduct, we promptly report such cases to the CBRC.

There were 54 unlawful incidents occurring and discovered during the Track Record Period, of which 16 incidents involved over RMB1 million each. In 2007, there were 35 incidents occurring and discovered, involving an aggregate amount of approximately RMB107 million, of which 13 incidents involved more than RMB1 million each. In 2008, there were 11 incidents occurring and discovered, involving an aggregate amount of approximately RMB11 million, of which two incidents involved more than RMB1 million each. In 2009, there were eight incidents occurring and discovered, involving an aggregate amount of approximately RMB46 million, of which one incident involved more than RMB1 million.

We believe that the number of incidents of reportable employee misconduct at our Bank has been relatively low in recent years primarily due to our efforts to enhance our internal control systems, promote employee accountability, and implement routine and *ad hoc* inspections bank-wide. None of our directors or the members of our senior management has been involved in any incident of employee misconduct.

During the Track Record Period, we had improved accountability in our internal management. We implemented centralized auditing, inspections and other measures to improve monitoring and inspection and we will continue to develop specialized management of non-compliance incidents and specialized management of commercial bribery incidents. We adopted measures including prioritizing the rectification and prevention of unlawful incidents and incidents of non-compliance. Within the Track Record Period, as a result of our efforts, the number of our cases decreased from 35 in 2007 to eight in 2009.

We have been advised by our PRC legal advisors, DeHeng Law Offices, that, based on our confirmation of the details and total number of the incidents of reportable employee misconduct, the total amount involved in the incidents of reportable employee misconduct and the details of corrective measures taken by us, neither the legality of the corporate existence of our Bank or our branch outlets has been affected, nor has any of the required approvals, permits, authorizations or filings necessary for our business operations been revoked as a result of these incidents of reportable employee misconduct. Furthermore, the amount of loss that may be attributable to these incidents constituted a relatively small fraction of our total assets. We have taken corrective measures, including, but not limited to, measures to rectify and prevent relevant misconduct and discipline employees engaged in misconduct. On the basis of the foregoing, our PRC legal advisors have confirmed that the reportable employee misconduct did not and will not, individually or collectively, have a material adverse effect on our business and results of operations.

Special Events

We have, from time to time, detected incidents of fraud and other misconduct committed by our employees, customers and other third parties. These incidents of fraud and misconduct have included corruption, bribery, embezzlement of funds, forgery of loan or other documentation, and violations of our internal procedures and guidelines in issuance of loans and credits and cancellation of redemption rights of collateral. Among the incidents adjudicated, our directors confirm that the most significant cases from January 1, 2007 to the Latest Practicable Date, based on the amount involved in the same category of cases, the seniority of the employees involved and the nature of the cases, are discussed below. In each of these cases, we have taken appropriate legal measures against the perpetrators and adopted corrective measures to address any operational or internal control-related deficiencies exposed by their misconduct. We believe that the financial losses and other adverse consequences of these incidents did not have, individually or in the aggregate, a material adverse effect on our business, financial condition or results of operations. We will continue to focus on improving and strengthening our internal control and risk management functions with the goal of successfully preventing similar incidents from recurring in the future. For information regarding our operational reforms and a series of risk management and internal control initiatives, see "Our History, Restructuring and Operational Reform" and "Risk Management."

Kuandian Incident

Between 2007 and 2008, Kuandian Shengxintiexuan Mining Co., Ltd. and its connected company, Kuandian Manchu Autonomous County CDPF Welfare Boron Powder Factory, had forged personal deposit notes and bank acceptance bills and defrauded our Kuandian branch in issuing loans of approximately RMB104 million. As of the Latest Practicable Date, several defendants involved in the fraud were convicted and sentenced by the People's Court.

Handan Incident

Between 2006 and 2007, two of our former employees, who were employees of our Handan branch conspired to misappropriate approximately RMB51 million from the branch's treasury. As of the Latest Practicable Date, the perpetrators were convicted and sentenced by the People's Court.

Han Wenming Incident

Our former Tibet branch president, Mr. Han Wenming was convicted of abusing his position for personal gain and receiving bribes of approximately RMB4.3 million and US$160,000 between 2001 and 2005. As of the Latest Practicable Date, Mr. Han was convicted and sentenced by the People's Court.

OVERVIEW

We have adopted a prudent risk management strategy, seeking to balance risk and returns with sustainable growth and sound asset quality to achieve an appropriate level of risk-adjusted returns and capital adequacy.

The objectives of our risk management are:

- continuously enhancing our corporate governance and risk management to ensure that our Board of Directors and senior management as well as our risk management personnel throughout our organizational structure follow our risk management strategies and implement comprehensive risk management;
- establishing a comprehensive, independent and vertically-integrated risk management organizational framework and developing a risk management organizational structure with clearly-defined division of responsibilities;
- implementing robust risk policies and procedures to ensure that our risk management function covers all of our business lines, products and personnel;
- developing and applying advanced risk management tools and methodologies to accurately identify and measure risks and to ensure the prompt communication of information throughout various levels of our organizational structure; and
- cultivating a sound risk management culture through continuous management reinforcement, rigorous implementation of risk management polices and management accountability, and bank-wide in-depth employee training.

RISK MANAGEMENT INITIATIVES IN RECENT YEARS

Prior to 1996, we were a state-owned specialized bank and our risk management capabilities were limited. In the middle to late 1990s, we began to operate on a commercial basis and started to manage our risks more proactively.

In 2000, based on our existing credit extension authorization procedures, we upgraded and standardized our pre-loan review, credit approval and post-disbursement management policies and procedures and established designated credit approval committees. In 2002, we adopted the Credit Management System (CMS) as the primary platform for our credit businesses. In 2005, we adopted economic capital management tools to manage our overall risk profile through measuring, allocating and controlling the risk exposures along our various business lines and in terms of industries and regions. We also adopted risk management indicators to evaluate the performance of our branches and employees.

In 2007, we established the Risk Management Department at our head office and began to implement our centralized risk management strategy. In 2009, we established a comprehensive risk management organizational structure. Under the principle of separating the supervision function from the formulation and implementation of risk management policies, we have defined risk management responsibilities and related reporting lines of our Board of Directors and its specialized committees, senior management and the specialized committees under their supervision, as well as our various departments with risk management responsibilities.

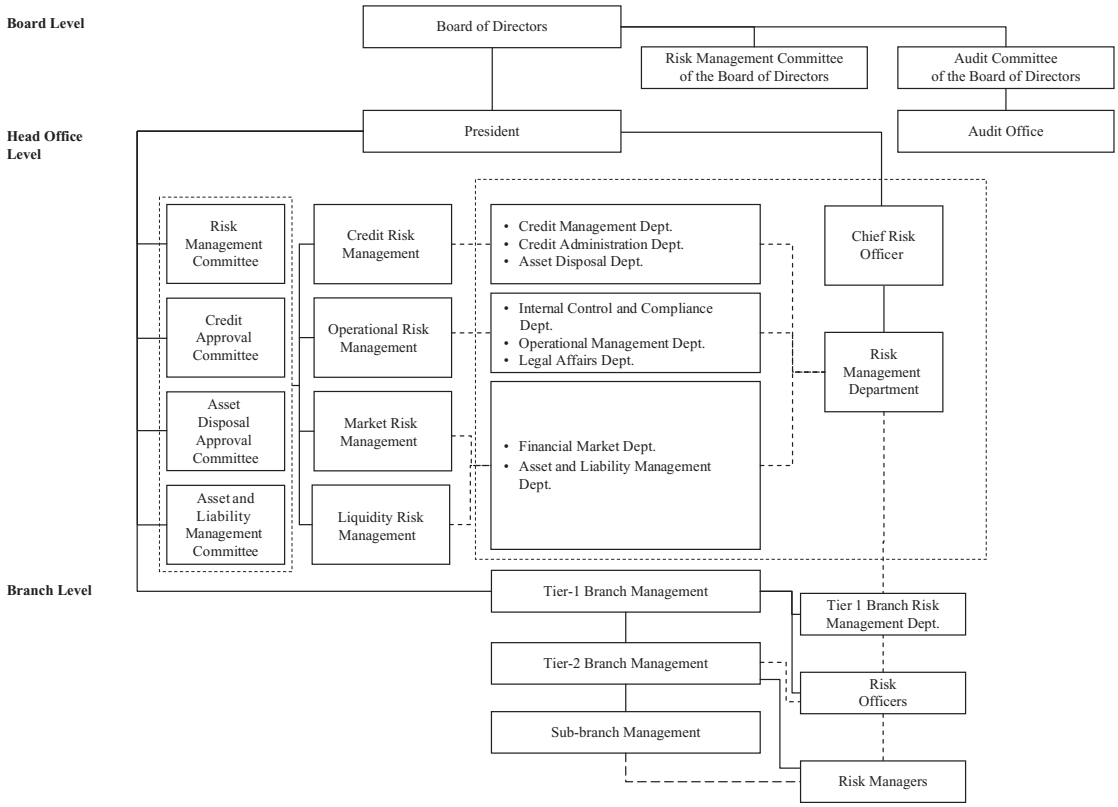
Since 2007, we have undertaken a number of significant measures to improve our credit management infrastructure. We have established a credit policy framework consisting of policy guidelines, industry-specific and region-specific credit guidelines and customer list-based management system to implement differentiated credit management. We have improved our credit review and approval system and created the position of independent credit approval officers, moving toward centralized credit review and approval and online operations. Furthermore, we have developed an agenda for implementing Basel II, built up our internal rating infrastructure and initiated the development of internal models for market risk management and advanced measurement approaches for operational risk management.

In 2009, we developed and began to implement an agenda for building up a comprehensive risk management system. We have strengthened the independence and accountability of our risk management departments and appointed risk officers and risk managers at our tier-2 branches and sub-branches, respectively. We have further refined our risk management tools and systems by upgrading our Credit Management System (CMS), implementing a 12-category loan classification system for corporate loans, introducing a series of risk exposure limits and increasingly applying quantitative methodologies to risk management. We have also improved our economic capital management based on our internal historical data and expanded the coverage of our economic capital management from credit risk management to market and operational risk management and from our domestic branches to our overseas branches.

We believe the implementation of the foregoing risk management strategy and initiatives has led to an enhanced operating framework, improved risk management capabilities and a rigorous risk management culture.

RISK MANAGEMENT STRUCTURE

The chart below illustrates our risk management structure:



Board of Directors and Board Committees

Our Board of Directors bears the ultimate responsibility for risk management. It performs risk management functions through the Risk Management Committee and the Audit Committee under the Board of Directors.

The Risk Management Committee of the Board of Directors is primarily responsible for reviewing our risk management strategies, policies and procedures, assessing our risk management and internal control efforts, evaluating the organizational framework, operating procedures and effectiveness of our risk management and internal control departments and making recommendations to our Board of Directors accordingly.

The Audit Committee of the Board of Directors is primarily responsible for monitoring our internal control function, reviewing and overseeing the implementation of our critical accounting policies, overseeing and evaluating our internal audit operations and external auditors, reviewing annual audit reports and annual financial statements and making recommendations to our Board of Directors accordingly.

For the details of the respective responsibilities of our Board of Directors as well as the Risk Management Committee and the Audit Committee under the Board of Directors, see "Appendix VIII—Summary of Articles of Association" and "Directors, Supervisors and Senior management—Board of Directors Committees."

Senior Management and Special Committees

Our senior management assumes the highest level of execution power in risk management.

President

Our president manages risks associated with our business operations, formulates risk management policies and procedures, determines economic capital allocation and makes recommendations and reports our overall risk management operations to our Board of Directors. Our president is also responsible for the implementation of risk management strategies, plans, policies and systems as determined by our Board of Directors.

Special Committees under Senior Management

We have four special committees under our senior management, namely, the Risk Management Committee, the Credit Approval Committee, the Asset Disposal Approval Committee and the Asset and Liability Management Committee, which are responsible for organizing, coordinating and reviewing various risk management tasks.

- *Risk Management Committee*. The Risk Management Committee has three specialized sub-committees, namely, the Credit Risk Management Committee, the Market Risk Management Committee and the Operational Risk Management Committee. The Risk Management Committee is responsible for analyzing and assessing our bank-wide risk profile, reviewing and formulating our bank-wide risk management plans and risk exposure limits, determining and adjusting our risk management measures, reviewing, coordinating and supervising the implementation of policies, procedures and methodologies relating to credit, market and operational risk management as well as significant risk management initiatives, and leading our bank-wide risk management efforts.
- *Credit Approval Committee.* The Credit Approval Committee is responsible for reviewing the credit applications exceeding certain amount and of high levels of complexity. It also reviews special authorizations and special credit extensions as well as certain other credit risk management operations. It also oversees customer credit rating.
- *Asset Disposal Approval Committee.* The Asset Disposal Approval Committee reviews the disposal of our non-performing loans and other impaired assets exceeding certain amounts as well as write-offs, loan restructuring, waivers of interest and foreclosure on repossessed assets.
- *Asset and Liability Management Committee.* The Asset and Liability Management Committee is responsible for formulating our strategies for balance sheet management and capital management. It reviews our medium- to long-term business plans and annual business plans and conducts periodic examinations of our business operations. It is also a decision-making body in our liquidity risk management.

Chief Risk Officer

The primary responsibility of our chief risk officer is to assist our president in risk management. Currently, our chief risk officer is Mr. SONG Xianping.

Head Office Risk Management Departments

Risk Management Department

The Risk Management Department coordinates our bank-wide risk management efforts and carries out risk management responsibilities, including the formulation and implementation of our risk management strategies, policies and procedures, the coordination on our implementation of Basel II and the development of risk measurement tools meeting the applicable regulatory requirements. The Risk Management Department is also responsible for conducting customer credit ratings, supervising asset classification, assessing our assets for impairment, measuring our bank-wide economic capital, monitoring key risk indicators and issues and organizing risk reporting. It also coordinates the determination of risk exposure limits, formulates risk portfolio management plans and assesses our risk exposure levels. In addition, it coordinates risk management functions across all branches and business lines.

Credit Management Department

The Credit Management Department is responsible for establishing and strengthening our credit risk management system. It develops industry-specific credit guidelines, determines customer admission criteria and organizes and implements customer list-based management. It reviews and approves credit extensions in accordance with our policies and procedures, and evaluates counterparty risks. It is also responsible for refining our credit management system to improve our credit risk identification, measurement and mitigation capabilities.

Credit Administration Department

The Credit Administration Department is primarily responsible for risk management in connection with loan disbursements. It coordinates and oversees disbursement of loan funds and post-disbursement management, conducts on-site inspections of significant risks identified through online supervision, and organizes compliance review of our credit review and approval personnel.

Asset Disposal Department

The Asset Disposal Department is responsible for formulating the policies and procedures in respect of disposal of non-performing assets and coordinating the implementation efforts. It also conducts on-site inspections of large-amount or cross-regional non-performing asset disposals, monitors the implementation of specific asset disposal projects, and manages books for large-amount non-performing assets. It also coordinates our asset preservation efforts and manages foreclosures and write-offs of non-performing assets.

Asset and Liability Management Department

The Asset and Liability Management Department is responsible for formulating and implementing risk management policies and procedures in respect of liquidity risk as well as interest rate risk and exchange rate risk arising from our banking book.

Financial Market Department

Pursuant to the risk preferences determined by our head office, the Financial Market Department manages market risk arising from our investment and trading portfolios both for our own

account and on behalf of our customers, within the respective transaction authorizations and market risk exposure limits.

Internal Control and Compliance Department

The Internal Control and Compliance Department oversees and monitors the implementation of risk management policies and procedures, rectifies deficiencies and conducts internal control and compliance inspections and assessments. It manages compliance risks, conducts compliance evaluations and tests on our business procedures and new product and service offerings and monitors authorizations.

Operational Management Department

The Operational Management Department is responsible for managing our bank-wide back-office operational risks, formulating and implementing policies and procedures relating to operational management, establishing and refining our operational risk management system, streamlining our back office procedures for various business lines and products and deterring operational risk through centralized management.

Legal Affairs Department

The Legal Affairs Department is responsible for our bank-wide legal risk management, ensuring the legality and thoroughness of our risk policies and managing risks associated with litigation, contract disputes and intellectual property.

Branch Level and Sub-branch Level Risk Management Structure

Branch and Sub-branch Management

The heads of our branches or sub-branches are the primary responsible persons for our risk management operations at their respective branches or sub-branches. The deputy heads in charge of risk management organize and coordinate risk management operations. Meanwhile, risk management at our tier-2 branches and sub-branches is also supervised by risk officers and risk managers, respectively, appointed by the higher-tier branches. As a further check and balance, the regional offices of our Audit Office conduct periodic review of branch-level risk exposures.

Risk Management Committees and Risk Management Departments at Branch and Sub-branch Levels

We have established risk management committees at our tier-1 and tier-2 branches under their respective management. The branch-level risk management committees are responsible for reviewing the risk exposure limits and risk portfolios within their respective jurisdictions, reviewing and organizing the implementation of risk management objectives and procedures, and reviewing risk management issues within their authorization. The branch-level risk management committees conduct periodic analysis and review of the overall risk exposure and supervise risk management functions.

At our tier-1 branches, we have established risk management departments that are responsible for setting forth comprehensive risk management measures and supervising the implementation of various risk management strategies and policies. The departments also supervise asset classification and impairment tests, formulate and supervise the implementation of risk exposure limits and portfolio

management plans. In addition, they manage and organize trainings to the risk managers within their respective jurisdictions and evaluate their performance. These risk management departments also examine, analyze and evaluate the risk management functions of the relevant departments and lower-tier branches.

The credit management departments at our tier-2 branches or the senior management at our sub-branches perform risk management functions.

Risk Officers and Risk Managers

As part of our risk management initiatives targeting at strengthening risk management at our lower-tier branches and sub-branches, we have started a pilot program to appoint risk officers from tier-1 branches to tier-2 branches as well as risk managers from tier-2 branches to sub-branches. The risk officers and risk managers supervise and assess risk management functions at the branches or sub-branches where they are stationed. They report to the management team of the branches that appointed them.

CREDIT RISK MANAGEMENT

Credit risk is the risk of loss from the default by an obligor or counterparty when payments fall due. We are exposed to credit risk primarily through our loan portfolio, investment portfolio, guarantees and various other on- and off-balance sheet credit risk exposures.

We manage credit risk through a variety of methods, including streamlining our credit approval process, establishing bank-wide standardized authorization and credit extension management system, monitoring risk exposure and borrower concentrations and mitigating credit risk through the use of collateral and other arrangements.

We have increased efforts to prepare for the implementation of Basel II and our adoption of industry-specific credit guidelines and customer list-based management to improve credit risk management capabilities and refine our credit asset profiles. To further strengthen our overall credit risk management capabilities, we have upgraded our existing CMS and developed a credit risk reporting system.

Credit Risk Management for Corporate Loans

Credit Guidelines

We are focused on the development and implementation of our credit guidelines and are seeking to achieve a balance between loan growth and a prudent risk management culture. We formulate credit guidelines on an annual basis to streamline our credit business procedures, adjust our loan portfolio compositions and prioritize our lending to the key regions, industries and customers.

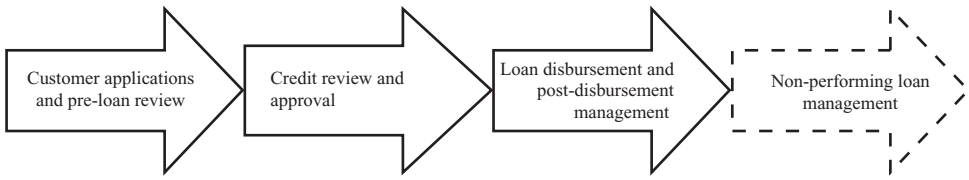
Our industry-specific credit guidelines consist primarily of industry-specific customer admission policies, authorization policies and post-disbursement management requirements. We adjust our credit guidelines based on a number of considerations such as changes in the PRC government's industry policies and the developments of various industries as well as the overall effectiveness of our existing credit guidelines. We have developed industry-specific credit guidelines for 13 industries, including, among others, real estate, iron and steel, coal and textiles. We have also started to

implement a customer list-based credit management system for customers in nine industries, including, for example, iron and steel as well as cement industries, and divided our loan customers into "support," "maintenance," "reduction" and "termination" categories. We periodically impose credit exposure limits and release recommended credit limits in respect of industries with relatively large exposure and higher risk to adjust and control the total credit exposure to specific industries and refine the mix of our loan portfolio based on industry prospects, the overall credit quality of individual industries and regulatory changes.

We also proactively adjust our credit guidelines in line with the PRC government's macroeconomic control policies. For example, in 2009 and 2010, the PRC government implemented certain restrictive measures with respect to the real estate and steel industries. Also see "Risk Factors—Risks Relating to Our Loan Portfolio—If we are unable to effectively maintain the quality of our loan portfolio, our financial condition and results of operations may be materially and adversely affected." In light of these measures, we have adjusted our credit guidelines with a more prudent view to extending credit to borrowers in the real estate industry and the steel industry and set target limits on the growth in our loans to these industries in 2010. We have further clarified our customer admission criteria and prioritized our lending to key cities and high quality customers. With respect to borrowers in the steel industry, we have tightened credit approval authorizations and limited new credit extensions to our valued customers.

In lending to government financing vehicles, we apply the same review, approval and monitoring criteria to these loans as we do to loans to other corporate customers. We have clearly defined the admission standards for loans to government financing vehicles, and we seek to focus on government-sponsored projects with sufficient cash flows and secured sources for loan repayments as well as the projects sponsored by the governments of provincial, provincial capital-levels and above. Our tier-1 branches implement customer list-based management of government-sponsored projects within their respective jurisdictions and determine admission criteria for non-commercial projects sponsored by local governments of city level or lower. For these projects, we require that equity investments in these projects be in place prior to our loan disbursements, or simultaneously with our loan disbursements on a proportional basis. Loans to financing vehicles for local governments below the city level must be fully secured by land or building.

The following flow chart illustrates the basic process for our credit business.



Customer Applications and Pre-Loan Review

We conduct pre-loan review under a policy of two-person investigation and review. Pre-loan review is carried out by a primary reviewer (generally, a customer manager) and an assistant reviewer (for example, a business manager) at a branch or sub-branch. For large loans to a single borrower and loans for medium- and long-term projects, reviewers from the corporate banking business departments at higher-tier branches conduct independent customer reviews. To avoid conflicts of interest, we require a reviewer to refrain from participating in any credit review relating to a company controlled by

the reviewer or the reviewer's close relatives. We conduct pre-loan review and customer information verification through both on-site visits and circumstantial investigations. When necessary, we use a third-party credit agency to verify customer information.

We conduct pre-loan review to: (i) collect basic information such as the compliance track record, shareholders and managers, industry, growth prospects and business of the applicant; (ii) analyze the use of the loan proceeds and sources for repayment; (iii) study the applicant's financial statements, cash flows and request additional information (such as evidence of tax payments and utilities bills) from the applicant if we believe that the financial data collected do not fully reflect the applicant's financial condition; (iv) assess the creditworthiness of the applicant and its management, its loan repayment history and its ability to fulfill contractual obligations; (v) review the collateral provided by the applicant and guarantees provided by the guarantor; and (vi) examine the loan application pursuant to our credit policies. Upon the completion of the pre-loan review, the reviewers prepare a written report, which serves as one of the main bases for our credit decision. The primary reviewer and the assistant reviewer are jointly accountable for the conclusion of their pre-loan review.

Customer Credit Rating

We maintain a ten-grade rating system, namely, AAA+, AAA, AA+, AA, A+, A, B, C, D and Rating Exempted, and assign a credit rating to a customer based on its scale of operation, competitiveness, growth prospects, quality of management, net cash flow, debt repayment ability, profitability, contribution to our business, creditworthiness and other factors.

In principle, we rate all customers that have outstanding loans with us and that have provided guarantees to secure our loans on a periodic basis, and the credit ratings assigned are generally valid for no more than one year. We assign a credit rating to a new customer before granting credit to such customer. If there is a material change affecting a customer's repayment ability or creditworthiness, we re-rate the customer. The customer credit rating results have been used in our credit approvals, loan classifications, loan loss provisioning, management of exposure limits, risk reporting and economic capital management.

Collateral Appraisal

For loans secured with collateral, we conduct collateral appraisals prior to loan approval either internally or through external appraisers. We require a final confirmation of the appraised value from an appraiser within our bank regardless whether the appraisal was performed by an external appraiser or by our own employees. Loans secured by collateral are generally subject to the following loan-to-value ratio limits, depending on the type of collateral:

Type of Collateral	Maximum Loan-to-Value Ratio
Properties	
Land use rights and buildings	70%
Manufacturing equipment	Up to 40% for manufacturing equipment for general use; up to 20% for manufacturing equipment for specialized use
Inventories	Generally up to 50%, maximum limit 70%
Monetary assets	
Government bonds and financial bonds	If in the same currency as our loans, the amount of collateral shall be no less than the loan amount; if in a different currency, up to 90%
Corporate bonds	Up to 80% for listed corporate bonds; up to 50% for other corporate bonds
Warehouse receipts	Up to 85% for exchange standard warehouse receipts; up to 70% for other warehouse receipts

We generally require regular reappraisal of collateral. In respect of a third-party guarantor, we assess the guarantor's financial condition, credit history and ability to meet its obligations to determine the appropriate guarantee amount.

Credit Review and Approval

Our credit approval function for corporate loans is performed primarily by authorized approval officers, credit review and approval centers and credit approval committees.

- *Authorized approval officers.* Authorized approval officers consist of the president and the vice president in charge of credit approval at our head office and, at the branch level, the heads and deputy heads (including assistants to branch heads) in charge of credit approval at their respective branches and independent credit approval officers who are entitled to approve credit. Independent credit approval officers are authorized to make loan approval decisions based on their independent investigation, review and evaluation. Independent credit approval officers at branch level typically consist of credit approval officers at the same branch or at the higher-tier branch depending on which branch appointed them. The independent credit approval officer appointed by the same branch reports to his own branch and receives his approval authorization from the branch head, while an independent credit approval officer appointed by the higher-tier branch reports to the higher-tier branch that appointed him and receives his authorization approval from the head of that higher-tier branch. The independent credit approval officers approve loans according to their specific areas of expertise and are organized into groups focusing on

different business lines such as corporate banking, retail banking and County Area Banking Business, respectively.

- *Credit review and approval centers.* We have set up credit review and approval centers at our head office and branches. Applications for loans exceeding the authorization limits of the respective independent approval officers are submitted to the credit review and approval centers for approval.
- *Credit approval committees.* We have set up credit approval committees at our head office and branches. A credit approval committee consists of chairman of the committee, credit risk department members, expert members and independent credit approval officers. The credit approval committee at the head office reviews applications for fixed asset loans with principals above certain specified amount, credit limit approval and other tasks. It currently consists of 11 members, including four expert members, one independent credit approval officer and one vice president from our head office who acts as the chairman of the committee. Sub-branches located in counties generally have no credit approval committee. Credit approval officers designated by branches of higher-tier are primarily responsible for review and approval of credit applications made through the sub-branches.

Customer Credit Limit Approval

We determine a customer's total credit limit based on a comprehensive analysis of the customer's credit rating, net assets, cash flows, collateral offered and financing needs. Our different tiers of branches may approve credit line applications within their specific authorization limits in accordance with our customer segmentation-based management system. A customer's credit limit is generally valid for no longer than one year and is subject to annual review. Even if a credit application is within the customer's credit limit, the originating branch still must carry out the required loan review and approval procedures according to its authorization limit. Credit line applications that exceed the authorization limits of the originating branches must be submitted to a higher-tier branch with requisite authorization or, if necessary, to our head office.

The entire process of credit reporting, review and approval has been automated and is managed by the CMS. The system automatically controls the authorization levels of our approval officers. If a loan application is approved, our legal departments will review the agreements on non-standard forms and correspondences and other documents for our credit extension business.

We seek to manage credit extension to group borrowers on a consolidated basis. Our credit administration departments are responsible for reviewing, approving and allocating credits made to group customers.

Loan Disbursement and Post-disbursement Management

We disburse loans upon the completion of review of disbursement-related criteria by our credit administration departments. Our business units and credit administration departments are responsible for post-disbursement management. Our post-disbursement management includes fund account monitoring, on-site examination, monitoring of the borrower, monitoring of collateral and guarantor, risk alert and management, credit asset risk classification, record-keeping and recovery of loans.

Management of Drawdown

Before signing a credit agreement, the business department in the originating branch is responsible for ensuring the satisfaction of the conditions precedent specified in the agreement for loan disbursements and drawdowns. We have designated disbursement review personnel at our tier-1 and tier-2 branches and our credit administration departments to review the application of conditions for loan disbursement and usage and the compliance with the credit agreement, collateral arrangement and other loan disbursement procedures.

Post-disbursement Monitoring

We undertake initial and follow-on monitoring at the post-disbursement stage. We generally conduct initial monitoring within 15 days from the disbursement of project loans, the credit lines for new customers and incremental credit lines for existing customers. The frequency of our regular post-loan monitoring varies depending on whether a customer is new or existing, the importance of the customer to our business, its credit rating and the loan product. We employ a variety of methods for conducting post-disbursement monitoring, including assigning a dedicated professional for each loan; monitoring the borrower's cash flows; conducting regular on-site visits to examine collateral; generating early alerts through IT platform; proactively notifying borrowers of due dates and maturity dates; regularly visiting the borrower; and terminating loan exposure to delinquent customers.

Risk Alert

We have set up a risk alert mechanism at all tiers of our branches and sub-branches. We aim to promptly detect and mitigate risks by monitoring a customer's account information, financial reports, information of suppliers and customers, and industry and macroeconomic policies.

Customer managers and designated risk management personnel are required to report to the heads of their respective departments on a timely basis upon the receipt of a risk alert signal. The business department of the branch that manages the relevant customer account, the credit administration department and others with risk management responsibilities in turn are required to formulate risk mitigation solutions. Upon authorization from relevant branch heads, the business department involved at the branch is required to start implementing the risk mitigation measures. If the originating branch is of a higher tier than the branch that manages the customer accounts, such lower-tier branch is required to report the resolution to the credit administration department of the originating branch, which will supervise the implementation.

Loan Classification

We classify a loan according to our five-category loan classification criteria, which include a comprehensive assessment of various factors such as the borrower's repayment ability and track record, its willingness to perform repayment obligations, the profitability of the project financed by the loan and the collateral provided. For details of our five-category loan classification criteria, see "Assets and Liabilities—Assets—Asset Quality of Our Loan Portfolio—Loan Classification Criteria."

Our designated loan classification officer may adjust the classification assigned to a loan in accordance to prescribed procedures in the event that there is a mismatch between a classification assigned and the criteria for such classification. The classification of a loan must be adjusted on a timely basis if a change in its risk profile is identified. Solely for risk management purposes, we

adopted a 12-category classification system, which refined the five-category loan classification system, to classify our corporate loans. Classification of such loans is conducted at least on a quarterly basis.

The following table illustrates our 12-grade loan classification system:

Normal				Special Mention			Substandard		Doubtful		Loss
Normal One	Normal Two	Normal Three	Normal Four	Special Mention One	Special Mention Two	Special Mention Three	Substandard One	Substandard Two	Doubtful One	Doubtful Two	Loss

Through this loan classification system, we determine the classification of a corporate loan on the basis of both quantitative and qualitative factors through analyzing default risk of a corporate borrower and transaction risk arising from the loan and considering the estimated impairment losses. When analyzing a borrower's default risk, we consider the credit rating of the borrower and the risk factors relating to the borrower's industry, operations, management and willingness to repay the loan. When analyzing the transaction risk relating to a loan, we consider the existence, validity, adequacy and liquidity of collateral and the length of the period by which the principal or interest is overdue. The system utilizes a quantitative scoring model, through which our loan classification personnel confirms loan classification results.

Our 12-grade loan classification system is designed to enable us to better monitor changes in our asset quality, detect potential credit risks and more effectively conduct post-disbursement management of our loan portfolio. We believe that this system has helped us strengthen our loan monitoring capabilities.

We apply a five-category classification system for loans to some of our County Area corporate customers who are classified as small businesses pursuant to the rules of the CBRC.

Termination of Customers with Potential Risks

We have established an exit management mechanism in order to optimize our portfolio of borrowers and prevent potential risks from materializing. Customers with potential risks refer to those who are currently experiencing or are expected to experience adverse changes in their business or financial condition in the near future that may affect their loan repayments. For these customers, we may demand repayment of loans ahead of their contract maturities or we may reduce their respective credit lines.

We identify customers with potential risks among those whose loans are originally classified as "normal" or "special mention." Our head office adjusts, on a timely basis, the parameters and indicators for identifying customers with potential risks, in accordance with macroeconomic condition, industry policies and our business strategies. Our branches and sub-branches develop annual customer exit plans and compile exiting customer lists.

Non-performing Loan Management

We proactively manage non-performing loans to reduce risks relating to our loan portfolio and improve our recovery on disposals. We are committed to continuously improving our ability to manage non-performing loan disposals and establishing and refining our management system for non-performing loan disposals. We have undertaken various initiatives such as customer list-based management, information technology system upgrade and performance-based compensation.

Our asset disposal departments are responsible for managing our non-performing loans. We seek to recover our non-performing loans through various means, including collection, foreclosure on collateral, legal or arbitration proceedings, third-party agent collection, waiver of interest or principal, loan restructuring and write-offs.

Credit Risk Management for Retail Loans

Pre-Loan Review

Once a retail loan application is received by the originating branch, a retail loan reviewer at that branch will conduct due diligence on the loan applicant by checking relevant databases and holding in-person meetings with the applicant. For applications involving large amounts or posing high risk, two retail loan reviewers generally conduct on-site visits. For retail loans secured by collateral, the reviewers are required to conduct appraisal of the collateral. Recommendations of the reviewers are submitted to the retail loan officers, who will review and confirm before submitting the conclusions and recommendations to the appropriate credit review approval centers.

Credit Review and Approval

Our designated teams at our credit review and approval centers review retail loan applications based on their evaluation of the completeness of the application package and the applicant's risk profile. They submit their recommendations to the appropriate personnel with approval authority for final review. Applications for large loans or loans involving higher risks are required to be reviewed and approved by a credit approval committee and also approved by an authorized credit approval officer.

Loan Disbursement and Post-disbursement Management

After a loan application is approved, the originating branch assigns designated personnel to ensure the satisfaction of the conditions precedent for loan disbursement, register and record collateral, execute loan agreements and disburse loan proceeds to the borrower.

Our post-disbursement management of retail loans is conducted by both the business departments in the originating branch and the risk management departments at our different tiers of branches through the post-disbursement management system, a sub-system of the CMS. We monitor retail loan risks through daily post-disbursement monitoring, post-disbursement inspections (site-visits), account monitoring and online monitoring. Once a risk alert signal is identified, we take immediate actions to prevent and mitigate the associated risk and control potential losses.

The CMS automatically classifies our retail loans into five categories based on the number of days by which the payment of principal or any interest is overdue as well as types of collateral provided. Our business departments and risk management departments may jointly adjust the classification in response to risk data gathered through loan monitoring.

Credit Card Risk Management

We manage credit risk arising from our credit card business through the following measures:

- setting credit limits according to the risk profiles of each credit card customer to mitigate risks at preliminary stage;

- strengthening our statistical analysis capabilities, the development of credit rating data modeling and continuing to adjust our risk management policies;
- implementing a risk alert system to detect and prevent credit card fraud; and
- optimizing our risk monitoring system to enhance our capabilities to monitor and mitigate risks on a real-time basis.

Credit Risk Management for County Area Banking Business

Risk management in our County Area Banking Business falls under our bank-wide overall risk management framework and follows our bank-wide risk management system and procedures. In addition to these standardized credit policies and procedures, we have also implemented differentiated risk management policies for our County Area Banking Business.

- We have established a Credit Management Department of County Area Banking Business at the head office level and a Risk Management Center of County Area Banking Business under the Risk Management Department. We have started to appoint risk officers from our tier-1 branches to tier-2 branches and risk managers from tier-2 branches to sub-branches. We have established a dual reporting risk management structure at our branches and sub-branches in the County Areas.
- In conducting performance evaluation, we have focused on applying economic capital indicators to our branches and sub-branches in the County Areas. We have included the risk-adjusted returns as one of the key indicators to assess the performance of these branches or sub-branches.
- To balance risk and return, we are in the process of implementing a multi-channel risk mitigation mechanism where appropriate loan pricing is adopted to cover potential risk exposure. For example, we cooperate with credit guaranty companies in the County Areas to share risk exposure; in addition, we have rolled out certain products, such as forest-ownership-pledged loans, to tackle the inadequacy of collateral securing loans in the County Areas.
- We have focused on risk disciplines and set maximum non-performing loan ratios and minimum recovery ratios for loans beyond their maturities. If a sub-branch exceeds the pre-set risk control targets or there have occurred significant risk events, we may impose deadlines for remediation actions, investigate and hold the responsible parties accountable and suspend authorizations.
- In balancing risk and efficiency, we have established credit review and approval centers to strengthen our credit risk management in the County Areas. In addition, we have introduced an online information platform to speed up communications with remote areas and leverage local information sources to achieve efficiency in our risk management.
- The County Area Banking Business has been a focus of our internal review and audits. We have strengthened our internal review and audits in respect of the identity of the borrowers of our small-amount rural household loans and the performance of the departing senior management of our sub-branches in the County Areas through both on-site and off-site review and audits.

Credit Origination and Review

Based on our bank-wide risk management strategy and risk preferences and taking into consideration of the characteristics of our County Area Banking Business, we focus on the following measures. In customer identification, we focus on leading agriculture industrialization enterprises and other quality corporate customers as well as mid- to high-end retail customers. In product offerings, we focus on rural infrastructure project loans, urbanization loans, loans for County Area merchandise distributions and County Areas SME loans. In addition, we leverage our Huinong Cards to grow our small-amount rural household loans. Geographically, we focus on business development in the areas where the local economy is relatively more developed, such as the top ten counties of each province.

We have developed a score card system and designed rating indicators tailored for our County Area customer base, which consists mostly of small enterprises, private businesses and rural households. We have largely completed the development of our County Area customer rating system and expect to achieve automatic rating to further improve the accuracy of our rating system.

Credit Approval

We have established review and approval policies specifically designed for our County Area Banking Business. Higher-tier branches appoint independent credit approval officers, who are familiar with the County Area Banking Business and designated to review and approve loan applications submitted by our branch outlets in the County Areas. We have established credit review and approval centers at our tier-2 branches to ensure a centralized and efficient review and approval process. We have further improved our review and approval procedures and promoted online review and approval, to improve overall efficiency of our review and approval procedures without compromising our risk control.

We have structured multiple types of security interest such as joint household guarantees, "company + farmer" guarantees and guarantees by farmers' cooperatives. Moreover, we have further strengthened our cooperation with insurance companies to combine loan origination with the offering of insurance products that are designed to reduce our risk exposure.

We strive to streamline our procedures for processing credit applications in our County Area Banking Business and reduce associated cost, without compromising our risk management. For example, for small business customers in the County Areas, we consolidate credit rating, approval and drawdowns into one step.

Loan Classification and Monitoring

Our bank-wide policies and procedures for loan classification apply to our County Area Banking Business. We are developing an automated loan classification system for retail loans, supplemented by manual checks. Considering such factors as the impact of natural disaster on our County Area customers' repayment ability, we have sought to refine our loan classification criteria for loans to rural households and agriculture-related businesses and adopted more stringent loan classification criteria strictly based on the number of days by which the payment of interest or principal of a loan is overdue.

We have established an online monitoring and risk alert system for our County Area loans to monitor the risk profile of our County Area loan businesses and identify non-compliance with our policies and procedures, issue alerts, and take precautionary and corrective measures on a timely basis.

Post-disbursement Management

We conduct post-disbursement reviews and management of delinquent customers in the County Areas in substantially the same manner as we do for our Urban Area customers. We conduct post-disbursement monitoring and tracking of loans of our County Area Banking Business through CMS, with a focus on the borrower's business fundamentals and financial condition, especially cash flows. We also track non-financial information such as tax receipts and utilities bills to better understand the real business operations and fundamentals of the borrowers. We review rural household loans through, for example, spot checking Huinong Card transaction records.

Credit Risk Management for Treasury Operations

Our treasury operations involve investments in treasury bonds, government bonds, financial institution bonds, corporate bonds, commercial paper, medium-term notes, and asset-backed securities. We conduct credit risk management in respect of our treasury operations primarily through managing credit lines for counterparties. We assign the total credit limit for domestic and foreign financial institutions and set sub-limits for various business lines. Our head office reviews our annual credit limits on exposure to financial institutions, determines authorization limits for our various departments at our head office and domestic and overseas branches, and engages in dynamic risk classification and adjustment in response to changes in counterparty risk.

Internal Rating Based System (IRBS) for Credit Risks

We launched an internal rating-based system in 2007 in order to improve our ability to measure credit risks and to comply with Basel II and the regulatory requirements of the CBRC. We developed our internal rating framework in three stages, with the adoption of a non-retail Foundation Internal Ratings-Based (FIRB) approach being the first stage, the adoption of a retail Advanced Internal Ratings-Based (AIRB) approach being the second stage and the adoption of a non-retail AIRB approach being the third stage. To date, we have completed Phase I (non-retail FIRB approach) and are still in Phase II (retail AIRB approach) of our internal rating project.

Information Technology in Credit Risk Management

The CMS is our primary IT platform for credit business operations as well as the primary tool for credit risk management. For details of our CMS, see "Business—Information Technology—Information System."

Our CMS enables us to integrate the management of our corporate and retail customers. It covers loans, discounted bills, acceptances, letters of credit, letters of guarantee and other main credit products we offer. It also supports online management of our entire credit management process from loan application, review and approval to disbursement and post-disbursement management. It has the capability to conduct customer credit ratings automatically based on quantitative indicators and credit risk classification and determine market risk-related asset value markdowns. Our CMS allows speedy data retrieval and customized reporting. We are in the process of upgrading our CMS, which is expected to improve our credit risk management capability through a more automated system.

Moreover, to support the development of a new customer rating model, we have completed the development of IRBS. The IRBS has been in operation since June 2009.

In the second half of 2009, we launched a project to develop a credit risk data warehouse supported by a credit risk-weighted asset calculation engine. We believe that the completion of this project will enable us to improve our capabilities in collecting and processing data for credit risk-weighted asset calculation and generating reports for regulatory compliance and internal control purposes.

MARKET RISK MANAGEMENT

Market risk arises from movements in exchange rates, interest rates and other market changes that affect market risk-sensitive instruments.

We are exposed to market risk primarily through the assets and liabilities on our balance sheet, as well as our off-balance sheet commitments and guarantees. The major types of market risk that may impact our business are interest rate risk and exchange rate risk. Interest rate risk refers to the risk of losses in a bank's income or economic value arising from adverse movements in statutory or market interest rates. Exchange rate risk means that a bank may experience losses because of mismatches in the currency denomination of our assets and liabilities, or from the exposure of our foreign exchange derivative transactions.

Our market risk management covers the entire process of identifying, measuring, monitoring and controlling market risk and aims to maximize our returns within the limit of our well-defined risk tolerance. We primarily conduct market risk management through exposure limit management, authorization management and counter-party credit extension management. Exposure limit management refers to the control over the level of market risk that our head office, branches and overseas operations are facing. The Risk Management Department at our head office sets exposure limit authorizations in respect of our various business departments which are subject to the approval of the Board of Directors. There are two types of limits, namely, mandatory limits and recommended limits. A mandatory limit places a strict ceiling on the amount of market risk we are willing to accept on the relevant business or products; by contrast, a recommended limit provides a relatively flexible constraint on the market risk and is geared more toward providing risk guidance and warning. In the case of a breach of a recommended limit, we take measures to reduce our risk exposure. In the case of a breach of a mandatory limit, the business unit bearing the market risk is required to take remedial measures unless there are justifiable reasons or circumstances that warrant the exposure temporarily exceeding the limit. The organizational unit is required to specify the reasons for such breaches and the time needed for resolving the situation in a report to be reviewed by the Risk Management Department at our head office, which in turn will report the situation to our senior management. Absent approval by our head office senior management, the unit that breached the mandatory limit must take appropriate measures to ensure that the limit is restored. Market risk limits include, but are not limited to, exposure, loss, risk and stress testing limits. Exposure limits include limits on positions for transactions in total or for net transactions, and limits related to our business targets. Loss limits refer to limits on loss in the mark-to-market value of asset portfolios. Risk limits refer to the limits set for indicators for measuring market risk. Stress testing limits refer to limits for losses that occurred in a stress scenario.

We closely monitor market risk exposure limits through both the Risk Management Department and the risk management divisions of the Asset and Liability Management Department and the Financial Market Department. For a mandatory limit, an early warning is activated once a threshold of 80% of the limit is reached; for a recommended limit, the threshold is 90%. Our trading management

system allows us to monitor and analyze data for the entire transaction process. Market risk reports consist of market risk analysis reports, market risk event reports and market risk management reports. We plan to continue to institutionalize and standardize our market risk monitoring and reporting policies and procedures to further improve our ability to monitor and mitigate market risk.

We separate our banking book and trading book. Our trading book covers the financial instruments and commodities positions we hold for trading or hedging purposes. Our banking book covers all of our on- and off-balance sheet assets and liabilities and off-balance sheet positions not covered in the trading book.

Market Risk Management for Our Banking Book

Interest Rate Risk Management

The major source of interest rate risk in our banking book is the mismatch of the maturity or repricing dates of our interest rate-sensitive assets and liabilities. Due to the mismatch, our net interest income and economic value may be affected by changes in interest rates. We currently manage the interest rate risk in our banking book primarily through managing our assets and liabilities mix. The general strategy of interest rate risk management is to identify interest rate risk, adjust assets and liabilities pricing in a timely manner and control interest rate sensitivity exposure. Applying interest rate sensitivity and gap analysis, we conduct static measurements of the repricing characteristics of our assets and liabilities and evaluate the potential impact of changes in interest rates. Based on the results of such analysis, we adjust the maturity structure of our assets and liabilities and improve the management of the interest rate risk exposure in our banking book.

Exchange Rate Risk Management

Exchange rate risk refers to the risk due to mismatches in the currency denominations of our assets and liabilities. Through exposure limit management and the management of the currency structure of our assets and liabilities, we seek to ensure that the adverse impact of exchange rate fluctuations falls within an acceptable range.

Market Risk Management for Our Trading Book

Market risk arising from our trading book primarily comes from fluctuations in the value of our financial instruments on the trading book resulting from changes in exchange rates and interest rates. We utilize interest risk sensitivity indicators such as duration and basis point value and apply analytical tools to monitor the market risks of our trading accounts and improve the interest rate risk management of the financial instruments in our trading book. In addition, we strictly segregate the trading from non-trading functions and responsibilities, monitor and ensure the compliance of our trading positions with our policies. Moreover, our Audit Office conducts regular audits on the implementation of our internal procedures for the management of our trading book in accordance with requirements by our regulators and our own policies.

LIQUIDITY RISK MANAGEMENT

Liquidity risk refers to the risk of being unable to liquidate a position in a timely manner to acquire sufficient funds or failing to acquire sufficient funds at a reasonable cost to fulfill payment obligations. Factors affecting our liquidity include the term structure of our assets and liabilities and

changes to banking industry policies, such as changes in the requirements relating to loan-to-deposit ratio and statutory deposit reserve ratio. We are exposed to liquidity risk primarily in the funding of our lending, trading and investment activities, as well as in the management of our liquidity positions. The primary objective of our liquidity risk management is to ensure that we are able to meet our payment obligations and fund our lending and investment operations on a timely basis. We seek to improve our liquidity management through various measures, including:

- focusing on maintaining stable sources of funding and increasing our core deposits;
- enhancing our marketing efforts, increasing our total deposit amount, securing the continued growth in deposits to meet our liquidity needs and maintaining our capital raising capabilities; and
- improving the diversity of assets and maintaining an appropriate mix of short-, medium- or long-term assets.

OPERATIONAL RISK MANAGEMENT

Operational risk refers to the risk resulting from inadequate or failed internal control procedures, from human or information system related factors, or from external events. The operational risk that we face primarily includes, among others, internal fraud, external fraud, damages to property, disruptions to our operations or information technology system and problems associated with transaction execution and closing as well as business processes. Since 2009, we have implemented initiatives to streamline our business and operational processes and centralize our back office management to enhance our capabilities in the identification, measurement, reporting and control of operational risks. We believe that these measures will strengthen our operational risk management.

We have established three lines of defense against operational risk. The first line is risk management by business units. The second line is our risk management departments and internal control and compliance departments. Led by our senior management, our risk management departments are responsible for implementing operational risk management strategies, policies and procedures; developing and promoting operational risk management instruments; monitoring and reporting operational risks; and deploying economic capital measurement tools. Our internal control and compliance departments supervise and evaluate compliance with our operational risk management policies and applicable laws and regulations. The third line is our internal audit function, which is responsible for supervising and evaluating our operational risk management system, evaluating the adequacy and effectiveness of our operational risk management policies and procedures and supervising and assessing our internal control system and compliance.

Since 2008, we have conducted a comprehensive review of 25 areas of our business including our credit business, retail banking, operations management, e-banking and information technology. Through such review, we have identified risk factors and risk indicators, developed operational risk identification procedures, and established procedures for monitoring and assessing key risk areas as well as a dynamic mechanism for continuous risk identification.

We identify operational risk through the process analysis methodology, which identifies the business areas that may be subject to operational risk, and locate potential risk factors and the relevant risk indicators based on our past experience. Our head office and our tier-1 branches carry out, at least once a year, a comprehensive operational risk identification process and systematically review risk factors and risk indicators that have emerged in our operations.

We have established a bottom-up reporting system for operational risk. Once an operational risk occurs, our branches at or above the county level are required to report the operational risk in a timely manner through our operational risk reporting lines.

COMPLIANCE

Compliance risk refers to the risk of regulatory or legal breaches that may result in potential legal sanctions, regulatory penalties, significant financial losses and reputational harm. Compliance management is an important part of our risk management activities. To strengthen our compliance management capabilities, we have established, and are committed to continuing to strengthen, our bank-wide compliance management framework.

Organizational Structure of Our Compliance Function

Our Internal Control and Compliance Department leads our compliance risk management efforts. It is responsible for our bank-wide compliance risk management, including identifying compliance risks, tracking and analyzing control weaknesses and deficiencies, monitoring and assessing our risk exposures and implementing preventative and corrective measures. We have internal control and compliance management teams at our tier-1 and tier-2 branches and have launched a pilot program to appoint compliance managers to selected sub-branches. The compliance managers under the pilot program do not report to the sub-branches where they work; instead, they are under the direct supervision of the higher-tier branches that appointed them and report directly to the management of their respective higher-tier branches.

We seek to improve our compliance reporting mechanism and our database for non-compliance incidents. We have established internal reporting procedures for employee misconduct. Significant cases of employee misconduct are required to be escalated through the higher-tier branches to our head office within 24 hours of the discovery of these cases. In addition, we are also required to report to the CBRC significant cases of employee misconduct. To promote compliance awareness of our employees, we have adopted a points program to deter incidents of non-compliance. In addition, we have started to compile a comprehensive compliance handbook to describe and refine our business and operational process.

Anti-money Laundering

In 2002, we established a steering group responsible for anti-money laundering management. In 2003, we formed an anti-money laundering division at our head office. Currently, the Internal Control and Compliance Department leads our bank-wide anti-money laundering efforts.

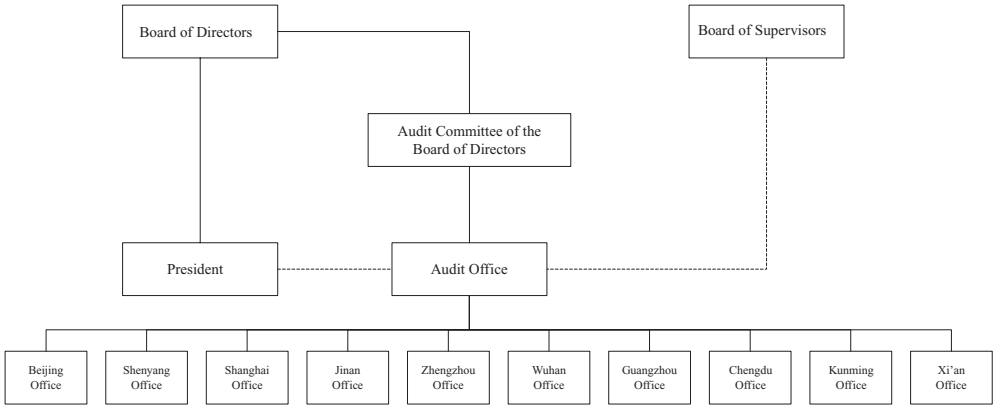
We have developed and refined anti-money laundering policies, clearly defining the duties and responsibilities, working procedures, and authorizations of our various departments and branches. We invest heavily in our anti-money laundering compliance efforts and provide regular training to our employees to strengthen their compliance awareness and skills. We are committed to fulfilling our reporting obligations under anti-money-laundering laws and have been cooperating with regulatory authorities and the judiciaries to carry out anti-money laundering investigations. We systematically carry out customer due diligence, collect customer information and transaction records according to applicable laws and regulations. We seek to continue to improve our anti-money laundering capabilities and our compliance with bank-wide anti-money laundering policies and procedures through reinforcing the implementation of the “know-your-customer” procedures and standardized

operational processes, improving our information collection and processing capabilities relating to large and suspicious transactions and strengthening our review and reporting of these transactions, as well as enhancing the functionality of our anti-money laundering information system to generate risk alerts on a timely basis.

INTERNAL AUDIT

We have established a designated internal audit function, which follows a vertical reporting line. Our internal audit offices perform audits and evaluations on our operations and management, business activities and financial performance. Our internal audit offices report to our Board of Directors and are subject to the examination, supervision and evaluation by the Audit Committee of our Board of Directors. Our internal audit offices are also under the supervision of our Board of Supervisors. Our internal audit offices consist of the Audit Office at our head office and ten regional offices. The Audit Office is responsible for the organization, management and reporting of our bank-wide internal audit efforts. The regional offices, under the direct supervision of the Audit Office, perform internal audits in their respective specified areas and report to the Audit Office.

The chart below shows the organizational structure of our internal audit function:



Our internal audits are organized in an effort to promote our compliance with and implementation of the applicable laws and regulations, assess our risk management, internal control and corporate governance and maintain our risk exposures within an acceptable range to continue to improve our business operations and management.

Our internal audit focuses on:

- our compliance with the applicable PRC laws and regulations, macroeconomic policies and regulatory guidelines as well as our internal policies and procedures;
- the soundness and effectiveness of compliance in our operations, the performance of our compliance departments and the effectiveness and efficiency of our various departments;
- the integrity, soundness and effectiveness of our internal control system;
- our risk exposures and the applicability and effectiveness of our risk identification, measurement and monitoring procedures;
- the accuracy and reliability of our accounting records and financial statements;
- the management, use and disposal of our various assets;

- the results of our operations and the implementation of our business plans and financial budgets;
- the planning, development, operation and maintenance of our information system;
- performance audits and departure audits of the executive officers of our head office (including various divisions of our head office), tier-1 branches and branches directly managed by our head office and the nominees for such executive officers;
- the remediation measures in respect of the issues identified in our internal audits; and
- other internal audits requested by the Board of Directors and the Audit Committee under the Board of Directors.

According to the internal audit guidelines applicable to the PRC banking institutions promulgated by the CBRC, internal audit staff are required to constitute no less than 1% of the employees. The number of the staff of our Audit Office and its ten regional offices is not in compliance with such regulatory requirement, nonetheless the total number of our employees, our staff members performing the internal audit function, including internal control and compliance staff who participate in performance audits, compliance review and internal control evaluation, constitute more than 1% of all of our employees.

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	**5,305,506**	**100.0%**	**7,014,351**	**100.0%**	**8,882,588**	**100.0%**

(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).

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.

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]	17,705	0.5	19,234	0.6	27,924	0.7
Total loans to customers	**3,474,174**	**100.0%**	**3,100,159**	**100.0%**	**4,138,187**	**100.0%**

(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]	1,322,054	47.9	1,247,100	52.9	1,728,718	58.2
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 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

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

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	**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.

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.

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

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

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	**204,127**	**100.0%**	**257,163**	**100.0%**	**352,230**	**100.0%**

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.

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	**3,474,174**	**100.0%**	**3,100,159**	**100.0%**	**4,138,187**	**100.0%**

(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.

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	**3,474,174**	**100.0%**	**3,100,159**	**100.0%**	**4,138,187**	**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.

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."

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."

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		**327,223**	**7.91%**	**74.31%**

(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.

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

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;

- 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

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.

	Loans secured by mortgages(1)	Loans secured by pledges(2)	Guaranteed loans	Unsecured loans
	(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.

	Loans secured by mortgages(1)	Loans secured by pledges(2)	Guaranteed loans	Unsecured loans
	(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.

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.

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	2,761,157	100.00	2,359,297	100.00	2,968,691	100.00
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	204,127	100.00	257,163	100.00	352,230	100.00
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	491,185	100.00	464,465	100.00	789,342	100.00
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	17,705	100.00	19,234	100.00	27,924	100.00
Non-performing loan ratio[2]		**2.58%**		**2.01%**		**1.14%**
Total loans to customers	**3,474,174**		**3,100,159**		**4,138,187**	
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.

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.

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, expect 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.

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	**2,310,124**	**100.00%**	**2,718,080**	**100.00%**	**3,815,630**	**100.00%**
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	**1,146,345**	**100.00%**	**362,845**	**100.00%**	**294,633**	**100.00%**
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.

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.

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

(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.

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.

	For the year ended December 31,		
	2007	2008	2009
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.

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.

	Amount	NPL ratio
	(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.

	For the year ended December 31,		
	2007	2008	2009
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."

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.

	Amount	NPL ratio
	(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.

	For the year ended December 31,		
	2007	2008	2009
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."

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	749,158	91.5	27.13	123,286	91.9	5.23	108,785	90.5	3.66
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	374	0.0	0.18	71	0.1	0.03	66	0.0	0.02
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	68,864	8.4	14.02	10,323	7.7	2.22	11,072	9.2	1.40
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 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

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.

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	293,559	39.3	31.04	32,640	26.5	4.28	34,445	31.7	3.88
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	**749,158**	**100.0%**	**27.13%**	**123,286**	**100.0%**	**5.23%**	**108,785**	**100.0%**	**3.66%**

(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.

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.

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.

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."

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	3,456,469	99.5	3,080,925	99.4	4,110,263	99.3
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	17,705	0.5	19,234	0.6	27,924	0.7
Total loans to customers	**3,474,174**	**100.0%**	**3,100,159**	**100.0%**	**4,138,187**	**100.0%**
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.

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.

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.

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.

	At and for the year ended December 31,
	(in millions of RMB)
At December 31, 2006	**754,676**
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	(1,135)
At December 31, 2007	**764,982**
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	(60)
At December 31, 2008	**85,175**
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	(4)
At December 31, 2009	**126,692**

(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.

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	**764,982**	**22.02%**	**85,175**	**2.75%**	**126,692**	**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.

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	693,027	90.6	92.51	74,631	87.6	60.53	105,964	83.7	97.41
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	2,102	0.2	562.03	2,397	2.8	3,376.06	5,543	4.4	8,398.48
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	69,388	9.1	100.76	7,697	9.0	74.56	14,738	11.6	133.11
Overseas and other operations[4]	465	0.1	101.75	450	0.6	116.28	447	0.3	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 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.

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	274,444	39.5	93.49	23,403	31.4	71.70	34,136	32.2	99.10
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	**693,027**	**100.0%**	**92.51%**	**74,631**	**100.0%**	**60.53%**	**105,964**	**100.0%**	**97.41%**

(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.

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.

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."

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	**93,300**	**100.0%**	**758,393**	**100.0%**	**728,839**	**100.0%**

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."

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	**1,212,331**	**100.0%**	**1,542,416**	**100.0%**	**1,833,221**	**100.0%**

(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.

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	**1,212,331**	**100.0%**	**1,542,416**	**100.0%**	**1,833,221**	**100.0%**

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	**1,212,331**	**100.0%**	**1,542,416**	**100.0%**	**1,833,221**	**100.0%**

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.

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

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

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.

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.

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.

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.

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			
	Amount	% of total deposits	Amount	% of total deposits	Amount	% of total deposits	Amount	% of total deposits	Amount	% of total deposits	Total	% 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.

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	**5,287,194**	**100.0%**	**6,097,428**	**100.0%**	**7,497,618**	**100.0%**

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	**2,110,842**	**100.0%**	**2,163,874**	**100.0%**	**2,901,247**	**100.0%**

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.

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.

The following discussion and analysis should be read in conjunction with our consolidated financial statements at and for the years ended December 31, 2009, 2008 and 2007, together with the accompanying notes, included in Appendix I to this prospectus. Our consolidated financial statements have been prepared in accordance with IFRS. Capital adequacy ratios discussed in this section are calculated in accordance with applicable CBRC guidelines and are based on our consolidated financial statements prepared in accordance with PRC GAAP.

OVERVIEW

We are a leading commercial bank in China in terms of total assets, total loans and total deposits, with the largest domestic distribution network among the Large Commercial Banks in terms of the number of branch outlets and ATMs. As of December 31, 2009, we had 23,624 domestic branch outlets and 41,011 ATMs. We have also expanded internationally and have opened branches in Hong Kong and Singapore and representative offices in New York, London, Tokyo, Frankfurt, Seoul and Sydney. As of December 31, 2009, we had approximately 2.6 million corporate customers and approximately 320 million retail customers. At December 31, 2009, we had total assets of RMB8,882.6 billion, total gross loans of RMB4,138.2 billion, total deposits from customers of RMB7,497.6 billion, and shareholders' equity of RMB342.9 billion. In 2009, we were ranked No. 8 in *The Banker's* "Top 1000 World Banks" list in terms of profit before tax for the year of 2008.

FINANCIAL IMPACT OF OUR RESTRUCTURING

We initiated a restructuring in October 2008 that has had and is expected to continue to have a significant impact on our results of operations and financial condition. For a description of our financial restructuring, see "Our History, Restructuring and Operational Reform—Financial Restructuring" and Note II to our consolidated financial statements included in the Accountants' Report in Appendix I to this prospectus. The table below sets forth the impact of our financial restructuring on our shareholders' equity at December 31, 2008.

	Amount
	(in millions of RMB)
Huijin capital contribution	130,000
Equity contribution from the disposal of non-performing loans and impaired assets	760,665
Revaluation surplus on assets	50,992
Capitalization of reserves	34,497
Total	**976,154**

As part of our financial restructuring, the MOF retained RMB130.0 billion in our then existing capital, appraised based on our net assets at December 31, 2007, and Huijin made a capital contribution of approximately US$19.0 billion (equivalent to RMB130.0 billion).

On November 21, 2008, upon the approval by the MOF, we disposed of 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 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

impaired assets were used to offset a loan of RMB150.6 billion from the PBOC. The remainder of these non-performing loans and impaired assets were exchanged for a receivable from the MOF in an aggregate principal amount of RMB665.1 billion, which started to accrue interest at an annual rate of 3.3% on January 1, 2008. 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.

A co-managed fund was set up and is jointly managed by the MOF and us to pay us the principal of and the interest accrued on the receivable from the MOF within 15 years. The assets held in this fund are owned by the MOF. The funding sources of the co-managed fund include (i) corporate income tax paid by us to the PRC central government during the life of this co-managed fund, (ii) cash dividends distributed by us to the MOF during the life of this co-managed fund, (iii) cash proceeds, net of related expenses, from the disposal of the non-performing loans and impaired assets which we disposed of to the MOF in connection with our financial restructuring, (iv) proceeds, which are allocated to this co-managed fund, from the sale by the MOF of our shares, (v) other funds allocated by the MOF or other PRC government agencies and (vi) interest income from the funds deposited in this co-managed account.

The MOF will make payments of the principal of and the interest on the MOF receivable in installments according to schedules varying depending upon the funding sources. For funding sources (i) and (ii) above, the MOF will generally make payments to us on an annual basis. For funding source (iii), the MOF will make payments to us on a quarterly basis. For other funding sources, the MOF will make payments to us after the funds from these funding sources become available. In the event that the funds from this co-managed fund are insufficient to repay the outstanding principal of and interest accrued on the MOF receivable by December 31, 2022, the MOF will, upon consultation with us and approval by the State Council, adopt measures, including extending the life of the co-managed fund and providing financial support, to settle the remainder of the amounts due on the MOF receivable.

We are authorized by the MOF to act as its agent to manage, dispose of and recover the non-performing loans and other impaired assets together with the corresponding interest receivables, for which services we charge agency commissions pursuant to the arrangements we have entered into with the MOF.

On January 15, 2009, we were incorporated as a joint stock limited liability company with a total registered capital of RMB260.0 billion. Upon our incorporation, our registered capital was divided into 260.0 billion shares, with par value of RMB1.00 each, with the MOF and Huijin each holding 50% of our shares immediately following our incorporation.

GENERAL FACTORS AFFECTING OUR RESULTS OF OPERATIONS

Our asset quality, financial condition and results of operations have been and will continue to be influenced by China's economic condition and the conditions of the global economy and financial markets.

China's Economic Condition

Our results of operations and financial condition are significantly affected by China's economic condition and the economic measures undertaken by the PRC government. China has experienced a rapid economic growth over the past three decades largely as a result of the PRC government's extensive economic reforms, which have been focused on transforming China's centrally planned

economy into a more market-based economy. From 2005 to 2009, China's nominal GDP grew at a CAGR of 16.0%, and fixed asset investments increased at a CAGR of 26.2%, according to the NBSC. In addition, total RMB-denominated loans and foreign currency-denominated loans increased at CAGRs of 19.7% and 26.0%, respectively, from 2005 to 2009, according to the PBOC. The growth of China's economy has led to increased corporate activity as well as significant increases in personal wealth, with per capita annual disposable income in the Urban Areas and in the County Areas increasing at CAGRs of 13.1% and 12.2%, respectively, from 2005 to 2009. Increased levels of corporate activities and personal wealth have generally led to a rapid growth in the banking business in China. The continued rural development and urbanization process has led to a significant increase in demand for banking products and services in the County Areas, including vast rural areas.

In recent years, the PRC government has implemented a series of macroeconomic and monetary policies, which included, among others, changing the benchmark interest rates and the PBOC statutory deposit reserve ratio applicable to commercial banks, imposing lending limits on commercial banks that had the effect of restricting loan growth, implementing stimulus measures to boost the residential property market or imposing restrictions to cool down the overheating of the property market which had the effect of increasing or restricting residential mortgage loans and loans to property developers, and releasing industry development guidelines to promote growth in certain industries or control the overheating and overcapacity in certain other industries. In addition, the PRC government has implemented a series of policies to promote growth in the rural economy and development of the agricultural sector, including, among other things, increasing subsidies to farmers and removing certain taxes and levies applicable to them, increasing investments in public utilities and infrastructure in rural areas and expanding social welfare coverage for the rural population. These macroeconomic and monetary policies and rural development measures have significant impact on our lending activities, business growth, results of operations and financial condition, and may provide significant opportunities to our business growth.

The onset of the global financial crisis triggered by the bankruptcy of Lehman Brothers in September 2008 led to a rapid deterioration of the global macroeconomic environment and a sharp decrease in economic activity. In response to the adverse impact of the global financial crisis on China's economy, beginning in September 2008, the PRC government implemented expansionary macroeconomic measures and moderately loose monetary policy. The PBOC lowered the benchmark interest rates on RMB-denominated loans and deposits and the statutory deposit reserve ratio several times in the third and fourth quarters of 2008. In addition, the PRC government announced a RMB4 trillion (US$586 billion) economic stimulus package in November 2008 to boost domestic demand and increase investments in infrastructure in an effort to achieve a continued economic growth. The stimulus package comprised of a number of policy initiatives, including, among other things, rural development programs such as the promotion of consumer electronics and home appliance sales in rural areas, an increase in investments in infrastructure projects, and technology upgrading in major industrial sectors.

These measures have been an impetus to the recovery of China's economy with the effect of increasing bank lending activities and the liquidity of the financial markets. According to the NBSC, in 2009, China's GDP grew by 8.7%, and fixed assets investments grew by 30.1% (an increase from 25.5% in 2008). The real growth rate of consumer spending was 16.9% in 2009, an increase from 14.8% in 2008.

Bank lending grew at a fast rate in 2009. According to data released by the NBSC, China's broad money supply (M2) increased by 27.7% in 2009 and bank loan balances increased by RMB10.6 trillion to RMB42.6 trillion at the end of 2009, setting a historical high. The overall increase in bank loans has had a positive effect on banks' non-performing loan ratios while imposing strains on the capital adequacy status of many banks. Increased lending also requires additional loan loss provisions and gives rise to a need to further strengthen risk management. The narrowing interest spread resulting from the loose monetary policy has depressed net interest margin and adversely affected net profits of many banks, including us. Partly driven by the improving general economic condition and increased liquidity, China's capital markets have picked up, although significant price fluctuations continue to raise pressures on the sustainability of the recovery of China's capital markets. Considering all the foregoing factors, while China's economy has shown signs of improvements, the macroeconomic outlook remains challenging. In January, February and May 2010, the PBOC increased the deposit reserve ratio applicable to banks in China to restrain the growth in money supply, although a moderately loose monetary policy has continued.

Interest Rate Environment

Historically, interest rates on deposits and loans were set by, and subject to restrictions established by, the PBOC. In recent years, as part of the overall reform of the banking system, the PBOC has implemented a series of initiatives designed to gradually liberalize interest rates and move towards a more market-based interest rate regime. Currently, RMB-denominated loans are subject to minimum rates based on the PBOC benchmark rates, but generally are not subject to maximum rates. RMB-denominated deposits are subject to maximum rates set by the PBOC, but generally are not subject to minimum rates. The PBOC also abolished limits on interest rates on inter-bank deposits in 2005 and, as a result, interest rates on inter-bank deposits became market-based and have increasingly moved in line with interest rates on inter-bank placements.

Adjustments to benchmark rates have significantly affected the interest rates for loans and deposits, which in turn have had an impact on the net interest income of PRC banks. In 2006 and 2007, to implement tightened monetary policies to cool down the overheated economy, the PBOC raised the benchmark rates on RMB-denominated loans eight consecutive times and the benchmark rates on RMB-denominated deposits seven consecutive times. In the wake of the global financial crisis and economic downturn, to implement the moderately loose monetary policy to boost the domestic economy, the PBOC lowered the benchmark rates on RMB-denominated loans five consecutive times in the third and fourth quarters of 2008 and the benchmark rates on RMB-denominated deposits four consecutive times in the fourth quarter of 2008. In October 2008, the PBOC also announced a policy to permit qualified residential mortgage loans to be priced below the applicable benchmark lending rates by up to 30% and the minimum down payments for qualified home buyers to be lowered to 20% of the purchase price. These changes have resulted in the narrowing of the net interest spread, a decline in the net interest margin and a decrease in the net interest income of PRC commercial banks, including us, in 2009, which adversely affected our profitability. We expect the current interest rate levels will continue to present challenges to our net interest income and results of operations.

In addition, we also expect competition to continue to play an increasingly important role in the determination of interest rates as the PRC government continues its policy of interest rate liberalization for loans and deposits.

Exchange Rate Environment

The value of the Renminbi is subject to changes in the PRC's political and economic conditions. Since 1994, the conversion of Renminbi into foreign currencies, including Hong Kong dollars and U.S. dollars, has been based on rates set by the PBOC. From 1994 to July 20, 2005, the official exchange rate for the conversion of Renminbi to U.S. dollars was generally stable. On July 21, 2005, the PBOC changed its decade-old policy of pegging the value of the Renminbi to the U.S. dollar and permitted the Renminbi to fluctuate within a narrow band against a basket of foreign currencies, including the U.S. dollar. This change in policy resulted in a 2% appreciation of the Renminbi against the U.S. dollar on the same day. In August 2008, China announced a further change in its exchange regime to a managed floating exchange rate regime based on market supply and demand. However, there still remains significant international pressure on the PRC government to adopt an even more flexible currency policy.

Development of China's Capital Markets

The regulation of the PRC's banking industry has been evolving and the PBOC and CBRC have taken initiatives to gradually allow the development and introduction of new fee- and commission-based banking services and new financial instruments that banks may offer or in which they may invest. For example, the PBOC and the CBRC have permitted the issuance of and promoted the gradual development of a market for commercial paper. In addition, the discounted bills market has also grown rapidly in recent years. This has affected part of our lending business, as certain borrowers have replaced higher-cost loans with relatively lower-cost discounted bills and commercial paper. On the other hand, these and other developments in the PRC's capital markets, such as the growth of investment and similar funds, have allowed us to expand our fee- and commission-based business, including underwriting of commercial paper and wealth management services, such as the distribution of mutual funds and other investment products. The development of China's capital markets has also broadened the scope of our investment securities into a range of new products, such as corporate bonds and asset-backed securities, which generally offer higher yields than our more traditional investments, such as PBOC bills.

The Competitive Landscape in the PRC Banking Industry

The market-oriented liberalization in recent years has led to an increased level of competition in the PRC banking industry. We face competition from other PRC commercial banks, including the other Large Commercial Banks and Other National Commercial Banks, city commercial banks, rural financial institutions and foreign financial institutions. Many other PRC commercial banks compete with us in substantially the same markets for loan, deposit and fee business. Furthermore, following the removal of regulatory restrictions on their geographical presence, customer base and operating license in China by December 2006 as part of China's WTO accession commitments, we have experienced increased competition from foreign banks operating in China. In addition, the Closer Economic Partnership Arrangement signed by the PRC and Hong Kong governments has eased certain restrictions on the banking businesses that Hong Kong banks can undertake in mainland China, including permitting Hong Kong banks to provide Renminbi banking services earlier than foreign banks. Greater participation by foreign banks will further increase the competition in China's banking industry. The increased competition affects the pricing of our loans and deposits, as well as the pricing of and the income from our fee- and commission-based services.

We may also face competition for funding from other forms of investment alternatives as the PRC capital markets continue to develop. For example, when China's stock markets saw a bullish rise in 2006 and 2007, the growth in our time deposits from customers slowed down, reflecting their preference for alternative investments to seek higher returns.

RESULTS OF OPERATIONS FOR THE YEARS ENDED DECEMBER 31, 2009, 2008 AND 2007

The following table sets forth, for the years indicated, our condensed consolidated results of operations.

	For the year ended December 31,		
	2007	2008	2009
	(in millions of RMB)		
Interest income	250,035	321,855	296,147
Interest expense	(85,852)	(121,852)	(114,508)
Net interest income	164,183	200,003	181,639
Net fee and commission income	22,995	23,798	35,640
Other net income[1]	(3,727)	(9,785)	6,358
Operating income	183,451	214,016	223,637
Operating expenses[2]	(74,620)	(110,175)	(109,567)
Provisions for impairment losses	(30,574)	(51,478)	(40,142)
Share of losses of an associate	—	(14)	—
Profit before tax	78,257	52,349	73,928
Income tax expense	(34,470)	(896)	(8,926)
Net profit	**43,787**	**51,453**	**65,002**

(1) Consists primarily of net trading gain/(loss), net gain/(loss) on financial instruments designated as at fair value through profit or loss, net gain/(loss) on investment securities and other net operating income/(expense).

(2) Consists primarily of staff costs, general operating and administrative expenses, depreciation and amortization and business tax and surcharges.

Our net profit increased by 26.3% to RMB65.0 billion for the year ended December 31, 2009 compared to RMB51.5 billion for the year ended December 31, 2008, primarily due to (i) a significant increase in net fee and commission income, (ii) an increase in other net income and (iii) decreases in provisions for impairment losses on assets and operating expenses, partially offset by a decrease in net interest income and an increase in income tax expense.

Our net profit increased by 17.5% to RMB51.5 billion for the year ended December 31, 2008 compared to RMB43.8 billion for the year ended December 31, 2007, primarily due to an increase in net interest income and a decrease in income tax expense, partially offset by increases in operating expense and provisions for impairment losses on assets.

Net Interest Income

Net interest income is the largest component of our operating income, representing 81.2%, 93.5% and 89.5% of our operating income for the years ended December 31, 2009, 2008 and 2007, respectively.

The following table sets forth, for the years indicated, our interest income, interest expense and net interest income.

	For the year ended December 31,		
	2007	2008	2009
	(in millions of RMB)		
Interest income	250,035	321,855	296,147
Interest expense	(85,852)	(121,852)	(114,508)
Net interest income	**164,183**	**200,003**	**181,639**

Our net interest income decreased by 9.2% to RMB181.6 billion in 2009 compared to RMB200.0 billion in 2008, primarily due to an 8.0% decrease in interest income. Our net interest income increased by 21.8% to RMB200.0 billion in 2008 compared to RMB164.2 billion in 2007, primarily due to a 28.7% increase in interest income, which was partially offset by a 41.9% increase in interest expense.

The table below sets forth, for the years indicated, the average balances of our assets and liabilities and the related interest income or expense and average yields (for assets) or average costs (for liabilities). The average balances of interest-earning assets and interest-bearing liabilities are the average of the daily balances. The average balances of non-interest-earning assets, non-interest-bearing liabilities and the allowance for impairment losses are the average of the balances at January 1, and December 31, for the years ended December 31, 2009, 2008 and 2007.

	For the year ended December 31,								
	2007			2008			2009		
	Average balance	Interest income	Average yield	Average balance	Interest income	Average yield	Average balance	Interest income	Average yield
	(in millions of RMB, except percentages)								
Assets									
Loans to customers, total	3,362,330	184,393	5.48%	3,023,505	216,320	7.15%	3,727,928	195,717	5.25%
Debt securities investments[1]	1,303,575	47,056	3.61	2,098,327	78,979	3.76	2,476,586	75,290	3.04
Non-restructuring-related debt securities	1,210,275	40,338	3.33	1,339,934	50,332	3.76	1,729,908	51,569	2.98
Restructuring-related debt securities[2]	93,300	6,718	7.20	758,393	28,647	3.78	746,678	23,721	3.18
Balances with central banks[3]	708,826	12,274	1.73	1,036,069	18,683	1.80	1,217,240	18,611	1.53
Amounts due from banks and other financial institutions[4]	214,838	6,312	2.94	234,170	7,873	3.36	561,961	6,529	1.16
Total interest-earning assets	**5,589,569**	**250,035**	**4.47%**	**6,392,071**	**321,855**	**5.03%**	**7,983,715**	**296,147**	**3.71%**
Allowance for impairment losses	(760,483)			(425,484)			(106,191)		
Non-interest earning assets[5]	208,439			256,827			355,616		
Total Assets	**5,037,525**			**6,223,414**			**8,233,140**		

	For the year ended December 31,								
	2007			2008			2009		
	Average balance	Interest expense	Average cost	Average balance	Interest expense	Average cost	Average balance	Interest expense	Average cost
	(in millions of RMB, except percentages)								
Liabilities									
Deposits from customers	4,938,359	77,564	1.57%	5,658,171	111,815	1.98%	6,952,751	103,251	1.49%
Amounts due to banks and other financial institutions[6]	355,110	7,691	2.17	380,000	9,589	2.52	615,411	10,068	1.64
Other interest-bearing liabilities[7]	18,071	597	3.30	21,235	448	2.11	35,262	1,189	3.37
Total interest-bearing liabilities	**5,311,540**	**85,852**	**1.62%**	**6,059,406**	**121,852**	**2.01%**	**7,603,424**	**114,508**	**1.51%**
Non-interest-bearing liabilities[8]	356,403			319,501			333,493		
Total liabilities	**5,667,943**			**6,378,907**			**7,936,917**		
Net interest income		**164,183**			**200,003**			**181,639**	
Net interest spread[9]		**2.85%**			**3.02%**			**2.20%**	
Net interest margin[10]		**2.94%**			**3.13%**			**2.28%**	

(1) Consists of debt securities at fair value through profit or loss, available-for-sale debt securities, held-to-maturity debt securities and debt securities classified as receivables.
(2) Consists of the MOF receivable and the special PRC government bond.
(3) Consists primarily of statutory deposit reserves and surplus deposit reserves.
(4) Consists primarily of deposits and placements with banks and other financial institutions and financial assets held under resale agreements.
(5) Consists primarily of cash, property and equipment, interest receivable, deferred tax assets and other assets.
(6) Consists primarily of deposits and placements from banks and other financial institutions and financial assets sold under repurchase agreements.
(7) Consists primarily of certificates of deposit issued and subordinated bonds issued.
(8) Consists primarily of interest payable, accrued staff costs, tax liabilities and other liabilities.
(9) Calculated as the difference between the average yield on total interest-earning assets and the average cost of total interest-bearing liabilities.
(10) Calculated by dividing net interest income by the average balance of total interest-earning assets.

The following table sets forth, for the years indicated, the allocation of changes in our interest income and interest expense due to changes in volume and changes in rate. Changes in volume are measured by changes in the average balances and changes in rate are measured by changes in the average rates. Changes caused by both volume and rate have been allocated to changes in volume.

	For the year ended December 31,					
	2008 vs. 2007			2009 vs. 2008		
	Increase/ (decrease) due to		Net increase/	Increase/ (decrease) due to		Net increase/
	Volume[1]	Rate[2]	(decrease)[3]	Volume[1]	Rate[2]	(decrease)[3]
	(in millions of RMB)					
Assets						
Loans to customers, total	(24,242)	56,169	31,927	36,982	(57,585)	(20,603)
Debt securities investments[4]	29,914	2,009	31,923	11,499	(15,188)	(3,689)
Balances with central banks	5,901	508	6,409	2,770	(2,842)	(72)
Amounts due from banks and other financial institutions[5]	650	911	1,561	3,808	(5,152)	(1,344)
Changes in interest income	12,223	59,597	71,820	55,059	(80,767)	(25,708)
Liabilities						
Deposits from customers	14,225	20,026	34,251	19,225	(27,789)	(8,564)
Amounts due to banks and other financial institutions[6]	628	1,270	1,898	3,851	(3,372)	479
Other interest-bearing liabilities[7]	67	(216)	(149)	473	268	741
Changes in interest expense	14,920	21,080	36,000	23,549	(30,893)	(7,344)
Changes in net interest income	**(2,697)**	**38,517**	**35,820**	**31,510**	**(49,874)**	**(18,364)**

(1) Represents the average balance for the year minus the average balance for the previous year, multiplied by the average yield/cost for the year.
(2) Represents the average yield/cost for the year minus the average yield/cost for the previous year, multiplied by the average balance for the previous year.
(3) Represents interest income/expense for the year minus interest income/expense for the previous year.
(4) Consists of non-restructuring-related debt securities and restructuring-related debt securities.
(5) Consists primarily of deposits and placements with banks and other financial institutions and financial assets held under resale agreements.
(6) Consists primarily of deposits and placements from banks and other financial institutions and financial assets sold under repurchase agreements.
(7) Consists primarily of certificates of deposit issued and subordinated bonds issued.

Interest Income

Our interest income decreased by 8.0% to RMB296.1 billion in 2009 compared to RMB321.9 billion in 2008, primarily due to a decrease in the average yield on our interest-earning assets, which was partially offset by an increase in the average balance of interest-earning assets. The decrease in the average yield primarily reflected the impact of the consecutive decreases in the PBOC benchmark rates in the second half of 2008.

Our interest income increased by 28.7% to RMB321.9 billion in 2008 compared to RMB250.0 billion in 2007, primarily due to an increase in the average yield on our interest-earning assets and, to a lesser extent, due to an increase in the average balance. The increase in the average yield was primarily attributable to (i) our restructuring-related disposal, through which the non-performing loans that accrued little interest were replaced by the MOF receivable (accruing interest from January 1, 2008 at an annual rate of 3.3%) and (ii) higher interest rate for loans made or repriced after the consecutive increases in PBOC benchmark rates in 2007.

Interest Income from Loans to Customers

Interest income from loans to customers is the largest component of our interest income, representing 66.1%, 67.2% and 73.7% of our interest income in 2009, 2008 and 2007, respectively.

The following table sets forth, for the years indicated, the average balance, interest income and average yield for each component of our loans to customers.

	For the year ended December 31,								
	2007			2008			2009		
	Average balance	Interest income	Average yield	Average balance[1]	Interest income	Average yield	Average balance	Interest income	Average yield
	(in millions of RMB, except percentages)								
Corporate loans	2,625,127	147,905	5.63%	2,355,370	171,825	7.30%	2,680,216	154,493	5.76%
Discounted bills	279,681	10,978	3.93	189,005	10,693	5.66	419,774	8,989	2.14
Retail loans	441,005	24,692	5.60	460,676	33,220	7.21	601,260	31,799	5.29
Overseas and other operations[2]	16,517	818	4.95	18,454	582	3.15	26,678	436	1.63
Total loans to customers	**3,362,330**	**184,393**	**5.48%**	**3,023,505**	**216,320**	**7.15%**	**3,727,928**	**195,717**	**5.25%**

(1) The average balance of our loans to customers in 2008 excludes RMB766.8 billion of non-performing loans disposed of in connection with our financial restructuring since January 1, 2008.

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

Interest income from the loans to customers decreased by 9.5% to RMB195.7 billion in 2009 compared to RMB216.3 billion in 2008, primarily due to a decrease in the average yield to 5.25% in 2009 compared to 7.15% in 2008, which was partially offset by an increase in the average balance. The decrease in the average yield on loans to customers was primarily due to (i) the consecutive decreases in the PBOC benchmark rates in the second half of 2008, which resulted in lower interest rates charged on loans made or repriced after such decreases and throughout 2009, (ii) weakened pricing power of PRC commercial banks under increased competition in the lending market as a result of the rapid growth in bank loans, and (iii) an increase in discounted bills, as a percentage of our total loan portfolio, particularly bank acceptance bills, which generally present relatively low credit risk and bear relatively lower interest rate.

Interest income from the loans to customers increased by 17.3% to RMB216.3 billion in 2008 compared to RMB184.4 billion in 2007, primarily due to an increase in the average yield to 7.15% in 2008 compared to 5.48% in 2007, which was partially offset by a decrease in the average balance. The increase in the average yield was primarily due to the relatively high interest rates on loans made or repriced in 2008, reflecting the impact of the consecutive increases in the PBOC benchmark rates in 2007. The decrease in the average balance resulted primarily from the restructuring-related disposal.

The largest component of our interest income from loans to customers has been interest income from corporate loans, representing 78.9%, 79.4% and 80.2% of our total interest income from loans to customers for the years ended December 31, 2009, 2008 and 2007, respectively.

2009 Compared to 2008. Interest income from corporate loans decreased by 10.1% to RMB154.5 billion in 2009 compared to RMB171.8 billion in 2008, primarily due to a decrease in the average yield on corporate loans to 5.76% in 2009 compared to 7.30% in 2008, which was partially offset by an increase in the average balance of corporate loans. The decrease in the average yield was

primarily due to (i) the consecutive decreases in the PBOC benchmark rates in the second half of 2008, which resulted in lower interest rates charged on corporate loans made or repriced after such decreases and throughout 2009, and (ii) weakened pricing power of PRC commercial banks under increased competition in the lending market.

Interest income from our discounted bills decreased by 15.9% to RMB9.0 billion in 2009 compared to RMB10.7 billion in 2008, primarily due to a decrease in the average yield to 2.14% in 2009 compared to 5.66% in 2008, which was partially offset by an increase in the average balance to RMB419.8 billion in 2009 from RMB189.0 billion in 2008. The decrease in the average yield on discounted bills was primarily due to a significant decrease in the market interest rates for discounted bills as a result of the significantly increased liquidity in the market.

Interest income from our retail loans decreased by 4.3% to RMB31.8 billion in 2009 compared to RMB33.2 billion in 2008, primarily due to a decrease in the average yield to 5.29% in 2009 compared to 7.21% in 2008, which was partially offset by an increase in the average balance. The decrease in the average yield was primarily due to (i) the consecutive decreases in the PBOC benchmark rates in the second half of 2008, which resulted in lower interest rates charged on our retail loans made or repriced after such decreases and throughout 2009 and (ii) the effect of the PBOC's policy promulgated in October 2008, which permitted qualified residential mortgage loans to be priced below the applicable benchmark lending rate by up to 30% from 15% prior to the introduction of such policy, on the interest rates charged on our residential mortgage loans, the largest component of our retail loan portfolio.

Interest income from our loans to customers of our overseas and other operations decreased by 25.1% to RMB436 million in 2009 compared to RMB582 million in 2008, primarily due to a decrease in the average yield to 1.63% in 2009 compared to 3.15% in 2008, which was partially offset by an increase in the average balance. The decrease in the average yield was primarily due to decreases in the interest rates on loans made by our overseas branches and subsidiaries, reflecting the impact of the decreased LIBOR.

2008 Compared to 2007. Interest income from corporate loans increased by 16.2% to RMB171.8 billion in 2008 compared to RMB147.9 billion in 2007, primarily due to an increase in the average yield to 7.30% in 2008 compared to 5.63% in 2007, which was partially offset by a decrease in the average balance. The increase in the average yield on corporate loans was primarily attributable to (i) the disposal of non-performing loans, which accrued little interest, in connection with our financial restructuring in 2008, and (ii) the effect of the consecutive increases in the PBOC benchmark rates in 2007, which resulted in higher interest rates charged on loans newly made or repriced after such increases. The decrease in the average balance of corporate loans was primarily due to our restructuring-related disposal.

Interest income from discounted bills decreased by 2.6% to RMB10.7 billion in 2008 compared to RMB11.0 billion in 2007, primarily due to a decrease in the average balance, which was partially offset by an increase in the average yield to 5.66% in 2008 compared to 3.93% in 2007. The decrease in the average balance of discounted bills was primarily because we reduced our discounted bills portfolio in the first three quarters of 2008 to make our funds available for lending to our valued customers and key projects. The increase in the average yield reflected the high market interest rates in the first three quarters of 2008.

Interest income from our retail loans increased by 34.5% to RMB33.2 billion in 2008 compared to RMB24.7 billion in 2007, primarily due to an increase in the average yield to 7.21% in 2008 compared to 5.60% in 2007 and, to a lesser extent, due to an increase of the average balance. The increase in the average yield on retail loans was primarily due to (i) the consecutive increases in the PBOC benchmark rates in 2007, which resulted in increased interest rates on existing retail loans repriced in 2008, particularly residential mortgage loans which are usually repriced on January 1 of each year based on the prevailing PBOC benchmark rates, and (ii) the relatively high interest rates on our retail loans newly made in the first three quarters of 2008. The increase in the average balance of retail loans primarily reflected our continued marketing efforts with respect to retail loans, in particular with respect to residential mortgage loans, personal consumption loans and credit card balances, which was partially offset by our restructuring-related disposal.

Interest income from our loans to customers of overseas and other operations decreased by 28.9% to RMB582 million in 2008 compared to RMB818 million in 2007, primarily due to a decrease in the average yield to 3.15% in 2008 compared to 4.95% in 2007, which was partially offset by an increase in the average balance. The decrease in the average yield primarily reflected the impact of a decrease in LIBOR.

Interest Income from Debt Securities Investments

Interest income from debt securities investments is the second largest component of our interest income, representing 25.4%, 24.5% and 18.8% of our interest income for the years ended December 31, 2009, 2008 and 2007, respectively.

2009 Compared to 2008. Interest income from debt securities investments decreased by 4.7% to RMB75.3 billion in 2009 compared to RMB79.0 billion in 2008, primarily due to a decrease in the interest income from the restructuring-related debt securities, which was partially offset by an increase in the interest income from the non-restructuring-related debt securities. The decrease in the interest income from our restructuring-related debt securities in 2009 was primarily due to a combination of (i) a decrease in the average yield to 3.18% in 2009 compared to 3.78% in 2008, and (ii) a decrease in the average balance. The decrease in the average yield was primarily because the coupon rate on the special PRC government bond was reset to 2.25% from the previous rate of 7.2% per annum, effective December 1, 2008, as part of our financial restructuring. The increase in the interest income from our non-restructuring-related debt securities in 2009 was primarily due to an increase in the average balance, which was partially offset by a decrease in the average yield to 2.98% in 2009 compared to 3.76% in 2008. The increase in the average balance of non-restructuring-related debt securities was primarily due to our increased investments in debt securities based on our assessment of the macroeconomy and the debt market condition. The decrease in the average yield was primarily due to (i) the lower coupon rates on newly-acquired debt securities and the decreases in the applicable interest rates on the floating rate instruments as a result of the consecutive decreases in benchmark interest rates and the increased liquidity in the market, (ii) a decrease in interest rates for foreign currency-denominated debt securities as a result of the decreases in LIBOR since the second quarter of 2009, and (iii) our shortening of the duration of our debt securities investments when the market interest rates were at a relatively low level to reduce potential interest risk when interest rates are rising.

2008 Compared to 2007. Interest income from debt securities investments increased by 67.8% to RMB79.0 billion in 2008 compared to RMB47.1 billion in 2007, primarily due to an increase in the average balance and, to a lesser extent, due to an increase in the average yield to 3.76% in 2008

compared to 3.61% in 2007. The increase in the average balance was primarily attributable to (i) the receivable due from the MOF which started accruing interest from January 1, 2008, in connection with our restructuring-related disposal in 2008, and (ii) an increase in our holding of non-restructuring-related debt securities, primarily reflecting our increased funding. The increase in the average yield was primarily due to our increased investments in medium- and long-term debt securities in the first half of 2008 when the interest rates were at a relatively high level in the PRC debt market, partially offset by the reset of the interest rate on the special PRC government bond from 7.2% to 2.25% effective December 1, 2008.

Interest Income from Balances with Central Banks

Our interest-earning balances with central banks consist primarily of statutory deposit reserves and surplus deposit reserves with the PBOC. Statutory deposit reserves represent the minimum level of cash deposits, calculated as a percentage of the balance of our general deposits from customers, that we are required to maintain at the PBOC. Surplus deposit reserves are deposits with the PBOC, in excess of statutory deposit reserves which we maintain for settlement purposes.

Interest income from balances with central banks slightly decreased to RMB18.6 billion in 2009 compared to RMB18.7 billion in 2008, primarily due to a decrease in the average yield to 1.53% in 2009 compared to 1.80% in 2008, which was substantially offset by an increase in the average balance in line with the growth in the deposits from customers. The decrease in the average yield on balances with central banks primarily reflected the effect of a decrease in the interest rates on statutory deposit reserves from 1.89% to 1.62% and on surplus deposit reserves from 0.99% to 0.72% in November 2008.

Interest income from balances with central banks increased by 52.2% to RMB18.7 billion in 2008 compared to RMB12.3 billion in 2007, primarily due to an increase in the average balance and, to a lesser extent, due to an increase in the average yield to 1.80% in 2008 compared to 1.73% in 2007. The average balance increased by 46.2% to RMB1,036.1 billion in 2008 compared to RMB708.8 billion in 2007, primarily due to (i) the increase in deposits from customers, and (ii) the consecutive increases in the statutory deposit reserve ratio by the PBOC in 2007 and the first half of 2008. The increase in the average yield was primarily due to a decrease in surplus deposit reserves, which bear lower interest rates than statutory deposit reserves, as a percentage of our total balances with the central banks, as we strengthened our fund allocations and our liquidity management.

Interest Income from Amounts Due from Banks and Other Financial Institutions

Amounts due from banks and other financial institutions consist primarily of inter-bank deposits and placements and financial assets held under resale agreements.

Interest income from amounts due from banks and other financial institutions decreased by 17.1% to RMB6.5 billion in 2009 compared to RMB7.9 billion in 2008, primarily due to a decrease in the average yield to 1.16% in 2009 compared to 3.36% in 2008, which was substantially offset by an increase in the average balance. The decrease in the average yield was primarily due to a significant decrease in the market interest rates following the decreases in the PBOC benchmark rates and adequate liquidity in the market. The increase in the average balance was primarily due to our increased purchases of financial assets held under resale agreements to earn higher returns than certain of our other liquid assets as a result of an increase in our overall funding.

Interest income from amounts due from banks and other financial institutions increased by 24.7% to RMB7.9 billion in 2008 compared to RMB6.3 billion in 2007, primarily due to an increase in the average yield to 3.36% in 2008 compared to 2.94% in 2007 and, to a lesser extent, due to an increase in the average balance. The increase in the average yield primarily reflected relatively high interest rates in the inter-bank market in the first three quarters of 2008. The increase in the average balance was primarily due to (i) our placement of a portion of the proceeds from the Huijin capital injection of approximately US$19.0 billion (equivalent to RMB130.0 billion) to us in October 2008 in the inter-bank market, and (ii) our increased purchases of financial assets held under the resale agreements to earn higher returns than certain of our other liquid assets.

Interest Expense

Interest expense decreased by 6.0% to RMB114.5 billion in 2009 compared to RMB121.9 billion in 2008, primarily due to a decrease in the average cost on interest-bearing liabilities to 1.51% in 2009 compared to 2.01% in 2008, which was partially offset by an increase of 25.5% in the average balance of interest-bearing liabilities, in particular deposits from customers. Interest expense increased by 41.9% to RMB121.9 billion in 2008 compared to RMB85.9 billion in 2007, primarily due to an increase of 24.1% in the average cost from 1.62% in 2007 to 2.01% in 2008 on our interest-bearing liabilities and, to a lesser extent, due to an increase in the average balance of our interest-bearing liabilities from RMB5,311.5 billion in 2007 to RMB6,059.4 billion in 2008.

Interest Expense on Deposits from Customers

Deposits from customers are our primary source of funding. Interest expense on deposits from customers represented 90.2%, 91.8% and 90.3% of our total interest expense for the years ended December 31, 2009, 2008 and 2007, respectively.

The following table sets forth, for the years indicated, the average balance, interest expense and average cost for our corporate and retail deposits by product type.

	For the year ended December 31,								
	2007			2008			2009		
	Average balance	Interest expense	Average cost (%)	Average balance	Interest expense	Average cost (%)	Average balance	Interest expense	Average cost (%)
	(in millions of RMB, except percentages)								
Corporate deposits[1]									
Time	373,797	12,934	3.46%	539,556	20,575	3.81%	794,121	19,457	2.45%
Demand	1,627,356	15,261	0.94	1,723,486	16,488	0.96	1,995,349	12,734	0.64
Subtotal	2,001,153	28,195	1.41	2,263,042	37,063	1.64	2,789,470	32,191	1.15
Retail deposits									
Time	1,550,076	37,756	2.44	1,888,934	64,587	3.42	2,344,697	64,486	2.75
Demand	1,387,130	11,613	0.84	1,506,195	10,165	0.67	1,818,584	6,574	0.36
Subtotal	2,937,206	49,369	1.68	3,395,129	74,752	2.20	4,163,281	71,060	1.71
Total deposits from customers	**4,938,359**	**77,564**	**1.57%**	**5,658,171**	**111,815**	**1.98%**	**6,952,751**	**103,251**	**1.49%**

(1) Consists of deposits from corporate customers, government authorities and other organizations as well as corporate deposits taken by our overseas branches and our subsidiaries in and outside of China.

2009 Compared to 2008. Interest expense on deposits from customers decreased by 7.7% to RMB103.3 billion in 2009 compared to RMB111.8 billion in 2008, primarily due to a decrease in the

average cost to 1.49% in 2009 compared to 1.98% in 2008, which was partially offset by an increase in the average balance. The decrease in the average cost on our customer deposits reflected the effect of the consecutive decreases in the PBOC benchmark rates in the fourth quarter of 2008, which resulted in lower interest rates on deposits taken or repriced after such decreases and throughout 2009. The increase in the average balance primarily reflected the overall growth of our business, the moderately loose monetary policy in the PRC and the continued increase in household income.

2008 Compared to 2007. Interest expense on deposits from customers increased by 44.2% to RMB111.8 billion in 2008 compared to RMB77.6 billion in 2007, primarily due to an increase in the average cost to 1.98% in 2008 compared to 1.57% in 2007 and, to a lesser extent, due to an increase in the average balance. The increase in the average cost was primarily due to (i) the cumulative effect of the consecutive increases in PBOC benchmark rates in 2007 and (ii) an increase in time deposits, as a percentage of our total customer deposits, to 42.9% in 2008 from 39.0% in 2007. The increase in the average balance reflected the preference of our customers for lower risk investments during the downturn of China's capital markets and following the suspension by the PRC tax authorities of levying tax on individuals' interest income.

Interest Expense on Amounts Due to Banks and Other Financial Institutions

Amounts due to banks and other financial institutions consists primarily of deposits and placements from banks and other financial institutions and financial assets sold under repurchase agreements.

Interest expense on amounts due to banks and other financial institutions increased by 5.0% to RMB10.1 billion in 2009 compared to RMB9.6 billion in 2008, primarily due to an increase in the average balance, which was partially offset by a decrease in the average cost to 1.64% in 2009 compared to 2.52% in 2008. The increase in the average balance was primarily due to an increase in deposits from banks and other financial institutions, in particular deposits for settlement and clearing purposes. The decrease in the average cost was primarily due to the significant decrease in the market interest rates as a result of the consecutive decreases in PBOC benchmark rates and increased liquidity in the market.

Interest expense on amounts due to banks and other financial institutions increased by 24.7% to RMB9.6 billion in 2008 compared to RMB7.7 billion in 2007, primarily due to an increase in the average cost to 2.52% in 2008 compared to 2.17% in 2007, coupled with an increase in the average balance. The increase in the average cost was primarily due to (i) an increase in the negotiated deposits from banks and other financial institutions which bear a relatively high interest rate, as a percentage of total amounts due to banks and other financial institutions, and (ii) the relatively high interest rates in the inter-bank market in the first three quarters of 2008. The increase in the average balance was primarily due to an increase in the deposits from domestic banks.

Net Interest Spread and Net Interest Margin

Net interest spread is the difference between the average yield on interest-earning assets and the average cost on interest-bearing liabilities. Net interest margin is the ratio of net interest income to the average balance of total interest-earning assets.

2009 Compared to 2008. Our net interest spread decreased to 2.20% in 2009 compared to 3.02% in 2008, because the average yield on our interest-earning assets decreased by 132 basis points compared to a decrease of 50 basis points in the average cost on our interest-bearing liabilities. Our net

interest margin decreased to 2.28% in 2009 compared to 3.13% in 2008, because the average balance of interest-earning assets increased by 24.9% whereas our net interest income decreased by 8.0% in 2009. The decreases in our net interest margin and net interest spread were primarily due to a combination of (i) a decrease in the average yield on our loans, reflecting the effect of the consecutive decreases in the PBOC benchmark rates in the second half of 2008, (ii) a decrease in the average yield on our debt securities investments and other interest-earning assets, primarily due to the reset of the coupon rate on the special PRC government bond to 2.25% from the previous rate of 7.2% per annum, effective December 1, 2008, as part of our financial restructuring and the relatively low interest rates in the PRC money market and debt market in 2009, reflecting the increased liquidity as a result of the moderately loose monetary policy, and (iii) a smaller decrease in the average cost on our interest-bearing liabilities than the decrease in the average yield on our interest-earning assets, attributable to a relatively high proportion of demand deposits in our liabilities.

2008 Compared to 2007. Our net interest spread increased to 3.02% in 2008 compared to 2.85% in 2007, because the average yield on our interest-earning assets increased by 56 basis points, whereas the average cost on our interest-bearing liabilities increased by 39 basis points. Our net interest margin increased to 3.13% in 2008 compared to 2.94% in 2007, because our net interest income increased at a higher rate than the average balance of interest-earning assets. The increases in our net interest margin and net interest spread were primarily due to a combination of (i) an increase in the applicable interest rates on loans made or repriced after the consecutive increases in the PBOC benchmark rates, (ii) the restructuring-related disposal, which resulted in the replacement of the very low-yielding non-performing assets by the relatively higher-yielding receivable from the MOF and (iii) an increase in the average yields on our deposits and placements with banks and other financial institutions and debt securities, reflecting the increases in the market interest rates.

Net Fee and Commission Income

Net fee and commission income represented 15.9%, 11.1% and 12.5% of our total operating income for the years ended December 31, 2009, 2008 and 2007, respectively. The following table sets forth, for the years indicated, the principal components of our net fee and commission income.

	For the year ended December 31,		
	2007	2008	2009
	(in millions of RMB)		
Fee and commission income			
Settlement and clearing fees	8,997	10,757	12,207
Agency commissions	8,536	5,484	10,737
Bank card fees	3,083	3,824	4,821
Consultancy and advisory fees	396	1,573	6,566
Credit commitment fees	577	829	772
Electronic banking service fees	360	728	1,221
Custodian and other fiduciary service fees	690	632	761
Others	1,282	967	200
Subtotal	23,921	24,794	37,285
Fee and commission expenses	(926)	(996)	(1,645)
Net fee and commission income	**22,995**	**23,798**	**35,640**

Our net fee and commission income increased by 49.8% to RMB35.6 billion in 2009 compared to RMB23.8 billion in 2008, primarily attributable to (i) our continuing efforts to grow our fee- and

commission-based products and services and increase marketing efforts through our broad network to our customer base, (ii) the introduction of new products and services in the areas of consultancy and advisory services and electronic banking services, and (iii) the agency commissions from the MOF for our disposal of and recovery on non-performing assets on its behalf. Net fee and commission income increased by 3.5% to RMB23.8 billion in 2008 compared to RMB23.0 billion in 2007, primarily due to increases in settlement and clearing fees and consultancy and advisory fees, which were largely offset by a decrease in agency commissions earned on the distribution of investment fund products and other securities during the downturn of the PRC capital markets.

Settlement and Clearing Fees

Settlement and clearing fees consist primarily of fees earned on settlement and clearing services in respect of bank drafts, commercial drafts, promissory notes and checks and fees earned on money transfers and clearing services. Settlement and clearing fees increased by 13.5% to RMB12.2 billion in 2009 compared to RMB10.8 billion in 2008, which in turn increased by 19.6% compared to RMB9.0 billion in 2007, primarily due to increases in the transaction volume and the number of customers as a result of our continued marketing and product development efforts in respect of our settlement and cash management business and our efforts to provide value-added services to our customers.

Agency Commissions

Agency commissions consist primarily of fees earned on agency services we primarily provide to (i) the PRC central and local governments in respect of collection of government revenues and payment of government expenditures, (ii) the MOF in connection with the disposal of and recovery on non-performing assets and (iii) to other financial institutions in connection with distribution of insurance and mutual fund products and securities. Agency commissions increased by 95.8% to RMB10.7 billion in 2009 compared to RMB5.5 billion in 2008, primarily attributable to the commissions from our agency services for the MOF in connection with the disposal of and recovery on non-performing assets and from our agency services in respect of distribution of insurance products. Agency commissions decreased by 35.8% to RMB5.5 billion in 2008 compared to RMB8.5 billion in 2007, primarily due to a decrease in fees earned on the distribution of investment fund products and other securities during the downturn of the PRC capital markets.

Bank Card Fees

Bank card fees consist primarily of annual fees on our debit and credit cards and transaction fees from merchants on the use of our bank cards. Bank card fees increased by 26.1% to RMB4.8 billion in 2009 compared to RMB3.8 billion in 2008, which in turn increased by 24.0% compared to RMB3.1 billion in 2007. The overall increase in bank card fees from 2007 to 2009 was primarily due to an increase in the number of our bank cards issued and the increased transaction volumes in our bank cards as a result of our continued efforts to introduce new products and improve the functions of bank card products.

Consultancy and Advisory Fees

Consultancy and advisory fees consist primarily of fees earned on the underwriting of securities, our financial advisory services and the wealth management services for retail customers. Consultancy and advisory fees significantly increased to RMB6.6 billion in 2009 compared to RMB1.6

billion in 2008, which in turn experienced a rapid growth compared to RMB0.4 billion in 2007. The overall increase from 2007 to 2009 was primarily due to our efforts to grow our investment banking business.

Credit Commitment Fees

Credit commitment fees consist primarily of fees from issuing revocable and irrevocable credit commitments. Credit commitment fees decreased by 6.9% to RMB772 million in 2009 compared to RMB829 million in 2008, primarily due to a decrease in our fee rates driven by the increased market competition. Credit commitment fees increased by 43.7% to RMB829 million in 2008 compared to RMB577 million in 2007, primarily due to the continued growth of our loan commitment and bank acceptance bills business.

Electronic Banking Service Fees

Electronic banking service fees consist primarily of transaction fees from our telephone banking and Internet banking platforms. Electronic banking service fees increased by 67.7% to RMB1.2 billion in 2009 compared to RMB0.7 billion in 2008, which in turn more than doubled compared to RMB0.4 billion in 2007. This increase from 2007 to 2009 was primarily due to increases in both the number of customers and transaction volumes as a result of our continued efforts to improve our electronic banking services and products, expand our electronic banking channels and grow our electronic banking customer base.

Custodian and Other Fiduciary Service Fees

Custodian and other fiduciary service fees consist primarily of custody fees collected on the assets of investment funds, pension funds, insurance companies, corporate annuity funds and investments managed by QFIIs and QDIIs, that are under our custody and our other fiduciary services. Custodian and other fiduciary service fees increased by 20.4% to RMB761 million in 2009 compared to RMB632 million in 2008, primarily due to an increase in the amount of assets under our custody attributable to our increased marketing efforts to key customers. Custodian and other fiduciary service fees decreased by 8.4% to RMB632 million in 2008 compared to RMB690 million in 2007, primarily due to a decrease in the income from custodian services in connection with securities as a result of the downturn of the PRC capital markets.

Fee and Commission Expenses

Fee and commission expenses consist primarily of fees paid to third parties in connection with our fee- and commission-based services that can be directly allocated to the provision of such services. Fee and commission expenses increased by 65.2% to RMB1,645 million in 2009 compared to RMB996 million in 2008, which in turn increased by 7.6% from RMB926 million in 2007, primarily due to increased transaction volumes in our fee- and commission-based products and services.

Other Net Income

The following table sets forth, for the years indicated, the principal components of our other net income/(losses).

	For the year ended December 31,		
	2007	2008	2009
	(in millions of RMB)		
Net (loss)/gain on financial instruments designated as at fair value through profit or loss	(1,244)	(3,603)	2,052
Net gain/(loss) on investment securities	33	324	(173)
Net trading gain/(loss)	2,968	(895)	444
Other operating (expense)/income, net[1]	(5,484)	(5,611)	4,035
Total other net (loss)/income	**(3,727)**	**(9,785)**	**6,358**

(1) Consists primarily of gains on disposal of property and equipment, rental income, net foreign exchange (loss)/gain, special levy to the MOF and others.

Net (Loss)/Gain on Financial Instruments Designated as at Fair Value through Profit or Loss

Net (loss)/gain on financial instruments designated as at fair value through profit or loss consist of net realized and unrealized gains or losses on our debt securities and financial guarantee contracts which are designated at fair value through profit or loss. We recorded a net gain of RMB2.1 billion in 2009 on financial instruments designated as at fair value through profit or loss compared to a net loss of RMB3.6 billion in 2008, primarily due to a net gain of RMB1.9 billion in 2009 compared to a net loss of RMB2.9 billion in 2008 on financial guarantee contracts, which was primarily attributable to an increase in the fair value of these financial instruments as a result of the recovery of the global capital markets in 2009. Net loss on financial instruments designated as at fair value through profit or loss increased to RMB3.6 billion in 2008 compared to RMB1.2 billion in 2007, primarily due to an increase in losses on financial guarantee contracts as a result of a significant decrease in the fair value of these financial instruments during the global financial crisis in 2008.

Net Gain/(Loss) on Investment Securities

Net gain/(loss) on investment securities consist of net realized gains or losses on disposals of our available-for-sale debt and equity instruments. We recorded a net loss of RMB173 million on investment securities in 2009, primarily because we disposed of certain available-for-sale debt securities to avoid further decrease in value. Our net gain on investment securities significantly increased to RMB324 million in 2008 from RMB33 million in 2007, primarily because we disposed of certain available-for-sale debt securities at gain when the market prices were relatively high.

Net Trading Gain/(Loss)

Net trading gain/(loss) consist of net realized and unrealized gains or losses on our financial instruments held for trading purposes and derivative financial instruments. We recorded a net trading gain of RMB444 million in 2009 compared to a net loss of RMB895 million in 2008, primarily due to a gain of RMB1.3 billion on interest rate derivatives in 2009 compared to a net loss of RMB1.8 billion in 2008, which was attributable to a rise in the fair value of such products as a result of the recovery of the macroeconomy in 2009 compared to the gloomy economic condition in the global financial crisis in 2008. We recorded a net trading gain of RMB3.0 billion in 2007, primarily attributable to the gains

recorded on certain cross currency interest rate swaps we entered into in that year, reflecting an increase in their fair value as a result of the appreciation of the Renminbi against major international currencies.

Other Net Operating (Expense)/Income

Other net operating (expense)/income consists primarily of the special levy to the MOF, net foreign exchange (loss)/gain, gains on disposal of property and equipment and other income/(expense). The special levy to the MOF represented the amount levied by the MOF to offset the interest receivable in connection with the special PRC government bond in the aggregate amount of RMB93.3 billion with an annual interest rate of 7.2% issued by the MOF to us in 1998. We recorded other net operating expense of RMB5.6 billion and RMB5.5 billion in 2008 and 2007, respectively, primarily attributable to the special levy to 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. We recorded other net operating income of RMB4.0 billion in 2009 compared to other operating expense of RMB5.6 billion in 2008, primarily due to (i) the removal of the special levy to the MOF in connection with our financial restructuring, and (ii) a gain of RMB1.9 billion on foreign exchange in 2009 compared to a loss of RMB2.9 billion in 2008, which were partially offset by a decrease in gains on disposal of property and equipment. The foreign exchange gain was primarily due to (i) the relatively stable exchange rates of the Renminbi against major international currencies in 2009 compared to an appreciation of the Renminbi against the U.S. dollar in 2008, and (ii) our entering into foreign exchange arrangements, which reduced our overall exchange rate risk by eliminating our exchange rate risk exposure arising from the US$19.0 billion capital contribution from Huijin.

Operating Expenses

The following table sets forth, for the years indicated, the principal components of our total operating expenses.

	For the year ended December 31,		
	2007	2008	2009
	(in millions of RMB)		
Staff costs	31,171	57,776	55,765
General operating and administrative expenses	21,090	25,218	29,283
Business tax and surcharges	11,140	13,223	12,567
Depreciation and amortization	7,815	11,423	10,775
Others[1]	3,404	2,535	1,177
Total operating expenses	**74,620**	**110,175**	**109,567**
Cost-to-income ratio[2]	**34.6%**	**45.3%**	**43.4%**

(1) Consists primarily of expense incurred from disposal of property and equipment and provisions for litigation.
(2) Calculated by dividing (i) total operating expenses (excluding business tax and surcharges), by (ii) the sum of net interest income, net fee and commission income and other net income.

Our operating expenses remained effectively stable at RMB109.6 billion in 2009 compared to RMB110.2 billion in 2008. Our operating expenses increased by 47.6% in 2008 compared to RMB74.6 billion in 2007. Our cost-to-income ratio (excluding business tax and surcharges) was 43.4%, 45.3% and 34.6% in 2009, 2008 and 2007, respectively. The increases in our operating expenses and cost-to-income ratio in 2008 were primarily due to (i) a 85.4% increase in staff costs attributable to increases in supplementary retirement benefits and early retirement benefits as a result of changes to

actuarial assumptions as well as an increase in salaries, bonuses and staff allowances, and (ii) increases in general operating and administrative expenses, depreciation and amortization and business tax and surcharges.

Staff Costs

Staff costs are the largest component of our operating expenses, representing 50.9%, 52.4% and 41.8% of our operating expenses for the years ended December 31, 2009, 2008 and 2007, respectively.

The following table sets forth, for the years indicated, the components of our staff costs.

	For the year ended December 31,		
	2007	2008	2009
	(in millions of RMB)		
Salaries, bonuses and staff allowances	24,301	31,648	35,734
Social insurance	4,713	6,024	9,592
Housing funds	2,577	3,049	3,710
Labour union fee and staff education expenses	1,067	1,466	1,601
Supplementary retirement benefits	(4,300)	8,935	—
Early retirement benefits	(552)	2,685	780
Others[1]	3,365	3,969	4,348
Total staff costs	**31,171**	**57,776**	**55,765**

(1) Consists primarily of employee benefits and supplementary medical insurance.

Staff costs decreased by 3.5% to RMB55.8 billion in 2009 compared to RMB57.8 billion in 2008 primarily due to decreases in the supplementary retirement benefits and early retirement benefits, which were partially offset by increases in salaries, bonuses and staff allowances and social insurance as a result of salary increases. We did not record any supplementary retirement benefits in 2009, because we liquidated our obligations under the supplementary retirement benefits plan using our assets in the equivalent amount and are under no obligation to make any further payments under this plan.

Staff costs increased by 85.4% to RMB57.8 billion in 2008 compared to RMB31.2 billion in 2007, primarily due to increases in supplementary retirement benefits and early retirement benefits as a result of changes to actuarial assumptions and, to a lesser extent, due to an increase in salaries, bonuses and staff allowances, reflecting our efforts to retain and attract talents. The amount of supplementary retirement benefits liability is calculated based on actuarial assumptions of a number of variables including the discount rate, healthcare cost increase rate, average life expectancy of the retirees and other factors.

General Operating and Administrative Expenses

General operating and administrative expenses increased by 16.1% to RMB29.3 billion in 2009 compared to RMB25.2 billion in 2008, which in turn increased by 19.6% compared to RMB21.1 billion in 2007. The overall increase in general operating and administrative expenses from 2007 to 2009 was due to an increase in marketing and business development expenses and increased expenditure for developing our County Area Banking Business.

Business Tax and Surcharges

Business tax is levied at 5% primarily on our interest income from loans to customers and our gross fee and commission income. In addition, certain surcharges are levied at aggregate rates, depending on the locality, of up to 10% of the amount of our business tax paid. Business tax and surcharges decreased by 5.0% to RMB12.6 billion in 2009 compared to RMB13.2 billion in 2008, primarily due to a decrease in our interest income subject to business tax and surcharges. Business tax and surcharges increased by 18.7% to RMB13.2 billion in 2008 compared to RMB11.1 billion in 2007, primarily due to an increase in our interest income and fee and commission income subject to business tax and surcharges.

Depreciation and Amortization

Depreciation and amortization expense decreased by 5.7% to RMB10.8 billion in 2009 compared to RMB11.4 billion in 2008, primarily due to a decrease in our depreciable fixed assets. Depreciation and amortization expense increased by 46.2% to RMB11.4 billion in 2008 compared to RMB7.8 billion in 2007, primarily due to the revaluation of our fixed assets and intangible assets on December 31, 2007 in connection with our financial restructuring, which resulted in a surplus on revaluation of property and equipment and intangible assets.

Provisions for Impairment Losses

The following table sets forth, for the years indicated, the principal components of our impairment losses on assets.

	For the year ended December 31,		
	2007	2008	2009
	(in millions of RMB)		
Provisions for/(releases from) impairment losses on:			
Loans to customers	21,115	39,858	44,289
Investment securities	9,384	9,988	(4,428)
Property and equipment	25	402	222
Other assets[1]	50	1,230	59
Total	**30,574**	**51,478**	**40,142**

(1) Consists primarily of provisions for/(releases from) impairment losses on deposits and placements with banks and other financial institutions and other assets.

Provisions for impairment losses decreased by 22.0% to RMB40.1 billion in 2009 compared to RMB51.5 billion in 2008, primarily due to a write-back of RMB4.4 billion from allowance for impairment losses on investment securities as a result of an increase in the fair value of foreign currency-denominated debt securities held by us. Provisions for impairment losses on our loans to customers increased by 11.1% to RMB44.3 billion in 2009 compared to RMB39.9 billion in 2008, primarily due to (i) an increase in the balance of loans at the end of 2009, and (ii) our adoption of a more conservative approach to provisioning when macroeconomic conditions presented uncertainties.

Provisions for impairment losses increased by 68.4% to RMB51.5 billion in 2008 compared to RMB30.6 billion in 2007, primarily due to our adoption of a more conservative approach to loan loss provisioning, reflecting the adverse impact of the Sichuan earthquake in May 2008 on the loans originated in the affected geographical areas and in response to the global financial crisis and the uncertainties in the PRC macroeconomic environment.

For details on changes in our allowance for loan losses, see "Assets and Liabilities—Assets—Allowance for Impairment Losses on Loans to Customers."

Income Tax

The following table sets forth, for the years indicated, the reconciliation between the income tax expenses calculated at the statutory income tax rate applicable to our profit before tax and our actual income tax expenses.

	For the year ended December 31,		
	2007	2008	2009
	(in millions of RMB)		
Profit before tax	78,257	52,349	73,928
Tax calculated at the statutory tax rate (25% for 2009 and 2008 and 33% for 2007)	25,825	13,087	18,482
Add/(less) the tax effect of the following items:			
Items not deductible for tax purpose[1]	10,179	636	(701)
Income not subject to tax[2]	(4,360)	(4,187)	(4,220)
Tax exemptions	—	(8,624)	(4,603)
Effect of different tax rates on overseas and other operations	(31)	(16)	(32)
Effect of change in tax rate[3]	2,857	—	—
Income tax expense	**34,470**	**896**	**8,926**

(1) Consists primarily of non-deductible staff costs and other operating expenses as well as assets write-offs.

(2) Consists primarily of interest income from PRC government bonds.

(3) In accordance with the amended PRC Enterprise Income Tax Law effective January 1, 2008, the statutory income tax rate applicable to us and our domestic subsidiaries decreased to 25% effective January 1, 2008 from previously 33%. The deferred tax expense for the year 2007 increased by RMB2,857 million as a result of the change in tax rate.

In 2009, our income tax expense was RMB8.9 billion and our effective income tax rate was 12.07%, lower than the statutory income tax rate, primarily attributable to (i) the deduction of our interest payables accrued from earlier years pursuant to a circular issued by the SAT in connection with our restructuring, which permitted us to deduct these interest payables for income tax purposes in 2009 and thus significantly reduced our income tax expense in that year, and (ii) non-taxable interest income on government bonds. Our income tax expense significantly decreased to RMB0.9 billion in 2008 compared to RMB34.5 billion in 2007, primarily due to (i) income tax exemptions resulted from the MOF's capital contribution of RMB34,497 million to us using our profit before tax for the year of 2008, in connection with our financial restructuring; and (ii) the implementation of the amended PRC Enterprise Income Tax Law, which reduced the statutory income tax rate to 25% effective January 1, 2008 from the previous rate of 33%. The amount of items non-deductible for tax purposes was relatively large in 2007, primarily because (i) our staff salary expenses exceeded the then applicable deductible limits, and (ii) we recognized additional interest payables, which were not yet deducted in 2007 pending approvals from the tax authorities, in preparation for our financial restructuring.

The following table sets forth, for the years indicated, the components of our income tax expenses.

	For the year ended December 31,		
	2007	2008	2009
	(in millions of RMB)		
Current income tax	24,851	14,907	7,196
Deferred income tax	9,619	(14,011)	1,730
Income tax expense	**34,470**	**896**	**8,926**

Net Profit

Primarily as a result of all the foregoing factors, our net profit increased by 26.3% to RMB65.0 billion in 2009 compared to RMB51.5 billion in 2008, which increased by 17.5% from RMB43.8 billion in 2007.

SUMMARY SEGMENT OPERATING RESULTS

We have three principal business activities: corporate banking, retail banking and treasury operations, and operate through branches in eight geographical regions: Head Office, Yangtze River Delta, Pearl River Delta, Bohai Rim, Central China, Northeastern China, Western China and overseas and other operations. Our internal organizational structure and internal financial reporting systems are organized both along the above business lines and geographical lines based on our branch structure, and we regularly evaluate the performance of each of our business segments and branches and their respective contributions to our operating income. In recent years, we have strengthened our internal financial reporting and performance evaluation along business lines.

Since 2007, we started to further manage our businesses along the division of our County Area Banking Business and urban banking business based on the locations of our branches in the County Areas or the Urban Areas. Our County Area Banking Business provides financial products and services targeted at customers in the County Areas. Our County Area Banking Business is conducted primarily through our 2,048 county-level sub-branches and 22 business departments of tier-2 branches in the County Areas. The product and services we provide through our County Area Banking Business consist primarily of loans, deposits, bank cards and agency services. We have formulated guidelines to establish an internal organizational structure for our County Area Banking Business. For detailed discussions on business, financial condition and results of operations of our County Area Banking Business, see "County Area Banking Business."

Funds are borrowed and lent between our segments at intersegment rates that are determined based on market rates. The intersegment net interest income of each segment accounts for the interest income generated from funds lent to other segments, net of the interest expense paid on funds borrowed from other segments. Such intersegment interest income and interest expense are eliminated in our consolidated financial statements.

Summary Business Segment Information

Our principal business activities are corporate banking, retail banking and treasury operations. For a description of products and services included in these business activities, see "Business—Our Principal Businesses."

The following table sets forth, for the years indicated, our operating results for each of our principal business segments.

	For the year ended December 31,														
	2007					2008					2009				
	Corporate banking	Retail banking	Treasury operations	Others	Total	Corporate banking	Retail banking	Treasury operations	Others	Total	Corporate banking	Retail banking	Treasury operations	Others	Total
	(in millions of RMB)														
Net external interest (expense)/ income[1]	134,773	(16,441)	45,851	—	164,183	152,739	(30,087)	77,351	—	200,003	129,811	(39,360)	91,188	—	181,639
Inter-segment interest income/ (expense)[2]	(50,697)	63,631	(12,872)	(62)	—	(46,332)	81,462	(35,088)	(42)	—	(27,152)	96,417	(69,273)	8	—
Net interest income	84,076	47,190	32,979	(62)	164,183	106,407	51,375	42,263	(42)	200,003	102,659	57,057	21,915	8	181,639
Net fee and commission income	10,788	12,207	—	—	22,995	8,667	15,131	—	—	23,798	19,983	15,657	—	—	35,640
Other net income/ (expense)	1,728	1,616	(8,741)	1,670	(3,727)	1,301	1,490	(13,190)	614	(9,785)	463	900	4,194	801	6,358
Operating income	96,592	61,013	24,238	1,608	183,451	116,375	67,996	29,073	572	214,016	123,105	73,614	26,109	809	223,637
Operating expenses	(33,086)	(35,137)	(5,753)	(644)	(74,620)	(43,054)	(54,012)	(12,616)	(493)	(110,175)	(40,820)	(56,483)	(12,016)	(248)	(109,567)
Provisions for impairment losses	(27,110)	(4,890)	1,502	(76)	(30,574)	(40,480)	(1,003)	(9,995)	—	(51,478)	(37,118)	(7,289)	4,255	10	(40,142)
Share of losses of an associate	—	—	—	—	—	—	—	—	(14)	(14)	—	—	—	—	—
Profit before tax	**36,396**	**20,986**	**19,987**	**888**	**78,257**	**32,841**	**12,981**	**6,462**	**65**	**52,349**	**45,167**	**9,842**	**18,348**	**571**	**73,928**

(1) Represents net interest income/(expense) from each segment's external customers or activities.

(2) Represents net interest income/(expense) attributable to each segment's transactions with other segments.

Our corporate banking business recorded a profit before tax of RMB45.2 billion in 2009, a 37.5% increase compared to RMB32.8 billion in 2008, primarily due to a significant increase in net fee and commission income as a result of our continued efforts to grow our fee- and commission-based business, accompanied by a decrease in our operating expenses, reflecting our efforts to control our operating expenses. Our corporate banking business experienced a 9.8% decrease in profit before tax to RMB32.8 billion in 2008 compared to RMB36.4 billion in 2007 notwithstanding an increase in our operating income, primarily due to increases in our operating expenses and provisions for impairment losses on our corporate loans.

Our retail banking business recorded a profit before tax of RMB9.8 billion in 2009, a 24.2% decrease compared to RMB13.0 billion in 2008, primarily due to a significant increase in provisions for impairment losses on our retail loans and an increase in operating expenses, which were partially offset by an increase in operating income. The increase in provisions for impairment losses on our retail loans resulted primarily from a 69.9% increase in our retail loan in 2009 and our adoption of a more conservative approach to loan provisioning while macroeconomic conditions presented uncertainties. However, the operating income of our retail banking business experienced a 8.3% increase in 2009 compared to 2008, primarily due to an increase in net interest income. Our retail banking business experienced a 38.1% decrease in profit before tax to RMB13.0 billion in 2008 compared to RMB21.0 billion in 2007, primarily due to a significant increase in operating expenses, which was partially offset by a 11.4% increase in operating income.

Profit before tax for our treasury operations almost tripled to RMB18.3 billion in 2009 compared to RMB6.5 billion in 2008, primarily due to a release of RMB4.3 billion from allowance for impairment losses in 2009 compared to a net provision of RMB10.0 billion in 2008 resulting from an increase in the fair value of our financial assets, reflecting the improvement in macroeconomic condition. Operating income generated from our treasury operations increased by 19.9% to RMB29.1 billion in 2008 compared to RMB24.2 billion in 2007. However, profit before tax decreased significantly to RMB6.5 billion in 2008 compared to RMB20.0 billion in 2007, primarily due to a net provision for impairment losses of RMB10.0 billion compared to a release of RMB1.5 billion in 2007 and an increase in operating expenses. The net provision for impairment losses in 2008 was primarily because we recognized impairment losses on certain foreign currency-denominated available-for-sale debt securities as a result of a significant decrease in their fair value.

Summary Geographical Segment Information

In presenting information on the basis of geographical segments, operating income is allocated based on the location of the branch or subsidiary that generated the revenue. For purposes of presentation, we categorize this information into regions. The following table sets forth, for the years indicated, the total operating income attributable to each of these geographical regions. For a description of our geographical regions, see "Definitions and Conventions."

	For the Year Ended December 31,					
	2007		2008		2009	
	Amount	% of Total	Amount	% of Total	Amount	% of Total
	(in millions of RMB, except percentages)					
Head Office	8,476	4.6%	40,641	19.0%	30,353	13.6%
Yangtze River Delta	41,889	22.8	45,089	21.1	46,165	20.6
Pearl River Delta	27,553	15.0	26,501	12.4	28,756	12.9
Bohai Rim	30,092	16.4	28,357	13.2	33,059	14.8
Central China	24,580	13.4	23,944	11.2	27,977	12.5
Northeastern China	8,706	4.7	6,720	3.1	8,629	3.9
Western China	41,067	22.4	42,347	19.8	47,520	21.2
Overseas and other operations[1]	1,088	0.7	417	0.2	1,178	0.5
Total operating income	**183,451**	**100.0%**	**214,016**	**100.0%**	**223,637**	**100.0%**

(1) Consists of operating income attributable to our overseas branches and subsidiaries in and outside of China.

Operating income generated in the Yangtze River Delta, the Pearl River Delta and Bohai Rim increased by 8.0% to RMB108.0 billion in 2009 compared to RMB99.9 billion in 2008, primarily due to increases in net interest income and fee and commission income. Operating income generated in these regions remained effectively stable in 2008 compared to 2007.

Operating income generated in Western China, Central China and Northeastern China increased by 15.2% to RMB84.1 billion in 2009 compared to RMB73.0 billion in 2008, primarily due to increases in net interest income and fee and commission income. Operating income generated in these regions decreased slightly by 1.8% to RMB73.0 billion in 2008 compared to RMB74.4 billion in 2007, primarily due to a decrease in net interest income.

Among all geographical regions, our Head Office recorded the largest increase in operating income in 2008 as compared to 2007, which was primarily attributable to the interest income accrued

on the MOF receivable, which was issued to us in connection with our financial restructuring, at an annual rate of 3.3% from January 1, 2008. See "—Financial Impact of Our Restructuring."

Summary County Area Banking Business and Urban Banking Business Information

The following table sets forth, for the years indicated, our operating results for County Area Banking Business and urban banking business. For detailed discussions on the business, financial condition and results of operations of our County Area Banking Business, see "County Area Banking Business."

	For the year ended December 31,								
	2007			2008			2009		
	County Area Banking Business	Urban banking business	Total	County Area Banking Business	Urban banking business	Total	County Area Banking Business	Urban banking business	Total
	(in millions of RMB)								
Net external interest income[1]	18,489	145,694	164,183	14,375	185,628	200,003	15,878	165,761	181,639
Inter-segment interest income/(expense)[2]	18,149	(18,149)	—	45,953	(45,953)	—	54,575	(54,575)	—
Net interest income	36,638	127,545	164,183	60,328	139,675	200,003	70,453	111,186	181,639
Net fee and commission income	8,841	14,154	22,995	10,416	13,382	23,798	13,693	21,947	35,640
Other net income/(expense)	2,246	(5,973)	(3,727)	1,281	(11,066)	(9,785)	1,215	5,143	6,358
Operating expenses	(30,644)	(43,976)	(74,620)	(45,757)	(64,418)	(110,175)	(46,892)	(62,675)	(109,567)
Provisions for impairment losses	(7,647)	(22,927)	(30,574)	(12,824)	(38,654)	(51,478)	(17,524)	(22,618)	(40,142)
Share of losses of an associate	—	—	—	—	(14)	(14)	—	—	—
Profit before tax	**9,434**	**68,823**	**78,257**	**13,444**	**38,905**	**52,349**	**20,945**	**52,983**	**73,928**

(1) Represents net interest income/(expense) from each segment's external customers or activities.
(2) Represents net interest income/(expense) attributable to each segment's transactions with other segments.

Profit before tax generated from our County Area Banking Business experienced a steady growth from 2007 to 2009, primarily due to an increase in operating income, which was partially offset by increases in operating expenses and provisions for impairment losses. For a detailed discussion of the assets and liabilities as well as results of operations of our County Area Banking Business, see "County Area Banking Business—Assets and Liabilities" and "—Results of Operations of Our County Area Banking Business."

Profit before tax generated from our urban banking business increased by 36.2% to RMB53.0 billion in 2009 compared to RMB38.9 billion in 2008, primarily due to a decrease in provisions for impairment losses. Profit before tax generated from our urban banking business decreased by 43.5% to RMB38.9 billion in 2008 from RMB68.8 billion in 2007, primarily due to increases in operating expenses and provisions for impairment losses.

CASH FLOWS

The following table sets forth our cash flows for the years indicated. See "Appendix I—Accountants' Report—A. Financial Information—Consolidated Statements of Cash Flows."

	For the year ended December 31,		
	2007	2008	2009
	(in millions of RMB)		
Net cash generated by/(used in) operating activities	144,715	284,781	(21,025)
Net cash used in investing activities	(104,262)	(235,056)	(188,338)
Net cash generated in financing activities	—	130,117	49,950
Effect of exchange rate changes on cash and cash equivalents	(3,111)	(5,468)	149
Net increase /(decrease) in cash and cash equivalents	**37,342**	**174,374**	**(159,264)**

Cash Flows from Operating Activities

Cash inflows from operating activities are primarily attributable to the net increases in deposits from customers, banks and other financial institutions, interest income, fees and commissions received in cash, placements from banks and other financial institutions and other cash inflows generated from operating activities. The net increase in the balance of our deposits from customers, banks and other financial institutions for the years ended December 31, 2009, 2008 and 2007 was RMB1,684.6 billion, RMB803.7 billion and RMB592.3 billion, respectively. We received interest income, fees and commissions in cash of RMB254.9 billion, RMB267.1 billion and RMB218.6 billion in 2009, 2008 and 2007, respectively. Cash inflows due to net decrease in placements with banks and other financial institutions amounted to RMB4.8 billion and RMB5.5 billion in 2008 and 2007, respectively. In 2009, we had cash outflows due to net increase in placements with banks and other financial institutions. Other cash inflows generated from operating activities amounted to RMB89.1 billion, RMB48.3 billion and RMB107.4 billion in 2009, 2008 and 2007, respectively.

Cash outflows from our operating activities are primarily attributable to the net increase in loans to customers, the net increase in balances with central banks and deposits and placements with banks and other financial institutions and interest expense and fee and commission expenses paid in cash. The net increase in the total balance of our loans to customers for the years ended December 31, 2009, 2008 and 2007 was RMB1,039.1 billion, RMB392.8 billion and RMB333.3 billion, respectively. For a discussion of increases in our loans to customers from December 31, 2007 to December 31, 2009, see "Assets and Liabilities—Assets—Loans to Customers." The net increase in balances with central banks and deposits with banks and other financial institutions for the years ended December 31, 2009, 2008 and 2007 was RMB389.0 billion, RMB183.1 billion and RMB262.2 billion, respectively. The net increase in placements with banks and other financial institutions amounted to RMB12.2 billion in 2009. Interest expense and fee and commission expenses paid in cash amounted to RMB115.9 billion, RMB101.0 billion and RMB78.9 billion in 2009, 2008 and 2007, respectively.

We used cash of RMB21.0 billion in our operating activities in 2009 compared to cash inflows from operating activities of RMB284.8 billion in 2008, primarily due to increases in loans to customers, balances with central banks, deposits with banks and other financial institutions and cash related to other operating assets.

Cash inflows from operating activities increased from RMB144.7 billion in 2007 to RMB284.8 billion in 2008, primarily due to increases in customer deposits and deposits from banks and other financial institutions, which were partially offset by an increase in loans to customers.

Cash Flows from Investing Activities

Cash inflows from our investing activities are primarily attributable to proceeds from disposal of investments and returns on investments received. The proceeds from disposal of investments for the years ended December 31, 2009, 2008 and 2007 amounted to RMB1,410.9 billion, RMB496.1 billion and RMB780.6 billion, respectively.

Our cash outflows from investing activities are primarily attributable to purchases of investment securities. Our purchases of investment securities for the years ended December 31, 2009, 2008 and 2007 amounted to RMB1,655.8 billion, RMB783.6 billion and RMB913.9 billion, respectively.

Cash Flows from Financing Activities

Our cash inflows from financing activities are primarily attributable to proceeds from debt securities issued and the capital injection from Huijin. We issued subordinated bonds in May 2009 in an aggregate nominal value of RMB50 billion. On October 29, 2008, we received US$19.0 billion (equivalent to RMB130.0 billion) from Huijin, which constituted its capital contribution to us upon our incorporation into a joint stock limited liability company. We did not receive any cash from financing activities in 2007.

LIQUIDITY

We fund our loan and investment portfolios principally through our customer deposits. Although a majority of deposits from customers have been short-term deposits, customer deposits have been, and we believe will continue to be, a stable source of our funding. Customer deposits with remaining maturities of less than one year represented 93.6%, 92.6% and 93.0% of total deposits from customers at December 31, 2009, 2008 and 2007, respectively. For additional information about our short-term liabilities and sources of funds, see "Assets and Liabilities—Liabilities and Sources of Funds" and "Supervision and Regulation—PRC Banking Supervision and Regulation—Other Operational and Risk Management Ratios."

We manage liquidity primarily by monitoring the maturities of our assets and liabilities in an effort to ensure that we have sufficient funds to meet obligations as they become due. We have been focusing on maintaining stable sources of funding and increasing our customer deposits. Furthermore, to meet potential liquidity requirements, we invest in a significant amount of liquid assets, such as PBOC bills and PRC government bonds, and financial assets with short maturities, such as financial assets held under resale agreements, short-term debt securities and discounted bills. We have also sought to increase the proportion of our core liabilities to improve our stable funding sources. If further liquidity requirements arise, we have access to the inter-bank money market, where we have historically been a net lender. See "Risk Management—Liquidity Risk Management."

The following table sets forth, at December 31, 2009, the remaining maturities of our financial assets and liabilities.

	At December 31, 2009							
	Overdue[1]/ undated	Repayable on demand	Less than 1 month	Between 1 and 3 months	Between 3 and 12 months	Between 1 and 5 years	More than 5 years	Total
	(in millions of RMB)							
Financial Assets								
Cash and balances with central banks	1,211,017	152,789	—	—	—	154,000	—	1,517,806
Deposits and placements with banks and other financial institutions	—	42,798	40,672	13,377	13,799	482	—	111,128
Financial assets held under resale agreements	—	—	147,267	229,380	44,446	—	—	421,093
Loans to customers, net	17,146	—	200,279	453,547	1,297,465	997,473	1,045,585	4,011,495
Investment securities and other financial assets, net	494	41	128,020	202,626	455,945	742,284	1,087,262	2,616,672
Derivative financial assets	—	—	190	156	677	566	3,089	4,678
Others financial assets	735	2,385	5,946	12,830	13,616	109	—	35,621
Total financial assets	**1,229,392**	**198,013**	**522,374**	**911,916**	**1,825,948**	**1,894,914**	**2,135,936**	**8,718,493**
Financial Liabilities								
Borrowings from central bank	—	(30)	—	—	—	(28)	—	(58)
Deposits and placements from banks and other financial institutions	—	(267,459)	(57,461)	(81,593)	(46,857)	(146,742)	(149)	(600,261)
Financial liabilities designated as at fair value through profit or loss and held for trading	—	(56)	(46,283)	(18,602)	(46,341)	(2,537)	(80)	(113,899)
Derivative financial liabilities	—	—	(160)	(202)	(550)	(1,140)	(5,638)	(7,690)
Financial assets sold under repurchase agreements	—	—	(75,094)	(10,561)	(15,157)	—	—	(100,812)
Deposits from customers	—	(4,492,349)	(319,646)	(602,158)	(1,602,159)	(479,593)	(1,713)	(7,497,618)
Debt securities issued	—	—	—	—	(1,354)	(28,848)	(24,977)	(55,179)
Other financial liabilities	—	(49,081)	(12,233)	(11,503)	(23,195)	(23,701)	(3)	(119,716)
Total financial liabilities	**—**	**(4,808,975)**	**(510,877)**	**(724,619)**	**(1,735,613)**	**(682,589)**	**(32,560)**	**(8,495,233)**
Liquidity gap	**1,229,392**	**(4,610,962)**	**11,497**	**187,297**	**90,335**	**1,212,325**	**2,103,376**	**223,260**
Cumulative liquidity gap	**1,229,392**	**(3,381,570)**	**(3,370,073)**	**(3,182,776)**	**(3,092,441)**	**(1,880,116)**	**223,260**	

(1) Includes loans and other assets on which principal is overdue.

CAPITAL RESOURCES

Shareholders' Equity

Our total shareholders' equity increased to RMB342.9 billion at December 31, 2009 from RMB290.5 billion at December 31, 2008, which in turn increased from a deficit of RMB727.6 billion at December 31, 2007. The accumulated deficit of RMB727.6 billion at December 31, 2007 was primarily due to impairment losses on loans in earlier years. The following table sets forth, for the years indicated, the components of the changes in our total equity attributable to shareholders.

	Shareholders' equity
	(in millions of RMB)
At December 31, 2006	**(762,419)**
Profit for the year	43,787
Other comprehensive income	(8,641)
Transfer to Great Wall Trust	(332)
At December 31, 2007	**(727,605)**
Profit for the year	51,453
Other comprehensive income	24,926
Disposal of non-performing assets to the MOF[(1)]	760,665
Revaluation surplus on assets	50,992
Capital injection by Huijin	130,000
Contribution from non-controlling shareholder	117
Transfer to Great Wall Trust	(7)
At December 31, 2008	**290,541**
Profit for the year	65,002
Other comprehensive income	(12,618)
At December 31, 2009	**342,925**

(1) Represents equity contribution from the release of allowance on non-performing loans and other impaired assets disposed of in connection with our financial restructuring.

We did not pay any dividend for the years ended December 31, 2008 or 2007. At an extraordinary general meeting of shareholders on April 21, 2010, our Board of Directors recommended, and our shareholders approved, the distribution of a cash dividend to the MOF and Huijin in the aggregate amount of RMB20 billion with respect to the year of 2009.

Debt

Subordinated Bonds

On May 20, 2009, to increase our supplementary capital, we issued subordinated bonds in an aggregate amount of RMB50 billion in three tranches, including (i) fixed rate subordinated bonds in an aggregate principal amount of RMB20 billion with a final maturity date of May 20, 2019, the interest rate on which is 3.3% for the first five years, to be stepped up to 6.3% if the bonds are not called by us at the fifth anniversary, (ii) fixed rate subordinated bonds in an aggregate principal amount of RMB25 billion with a final maturity date of May 20, 2024, the interest rate on which is 4.0% for the first ten years, to be stepped up to 7.0% if the bonds are not called by us at the tenth anniversary, and (iii) floating rate subordinated bonds in an aggregate principal amount of RMB5 billion with a final maturity date of May 20, 2019, the interest rate on which is the PBOC benchmark rate on one-year

time deposits plus 0.6% for the first five years, to be stepped up to such benchmark rate plus 3.6% if the bonds are not called by us at the fifth anniversary.

Certificates of Deposit

Through our overseas branches, we from time to time issue certificates of deposit. At December 31, 2009, the balance of our certificates of deposit was RMB5.2 billion.

Capital Adequacy

We are subject to capital adequacy requirements as promulgated by the CBRC, which require commercial banks in China to maintain a minimum core capital adequacy ratio of 4% and a capital adequacy ratio of 8%. Our core capital, supplementary capital and risk-weighted assets are calculated in accordance with the requirements under the Administrative Measures on the Capital Adequacy Ratio of Commercial Banks and based on our financial statements prepared in accordance with PRC GAAP.

The following table sets forth, at the dates indicated, certain information relating to our capital adequacy, calculated under PRC GAAP.

	At December 31,	
	2008	2009
	(in millions of RMB, except percentages)	
Core capital adequacy ratio	8.04%	7.74%(3)
Capital adequacy ratio	9.41%	10.07%(3)
Components of capital base		
Core capital:		
Share capital	260,000	260,000
Surplus reserve and general and regulatory reserves	1,251	18,448
Un-appropriated profit	12,022	59,817(3)
Minority interest	96	106
Supplementary capital:		
General loan loss allowance	37,815	66,057
Reserve of fair value changes of available-for-sale financial assets	8,646	2,312
Long-term subordinated bonds	—	50,000
Total capital base before deductions	319,830	456,740
Deductions:		
Equity investments which are not consolidated	347	197
Other deductible item(1)	—	16,194
Total capital base after deductions(2)	**319,483**	**440,349(3)**
Risk-weighted assets	**3,396,301**	**4,373,006**

(1) Consists of long-term subordinated bonds we held issued by other banks, which were deducted in accordance with the CBRC guideline with respect to supplementary capital of commercial banks.

(2) Also referred to in this prospectus as "regulatory capital."

(3) The cash dividend of RMB20 billion declared in respect of the year of 2009 payable to the shareholders on our register of members as of December 31, 2009 was not deducted from the core capital and regulatory capital in calculating the above core capital adequacy ratio and capital adequacy ratio, respectively, at December 31, 2009. Our core capital adequacy ratio and capital adequacy ratio would have been 7.28% and 9.61%, respectively, at December 31, 2009 if such cash dividend were deducted from core capital and regulatory capital, respectively, at that date.

At December 31, 2009 and 2008, our capital adequacy ratio was 10.07% and 9.41%, respectively, and our core capital adequacy ratio was 7.74% and 8.04%, respectively, in compliance

with the CBRC requirements. Our capital adequacy ratio and core capital adequacy ratio at December 31, 2007 were below regulatory requirements and we had capital deficits at December 31, 2007. No sanctions were imposed on us for our failure to meet the regulatory requirements.

The CBRC announced a plan to start implementing Basel II capital accord by the year end of 2010 in assessing capital adequacy of the banks with operations in other jurisdictions and significant international business as well as the banks which elect to comply with Basel II. We have applied to the CBRC for the implementation of Basel II with respect to our capital adequacy starting as of the year end of 2010. The methodologies of computation of our capital adequacy ratios may differ under Basel II from our current practice, which may result in changes in our capital adequacy ratios. See "Risk Factors—Risks Relating to Our Business—We may face difficulties in meeting regulatory requirements relating to capital adequacy."

The CBRC currently has completed its pre-evaluation of our preparations for implementing Basel II and is expected to provide us with evaluation results in the near future. With respect to credit risk, we have increased our efforts on the development of the retail Advanced Internal Ratings-Based (AIRB) approach, completed the development of score cards to assess the application for our various retail credit products, conducted measurement of various risk indicators and initiated the development of an internal retail customer rating system and the development of a retail credit risk data warehouse. With respect to market risk, we have initiated the development of internal models for market risk management. With respect to operational risk, we have developed and implemented an Operational Risk Management System (ORMS) and developed a system of operational risk management tools as well as the procedures for risk identification, assessment, control, measurement and reporting to support our efforts to comply with the regulatory requirements relating to the Standardized Approach for operational risk; we have also started to collect data on losses arising from operational risk and established policies and procedures for continuous loss data collection, laying the foundation for implementing the Advanced Measurement Approach for operational risk.

OFF-BALANCE SHEET COMMITMENTS

Our off-balance sheet commitments consist primarily of loan commitments, letters of guarantees, letters of credit and acceptances. Loan commitments are our commitments to extend credit. We issue letters of guarantees and letters of credit to guarantee the performance of our customers to third parties. Acceptances consist of undertakings by us to pay bills of exchange issued by our customers. The following table sets forth the contractual amounts of our off-balance sheet commitments at the dates indicated.

	At December 31,		
	2007	2008	2009
	(in millions of RMB)		
Loan commitments			
Contract maturity within one year	25,041	41,667	50,650
Contract maturity over one year	313,242	362,172	693,874
Subtotal	338,283	403,839	744,524
Letters of credit issued	51,983	38,780	53,933
Letters of guarantee issued	129,214	149,837	151,355
Acceptances	204,695	189,126	271,871
Total	**724,175**	**781,582**	**1,221,683**

Our loan commitments increased by 84.4% to RMB744.5 billion at December 31, 2009 from RMB403.8 billion at December 31, 2008, primarily due to an increase in loan commitments over one year to RMB693.9 billion at December 31, 2009 from RMB362.2 billion at December 31, 2008, as a result of increased customer demand for credit, reflecting the effect of the PRC macroeconomic policies.

TABULAR DISCLOSURE OF CONTRACTUAL OBLIGATIONS

The following table sets forth the face value of our known contractual obligations by remaining contract maturity classified into the categories specified below at December 31, 2009.

	At December 31, 2009			
	Less than 1 year	Between 1 and 5 years	More than 5 years	Total
	(in millions of RMB)			
On-balance sheet				
Subordinated bonds issued	—	24,978	24,977	49,955
Certificates of deposit issued	1,354	3,870	—	5,224
Off-balance sheet				
Operating lease commitment	1,271	3,362	1,818	6,451
Redemption obligation (bearer-form treasury bonds and underwritten saving treasury bonds)	19,853	39,525	—	59,378
Subtotal	22,478	71,735	26,795	121,008
Capital commitments authorized or contracted for				7,319
Total				**128,327**

QUANTITATIVE AND QUALITATIVE ANALYSIS OF MARKET RISK

Market risk is the risk of financial loss arising from changes in the value of a financial instrument as a result of changes in interest rates, foreign exchange rates, equity prices and commodity prices and other market changes that affect market risk-sensitive instruments. We are exposed to market risk primarily through the assets and liabilities on our balance sheet, as well as our off-balance sheet commitments and guarantees. The market risks to which we are primarily exposed are interest rate risk and exchange rate risk. We have imposed a set of exposure limits for our investment and trading activities in an effort to manage potential market losses within acceptable limits.

Interest Rate Risk

The primary source of our interest rate risk arises from mismatches in the maturity or repricing periods of our banking portfolio. Maturity mismatches may cause net interest income to be affected by changes in the prevailing level of interest rates. Currently, we primarily use gap analysis and sensitivity analysis to assess our exposure to interest rate risk. In addition, different pricing bases for different assets and liabilities may also lead to interest rate risk for our assets and liabilities within the same repricing period. We manage our interest rate risk exposure primarily by adjusting the maturity profile of our banking portfolio based on our assessment of potential changes in the interest rate environment.

Repricing Gap Analysis

The following table sets forth, at December 31, 2009, the results of our gap analysis based on the earlier of (i) the next expected re-pricing dates, and (ii) the final maturity dates for our financial assets and liabilities.

	At December 31, 2009						
	Up to 1 month	1 month up to 3 months	3 months up to 1 year	1 year up to 5 years	Over 5 years	Non-interest-bearing	Total
	(in millions of RMB)						
Financial Assets							
Cash and balances with central banks	1,241,274	–	—	154,000	—	122,532	1,517,806
Deposits and placements with banks and other financial institutions	81,759	14,418	12,781	—	—	2,170	111,128
Derivative financial assets	—	—	—	—	—	4,678	4,678
Financial assets held under resale agreements	147,267	229,551	44,275	—	—	—	421,093
Loans to customers, net	1,490,928	1,051,095	1,466,940	2,274	258	—	4,011,495
Investment securities and other financial assets, net[1]	161,677	260,866	521,311	627,049	1,045,255	514	2,616,672
Other financial assets	—	—	—	—	—	35,621	35,621
Total financial assets	3,122,905	1,555,930	2,045,307	783,323	1,045,513	165,515	8,718,493
Financial Liabilities							
Borrowings from central bank	—	—	—	—	—	(58)	(58)
Deposits and placements from banks and other financial institutions	(441,857)	(79,546)	(41,011)	(36,488)	(149)	(1,210)	(600,261)
Financial liabilities designated as at fair value through profit or loss and held for trading	(46,283)	(18,602)	(46,341)	(1,768)	(80)	(825)	(113,899)
Derivative financial liabilities	—	—	—	—	—	(7,690)	(7,690)
Financial assets sold under repurchase agreements	(75,094)	(10,561)	(15,157)	—	—	—	(100,812)
Deposits from customers	(4,719,663)	(602,155)	(1,624,749)	(457,002)	(1,713)	(92,336)	(7,497,618)
Debt securities issued	(621)	(2,959)	(5,337)	(21,285)	(24,977)	—	(55,179)
Other financial liabilities	—	—	—	—	—	(119,716)	(119,716)
Total financial liabilities	**(5,283,518)**	**(713,823)**	**(1,732,595)**	**(516,543)**	**(26,919)**	**(221,835)**	**(8,495,233)**
Re-pricing gap	**(2,160,613)**	**842,107**	**312,712**	**266,780**	**1,018,594**	**(56,320)**	**223,260**
Cumulative re-pricing gap	**(2,160,613)**	**(1,318,056)**	**(1,005,794)**	**(739,014)**	**279,580**	**223,260**	

(1) The remaining maturities of debt securities investments are the remaining contract maturities of such securities and do not necessarily represent our intentions with respect to such securities.

Sensitivity Analysis

We use sensitivity analysis to measure the potential effect of changes in interest rates on our net interest income and other comprehensive income. The following table sets forth, at the dates indicated, the results of our interest rate sensitivity analysis based on our assets and liabilities at the same date.

	December 31,					
	2007		2008		2009	
	Change in net interest income	Change in other comprehensive income	Change in net interest income	Change in other comprehensive income	Change in net interest income	Change in other comprehensive income
	(in millions of RMB)					
100 basis-point increase[1] . . .	(10,842)	(12,764)	(9,315)	(17,431)	(12,516)	(14,826)
100 basis-point decrease[1] . . .	10,842	13,743	9,315	18,714	12,516	15,851

(1) Interest rates for certain products are below 1%. This is for reference only.

Based on our assets and liabilities at December 31, 2009, if interest rates increase (or decrease) by 100 basis points instantaneously, our net interest income for the year following December 31, 2009 would decrease (or increase) by RMB12.5 billion. If interest rates increase by 100 basis points instantaneously, our other comprehensive income immediately following December 31, 2009 would decrease by RMB14.8 billion, and if interest rates decrease by 100 basic points instantaneously, our comprehensive income immediately following December 31, 2009 would increase by RMB15.9 billion.

This sensitivity analysis, which is based on a static interest rate risk profile of assets and liabilities, is used for risk management purposes only. The analysis measures only the impact of changes in the interest rates within a year, which are reflected by the repricing of our assets and liabilities within a year, on our net interest income and other comprehensive income. The analysis is based on the following assumptions: (i) all assets and liabilities that reprice or are due within three months and in more than three months but within one year, as shown in the table under "—Repricing Gap Analysis," reprice or are due in the middle of the respective periods (i.e., all the assets and liabilities that reprice or are due within three months reprice or are due in 1.5 months, and all the assets and liabilities that reprice or are due in more than three months but within one year reprice or are due in 7.5 months), (ii) there is a parallel shift in the yield curve and in interest rates, and (iii) there are no other changes to the portfolio. Actual changes in our net interest income resulting from increases or decreases in interest rates may differ from the results of this sensitivity analysis.

Exchange Rate Risk

The primary source of our exchange rate risk arises from currency mismatches in our assets and liabilities. We primarily monitor our net currency positions to assess our exposure to exchange rate risk. We manage our exchange rate risk primarily by seeking to match the assets and liabilities on a currency-by-currency basis.

The following table sets forth, at December 31, 2009, our financial assets and liabilities by currency.

	At December 31, 2009				
	RMB	US$	HK$	Others	Total
	(in millions of RMB equivalent)				
Financial Assets					
Cash and balances with central banks	1,510,843	5,154	1,088	721	1,517,806
Deposits and placements with banks and other financial institutions	39,470	66,794	871	3,993	111,128
Financial assets held under resale agreements	420,922	171	—	—	421,093
Loans to customers, net	3,860,236	122,874	22,842	5,543	4,011,495
Investment securities and other financial assets, net	2,531,553	76,566	4,135	4,418	2,616,672
Derivative financial assets	1,421	1,281	178	1,798	4,678
Other financial assets	33,868	1,637	43	73	35,621
Total financial assets	8,398,313	274,477	29,157	16,546	8,718,493
Financial Liabilities					
Borrowings from central bank	(58)	—	—	—	(58)
Deposits and placements from banks and other financial institutions	(451,218)	(138,018)	(8,252)	(2,773)	(600,261)
Financial assets sold under repurchase agreements	(69,557)	(30,677)	(501)	(77)	(100,812)
Financial liabilities designated as at fair value through profit or loss and held for trading	(109,441)	(4,367)	(84)	(7)	(113,899)
Derivative financial liabilities	(1,904)	(2,423)	(160)	(3,203)	(7,690)
Deposits from customers	(7,404,694)	(69,921)	(12,934)	(10,069)	(7,497,618)
Debt securities issued	(49,955)	(342)	(4,882)	—	(55,179)
Other financial liabilities	(118,388)	(804)	(409)	(115)	(119,716)
Total financial liabilities	(8,205,215)	(246,552)	(27,222)	(16,244)	(8,495,233)
Net balance sheet position	**193,098**	**27,925**	**1,935**	**302**	**223,260**

The appreciation of the Renminbi to the U.S. dollar or any other foreign currency will result in a decrease in the value of assets which are denominated in foreign currencies. See "Risk Factors—Risks Relating to China—We are subject to PRC government controls on currency conversion and future movements in exchange rates." In 2009, we entered into foreign exchange arrangements, which reduced our overall exchange rate risk by eliminating our exchange rate risk exposure arising from the US$19.0 billion capital contribution from Huijin. This capital contribution significantly increased our foreign currency assets.

The following table sets forth, for the years indicated, the changes in our profit before tax caused by appreciation or depreciation by 1% of the Renminbi's spot and forward exchange rates to U.S. dollars and Hong Kong dollars, in which substantially all of our foreign currency-denominated financial assets and liabilities are denominated, at the date indicated.

		For the year ended December 31,		
		2007	2008	2009
		(in millions of RMB)		
U.S. dollar	+1%	937	1,650	269
	-1%	(937)	(1,650)	(269)
Hong Kong dollar	+1%	(33)	(31)	3
	-1%	33	31	(3)

The following table sets forth, at the date indicated, a breakdown of our debt instruments denominated in the U.S. dollar by issuer type.

	At December 31, 2009	
	Amount	% of total
	(in millions of RMB, except percentages)	
Government bonds	25,899	34.0%
Bonds issued by PRC policy banks	1,361	1.8
Bonds issued by other banks and financial institutions	36,635	48.1
Bonds issued by entities in public sectors and quasi-governments	6,777	8.9
Corporate bonds	5,448	7.2
Total	**76,120**	**100.0%**

In managing our interest rate risk and exchange rate risk, including such risks arising from our transactions with customers, we use certain financial derivatives. Financial derivatives are measured at fair value on initial recognition, including interest rate swaps, currency forwards, currency swaps, cross-currency interest rate swaps and currency options. Interest rate swaps are agreements between us and a counterparty where one stream of future interest payments is exchanged for another based on a specified principal amount. Currency forwards transactions are purchases or sales of foreign currencies at an exchange rate established at the date of transaction but with payment and delivery at a specified future time. Currency swaps are transactions in which we and a counterparty simultaneously enter into a spot currency exchange contract and a forward reverse exchange contract. Cross-currency interest rate swaps are agreements between us and a counterparty to exchange principal and interest in one currency for the same in another currency. Currency options are currency exchange agreements which grant rights to buy or sell foreign currency-denominated assets at an agreed exchange rate on a specified date or within a specified period. We do not treat these derivative instruments as hedging instruments under IAS 39.

The following table sets forth, at the dates indicated, the notional amount and the fair value of our financial derivatives.

	At December 31,								
	2007			2008			2009		
	Notional amount	Fair value		Notional amount	Fair value		Notional amount	Fair value	
		Assets	Liabilities		Assets	Liabilities		Assets	Liabilities
	(in millions of RMB)								
Interest rate derivatives									
Interest rate swaps	140,062	1,218	(1,422)	104,456	2,386	(4,599)	113,644	932	(1,864)
Other interest rate derivatives	730	—	(102)	1,094	38	(132)	751	—	(15)
Subtotal		1,218	(1,524)		2,424	(4,731)		932	(1,879)
Exchange rate derivatives									
Currency forwards	140,835	2,013	(3,696)	103,294	2,565	(2,872)	110,467	1,546	(2,271)
Currency swaps	95,212	1,768	(913)	98,730	777	(1,448)	100,550	411	(374)
Cross-currency interest rate swaps	64,668	5,207	(1,160)	13,429	1,384	(2,482)	12,503	1,729	(3,140)
Currency options	292	1	(1)	6	1	(1)	81	2	(1)
Subtotal		8,989	(5,770)		4,727	(6,803)		3,688	(5,786)
Other derivatives									
Precious metal forwards	—	—	—	—	—	—	105	—	(5)
Precious metal swaps	—	—	—	—	—	—	903	58	(20)
Subtotal		—	—		—	—		58	(25)
Total		**10,207**	**(7,294)**		**7,151**	**(11,534)**		**4,678**	**(7,690)**

Certain Information of Financial Assets and Liabilities Accounted for at Fair Value

The following tables set forth certain information of our financial assets and liabilities accounted for at fair value.

From December 31, 2008 to December 31, 2009

	Opening balance	Profit or loss from changes in fair value	Transfer to investment revaluation reserve from changes in fair value	Write-back/ (provision)	Closing balance
	(in millions of RMB)				
Non-derivative financial assets					
Financial assets held for trading	19,688	(433)	—	—	15,346
Financial assets designated as at fair value through profit or loss	20,329	263	—	—	96,830
Available-for-sale financial assets	800,205	—	6,182	4,427	730,382
Subtotal	840,222	(170)	6,182	4,427	842,558
Derivative financial assets	7,151	(2,473)	—	—	4,678
Total financial assets	847,373	(2,643)	6,182	4,427	847,236
Financial liabilities	(34,211)	5,731	—	—	(121,589)

From December 31, 2007 to December 31, 2008

	Opening balance	Profit or loss from changes in fair value	Transfer to investment revaluation reserve from changes in fair value	Write-back/ (provision)	Closing balance
	(in millions of RMB)				
Non-derivative financial assets					
Financial assets held for trading	8,340	495	—	—	19,688
Financial assets designated as at fair value through profit or loss	8,865	(697)	—	—	20,329
Available-for-sale financial assets	529,343	—	23,132	(10,062)	800,205
Subtotal	546,548	(202)	23,132	(10,062)	840,222
Derivative financial assets	10,207	(3,056)	—	—	7,151
Total financial assets	556,755	(3,258)	23,132	(10,062)	847,373
Financial liabilities	(17,782)	(5,390)	—	—	(34,211)

Certain Information of Financial Assets and Liabilities Denominated in Foreign Currencies

The following tables set forth certain information of the financial assets and liabilities denominated in foreign currencies.

From December 31, 2008 to December 31, 2009

	Opening balance	Profit or loss from changes in fair value	Transfer to investment revaluation reserve from changes in fair value	Write-back/ (provision)	Closing balance
	(in millions of RMB)				
Cash and balances with central banks	6,077	—	—	—	6,963
Deposits with banks and other financial institutions	56,538	—	—	—	41,814
Placements with banks and other financial institutions	24,437	—	—	(4)	29,844
Financial assets held for trading	—	—	—	—	—
Financial assets designated as at fair value through profit or loss	4,267	(7)	—	—	8,867
Derivative financial assets	5,757	(2,501)	—	—	3,257
Financial assets held under resale agreement	—	—	—	—	171
Loans to customers	77,299	—	—	(1,807)	151,259
Available-for-sale financial assets	108,009	—	116	4,429	50,499
Held-to-maturity investments	22,594	—	—	7	25,747
Debt securities classified as receivables	6	—	—	—	6
Other financial assets	1,091	—	—	—	1,753
Total financial assets	306,075	(2,508)	116	2,625	320,180
Total financial liabilities	(139,390)	6,842	—	—	(290,018)

From December 31, 2007 to December 31, 2008

	Opening balance	Profit or loss from changes in fair value	Transfer to investment revaluation reserve from changes in fair value	Write-back/ (provision)	Closing balance
			(in millions of RMB)		
Cash and balances with central banks	7,200	—	—	—	6,077
Deposits with banks and other financial institutions	8,656	—	—	—	56,538
Placements with banks and other financial institutions	38,912	—	—	(4)	24,437
Financial assets held for trading	—	—	—	—	—
Financial assets designated as at fair value through profit or loss	6,547	(541)	—	—	4,267
Derivative financial assets	7,326	(1,569)	—	—	5,757
Financial assets held under resale agreement	4,274	—	—	—	—
Loans to customers	85,054	—	—	(619)	77,299
Available-for-sale financial assets	77,909	—	(827)	(10,059)	108,009
Held-to-maturity investments	13,836	—	—	61	22,594
Debt securities classified as receivables	158	—	—	—	6
Other financial assets	1,625	—	—	—	1,091
Total financial assets	251,497	(2,110)	(827)	(10,621)	306,075
Total financial liabilities	(154,362)	(9,194)	—	—	(139,390)

CAPITAL EXPENDITURES

Our capital expenditures in 2009, 2008 and 2007 were primarily made for the construction and improvements of our branch outlets, purchases of ATMs, development of our information system and purchases of computers and other electronic equipment.

Our capital expenditures increased by 33.4% to RMB19.9 billion in 2009 compared to RMB14.9 billion in 2008, which in turn increased by 27.0% compared to RMB11.7 billion in 2007. At December 31, 2009, we had authorized capital commitments of RMB7.3 billion, of which RMB6.2 billion were contracted for, and RMB1.1 billion were authorized but not contracted for. The foregoing amounts and purposes may change depending on business conditions.

CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

In the application of our accounting policies described in Note IV of the Accountants' Report included in Appendix I to this prospectus, the management is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The following are the critical judgments and key estimation uncertainty that the management have made in the process of applying our accounting policies and that have the most significant effect on the amounts recognized in the Accountants' Report included in Appendix I to this prospectus.

Impairment Losses on Loans

Loan portfolios are assessed periodically to determine whether there is any objective evidence that impairment of a loan or portfolio of loans has occurred, and if it exists, the amount of impairment losses. A loan or portfolio of loans is impaired and impairment losses are incurred if, and only if, there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset and that event (or events) has an impact on the estimated future cash flows of the loan or portfolio of loans that can be reliably estimated.

Loans which are considered individually significant, consisting of all our corporate loans and discounted bills, are assessed individually for impairment. A corporate loan or discounted bill is impaired and impairment losses are incurred when there is objective evidence of impairment as a result of one or more of the following loss events that will affect the estimated future cash flows of such loans or discounted bills:

- adverse changes in the payment status of the borrower;
- significant financial difficulty of the obligor;
- a breach of contract, such as a default or delinquency in interest or principal payments;
- our granting to the borrower, for economic or legal reasons relating to the borrower's financial difficulty, a concession that we would not otherwise consider;
- the probability that the borrower will enter bankruptcy or other financial reorganization proceedings; or
- observable data indicating that there is a measurable decrease in the estimated future cash flow of the borrower's business operations.

The impairment loss for an impaired, individually significant loan is individually measured as the difference between the loan's carrying amount and the present value of the estimated future cash flows discounted at the loan's original effective interest rate. For loans secured by collateral, the present value of the estimated future cash flow reflects the cash flow that may result from foreclosure less the costs of foreclosing on and selling the collateral, whether or not foreclosure is probable. The carrying amount of the loan is reduced by the amount of the related allowance for impairment losses.

Corporate loans and discounted bills that exhibit no objective evidence of impairment on an individual basis and homogeneous groups of loans that are individually insignificant, i.e., retail loans, are assessed collectively for impairment. The estimated impairment loss for loans assessed collectively for impairment is based on the following considerations:

- the structure and risk characteristics of our loan portfolio (indicating the borrower's ability to repay all loans) and the expected loss of the individual components of the loan portfolio based primarily on our historical loss experience;
- the emergence period between a loss occurring and that loss being identified and evidenced by the establishment of an allowance against the loss on an individual loan; and

- management's judgment as to whether the current economic and credit conditions are such that the actual level of impairment losses is likely to be greater or less than that suggested by historical experience.

Portfolios of homogeneous loans are collectively assessed using roll rate or historical loss rate methodologies. The length of time for which loans are overdue represents the major observable objective evidence for impairment.

We set aside allowances based on the individually assessed or collectively assessed impairment losses, as the case may be.

We do not set aside separate allowance for impairments incurred but not yet identified for an individually significant loan (i.e., a corporate loan or discounted bill). Before objective evidence is identified for an individually significant loan, the loan is grouped with other loans with similar credit risk characteristics for purposes of calculating a collective impairment allowance. As soon as objective evidence of impairment is identified for an individually significant loan, the loan is removed from that group and is then individually assessed for impairment.

We have adopted one set of methodologies for the purpose of calculating our allowance for impairment losses. There is no difference between the amount of the allowance for impairment losses reported in our financial statements prepared in accordance with IFRS and the amount reported in our PRC GAAP financial statements.

Fair value of derivatives and other financial instruments

We use the valuation technique for financial instruments which are not quoted in an active market. Valuation techniques include the use of discounted cash flows analysis, option pricing models or other valuation methods as appropriate. To the extent practical, models use only observable data, however areas such as credit risk both ours and our counterparty's, volatilities and correlations require management to make estimates. Changes in assumptions about these factors could affect the reported fair value of financial instruments.

Held-to-maturity investments

We classify non-derivative financial assets with fixed or determinable payments and fixed maturity that our management has the positive intention and ability to hold to maturity as held-to-maturity investments. This classification requires significant judgment. In making this judgment, we evaluate our management's intention and ability to hold such investments to maturity. If we fail to hold these investments to maturity other than for specific circumstances (such as selling an insignificant amount close to maturity), the entire portfolio of assets will be reclassified as available-for-sale financial assets.

Impairment of held-to-maturity investments

The determination of whether a held-to-maturity financial asset is impaired requires judgment. Objective evidence that a financial asset or group of assets is impaired includes a breach of contract, such as, among other things, a default or delinquency in interest or principal payments or the disappearance of an active market for that financial asset because of significant financial difficulty of

the issuer. In making this judgment, the impact of objective evidence for impairment on expected future cash flow of the investment is taken into account.

Impairment of available-for-sale financial assets

The determination of whether an available-for-sale financial asset is impaired requires significant judgment. In making this judgment, we evaluate the duration and extent to which the fair value of an investment is less than its cost; and the financial health of and near-term business outlook for the investee, including factors such as industry and sector performance, credit ratings, delinquency rates and counterparty risk.

Taxes

There are certain transactions and activities for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcomes of these matters are different from the amounts that were initially estimated, such differences will impact the current income tax and deferred income tax for the period during which such a determination is made.

Employee early retirement benefits obligations

We recognize liabilities in connection with early retirement benefits of employees in domestic institutions using the projected unit credit actuarial cost method based on various assumptions, including the discount rate, average medical expense increase rate, costs of living adjustments for early retirements and other factors. Actual results may differ from the result of the projected amount. Any difference between the actual result or changes in assumptions may affect the amount of expense recognized in the consolidated statements of financial position and the corresponding liability.

Provision

We use judgment to assess whether we have a present legal or constructive obligation as a result of past events at each of the reporting periods, and judgment is used to determine if it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and to determine a reliable estimate of the amount of the obligation. When making the judgment, we considered risks and uncertainty attached to the event and time value.

INDEBTEDNESS

At April 30, 2010, we had the following indebtedness:

(a) subordinated bonds in an aggregate amount of RMB50 billion issued in May 2009, including (i) fixed rate subordinated bonds in an aggregate principal amount of RMB20 billion with a final maturity date of May 20, 2019, the interest rate on which is 3.3% for the first five years, to be stepped up to 6.3% if the bonds are not called by us at the fifth anniversary, (ii) fixed rate subordinated bonds in an aggregate principal amount of RMB25 billion with a final maturity date of May 20, 2024, the interest rate on which is 4.0% for the first ten years, to be stepped up to 7.0% if the bonds are not called by us at the tenth anniversary, and (iii) floating rate subordinated bonds in an aggregate principal amount of RMB5 billion with a final maturity date of May 20, 2019, the interest rate on which is the PBOC benchmark rate on one-year time deposit plus 0.6% for the first five

years, to be stepped up to such benchmark rate plus 3.6% if the bonds are not called by us at the fifth anniversary;

(b) certificates of deposit in an aggregate principal amount of RMB8,014 million;

(c) deposits and money market takings from customers and other banks and balances under repurchase agreements that arose from the normal course of our banking business carried out by us; and

(d) loan commitments, acceptances, letters of credit and letters of guarantee issued, other commitments and contingencies (including pending litigation) that arose from the normal course of banking business carried out by us.

Except as disclosed above, we did not have, at April 30, 2010, any outstanding mortgages, charges, debentures, other debt capital (issued or agreed to be issued), bank overdrafts, loans, liabilities under acceptance or other similar indebtedness, hire purchase and finance lease commitments or any guarantees or other material contingent liabilities.

Our directors have confirmed that there has not been any material change in the indebtedness or contingent liabilities of our company since April 30, 2010.

PROPERTY INTERESTS AND VALUATION OF PROPERTIES

For the purpose of the listing of our H shares on the Hong Kong Stock Exchange, our properties were valued at RMB126,662 million (including the commercial and reference value) at March 31, 2010 by Jones Lang LaSalle Sallmanns Limited. Details of the valuation are summarized in Appendix VI to this prospectus. In accordance with our accounting policies, all properties are stated at cost less accumulated depreciation. At December 31, 2009, the carrying value of our properties comprising land, buildings and construction in progress amounted to RMB120,711 million. Any net valuation surplus arising from the valuation of properties has not been included in the unaudited pro forma adjusted consolidated net tangible assets under "—Unaudited Pro Forma Adjusted Consolidated Net Tangible Assets."

RULES 13.13 TO 13.19 OF THE HONG KONG LISTING RULES

We confirm that there are no circumstances which will trigger disclosure requirements under Rule 13.13 to Rule 13.19 of the Listing Rules.

PROFIT FORECAST FOR THE YEAR ENDING DECEMBER 31, 2010

The statistics set forth in the table below do not give effect to the A Share Offering and are based on the assumption that (i) the Global Offering is completed and (ii) the over-allotment option for the Global Offering is not exercised.

Forecast consolidated net profit attributable to our shareholders[1]	Not less than RMB82.91 billion
Forecast earnings per share	
(a) pro forma basis[2]	RMB0.284 (HK$0.325)
(b) weighted average basis[3]	RMB0.298 (HK$0.341)

(1) The bases and assumptions on which the above profit forecast for the year ending December 31, 2010 has been prepared are set out in Appendix V to this prospectus.

(2) The calculation of the forecast earnings per share on a pro forma basis in accordance with Listing Rule 4.29(8) is based on our forecast consolidated net profit attributable to our shareholders for the year ending December 31, 2010, and an assumption that a weighted average number of shares issued and outstanding during the year ending December 31, 2010 would be 292,370,669,110. The weighted average number of shares, 292,370,669,110, is calculated on the basis that there were 260,000,000,000 shares issued and outstanding as of December 31, 2009, 10,000,000,000 shares were issued on April 22, 2010 upon the completion of the investment by the SSF and 25,411,765,000 H shares to be issued pursuant to the Global Offering had been issued and outstanding as of January 1, 2010.

(3) The calculation of the forecast earnings per share on a weighted average basis in accordance with International Accounting Standard 33 is based on the forecast consolidated net profit attributable to our shareholders for the year ending December 31, 2010 and an assumption that a weighted average number of shares issued and outstanding during the year ending December 31, 2010 would be 278,724,899,411. The weighted average number of shares, 278,724,899,411, is calculated on the basis that there were 260,000,000,000 shares issued and outstanding as of December 31, 2009, 10,000,000,000 shares were issued on April 22, 2010 upon the completion of the investment by the SSF and 25,411,765,000 H shares to be issued pursuant to the Global Offering will be issued on July 16, 2010.

The statistics set forth in the table below are based on the assumption that (i) both the A Share Offering and the Global Offering are completed and (ii) neither of the over-allotment options for the A Share Offering and the Global Offering is exercised.

Forecast consolidated net profit attributable to our shareholders[1]	Not less than RMB82.91 billion
Forecast earnings per share	
(a) pro forma basis[2]	RMB0.264 (HK$0.302)
(b) weighted average basis[3]	RMB0.287 (HK$0.329)

(1) The bases and assumptions on which the above profit forecast for the year ending December 31, 2010 has been prepared are set out in Appendix V to this prospectus.

(2) The calculation of the forecast earnings per share on a pro forma basis in accordance with Listing Rule 4.29(8) is based on the forecast consolidated net profit attributable to our shareholders for the year ending December 31, 2010, and an assumption that a weighted average number of shares issued and outstanding during the year ending December 31, 2010 would be 314,605,963,110. The weighted average number of shares, 314,605,963,110, is calculated on the basis that there were 260,000,000,000 shares issued and outstanding as of December 31, 2009, 10,000,000,000 shares were issued on April 22, 2010 upon the completion of the investment by the SSF and 22,235,294,000 A shares and 25,411,765,000 H shares to be issued pursuant to the A Share Offering and the Global Offering had been issued on January 1, 2010.

(3) The calculation of the forecast earnings per share on a weighted average basis in accordance with International Accounting Standard 33 is based on the forecast consolidated net profit attributable to our shareholders for the year ending December 31, 2010, and an assumption that a weighted average number of shares issued and outstanding during the year ending December 31, 2010 would be 289,081,063,740. The weighted average number of shares, 289,081,063,740, is calculated on the basis that there were 260,000,000,000 shares issued and outstanding as of December 31, 2009, 10,000,000,000 shares were issued on April 22, 2010 upon the completion of the investment by the SSF and 22,235,294,000 A shares and 25,411,765,000 H shares to be issued pursuant to the A Share Offering and the Global Offering will be issued on July 15, 2010 and July 16, 2010, respectively.

DIVIDEND POLICY

Our Board of Directors is responsible for submitting proposals (adopted by a two-thirds majority) in respect of dividend payments, if any, to the shareholders' general meeting for approval. The determination of whether to pay dividends and the amount of such dividends is based on our results of operations, cash flows, financial condition, capital adequacy ratios, future business prospects, statutory and regulatory restrictions on the payment of dividends by us and other factors that our Board

of Directors considers relevant. Under the PRC Company Law and our Articles of Association, all of our shareholders holding the same class of shares have equal rights to dividends and other distributions proportionate to their shareholding. Under PRC laws, we may only pay dividends out of our distributable profit. Our distributable profit represents the lowest of (i) our consolidated net profit attributable to our equity holders for a period plus the distributable profit or net of the accumulated losses, if any, at the beginning of such period as determined under PRC GAAP, (ii) the unconsolidated net profit of our Bank for the period plus distributable profit or net of accumulated losses, if any, at the beginning of such period, as determined under PRC GAAP, (iii) our consolidated net profit attributable to our equity holders for the period plus distributable profit or net of accumulated losses, if any, at the beginning of such period, as determined under IFRS, and (iv) the unconsolidated net profit of our Bank for the period plus distributable profit or net of accumulated losses, if any, at the beginning of such period, as determined under IFRS, less:

- appropriations we are required to make to the statutory surplus reserve, which is currently 10% of the unconsolidated net profit of our Bank as determined under PRC GAAP, until such reserve reaches an amount equal to 50% of our registered capital;
- a general reserve we are required to set aside; and
- appropriations to a discretionary surplus reserve as approved by the shareholders in an annual general meeting.

According to recent MOF regulations, we are required, in principle, to maintain a general reserve no less than 1% of the balance of our risk-bearing assets from our net profits after tax. This general reserve constitutes part of our reserves.

Any distributable profit that is not distributed in a given year is retained and available for distribution in subsequent years. However, ordinarily we do not pay any dividends in a year in which we do not have any distributable profit in respect of that year. The payment of any dividends by us must also be approved at a shareholders' general meeting. We are prohibited from making any profit distributions to our shareholders before recovering our accumulated losses and making appropriations to the statutory surplus reserve and the general reserve. If we make any profit distributions in violation of these rules, our shareholders are required to return the amounts they received in such profit distributions to us.

The CBRC has the discretionary authority to prohibit any bank that has a capital adequacy ratio below 8% or a core capital adequacy ratio below 4%, or has violated certain other PRC banking regulations, from paying dividends and making other forms of distributions. See "Supervision and Regulation—PRC Banking Supervision and Regulation—Supervision Over Capital Adequacy—CBRC Supervision of Capital Adequacy" and "Supervision and Regulation—PRC Banking Supervision and Regulation—Principal Regulators—CBRC." At December 31, 2009, we had a capital adequacy ratio of 10.07% and a core capital adequacy ratio of 7.74%.

At our annual general meeting of shareholders on June 17, 2009, our shareholders approved that no dividend distribution be made in respect of the year 2008.

We have been making appropriations to the general reserve out of our Bank's net profit since 2008 to meet the MOF's regulatory requirements. At December 31, 2009, the balance of our general reserve amounted to RMB10,772 million. On April 21, 2010, our shareholders at an extraordinary general meeting adopted a resolution to distribute our net profit for the year ended December 31, 2009

and proposals on profit distributions before and after our proposed initial public offering. Pursuant to this profit distribution plan, we made an appropriation of RMB38,386 million to the general reserve. After giving effect to the above profit distribution plan, the balance of our general reserve would be RMB49,158 million at December 31, 2009. For the six months ended June 30, 2010, we will allocate 20% of the unconsolidated net profit of our Bank, as determined under the PRC GAAP, to our general reserve. If, at the end of June 2010, there is still any shortfall in our general reserve, we will allocate sufficient funds to the general reserve before we distribute our profit in respect of the year of 2010.

Pursuant to the above resolution, we also made appropriations of RMB6,489 million to the statutory surplus reserve (which was included in the balance of our surplus reserve at December 31, 2009), representing 10% of the audited unconsolidated net profit of our Bank in accordance with PRC GAAP, and a cash dividend to the MOF and Huijin in the aggregate amount of RMB20 billion. In proportion to their shareholdings in us, each of the MOF and Huijin is entitled to a cash dividend of RMB10 billion.

At the same general meeting, our shareholders also adopted the following proposals on dividend distributions and policies before and after our proposed initial public offering:

- in respect of the six months ended June 30, 2010, the declaration of a cash dividend (the "Special Dividend") to shareholders on our register of members as of June 30, 2010 in an amount equal to the sum of (i) our audited net profit for the six months ended June 30, 2010, after the required appropriations for a statutory surplus reserve and a general reserve that amounts to 10% and 20%, respectively, of the unconsolidated net profit of our Bank for the six months ended June 30, 2010 as determined under PRC GAAP, and (ii) any undistributed profits from previous years, represented by the retained earnings of our Bank at December 31, 2009 as shown on its audited unconsolidated financial statements in an amount of RMB58.4 billion, net of the RMB20 billion cash dividend to the MOF and Huijin and the appropriation of RMB38.4 billion to the general reserve. The amount of our audited net profit referred to in (i) above represents the lowest amount among the consolidated net profit attributable to our equity holders and the unconsolidated net profit of our Bank for the six months ended June 30, 2010, in accordance with PRC GAAP and IFRS, respectively, as determined following an audit (the "Special Audit") of our net profit for the six months ended June 30, 2010. If there are any changes in our shareholding structure during the six months ended June 30, 2010, the dividend allocated to each new shareholder will be calculated based on the actual number of days such shareholder has held our shares starting from the date of completion of relevant the share purchase transaction. The Board of Directors is authorized by our shareholders to arrange the distribution of the Special Dividend; and
- in respect of the period from July 1, 2010 to December 31, 2010, subject to the applicable PRC laws on dividend distributions as summarized above (including the requirement of appropriation to the general reserve), the declaration of a cash dividend to eligible shareholders as of the record date for the dividend distributions in respect of the second half of 2010 in an amount equal to 35% to 50% of our audited net profit for the year ending December 31, 2010 after the deduction of our net profit for the six months ended June 30, 2010 (in accordance with PRC GAAP or IFRS and based on the consolidated net profit attributable to our equity holders or the unconsolidated net profit of our Bank, whichever is the lowest).

Pursuant to the applicable requirements of the Hong Kong Stock Exchange, we will only declare and pay the Special Dividend after the completion of the Special Audit, following which we will publish an announcement of the actual amount of the Special Dividend. Our directors consider our cash resources are sufficient to cover the full payment of the Special Dividend.

In respect of each of the years ending December 31, 2011 and 2012, our Board of Directors currently contemplates a dividend distribution of 35% to 50% of our audited net profit (in accordance with PRC GAAP or IFRS and based on the consolidated net profit attributable to our equity holders or the unconsolidated net profit of our Bank, whichever is the lowest) for the relevant year, subject to the applicable PRC laws on dividend distributions as summarized above.

UNAUDITED PRO FORMA ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS

The following statement of our unaudited pro forma adjusted consolidated net tangible assets is prepared based on our unaudited consolidated net tangible assets at March 31, 2010, as shown in the Unaudited Interim Financial Information, the text of which is set forth in Appendix II to this prospectus, adjusted as described below.

The statement of unaudited pro forma adjusted consolidated net tangible assets has been prepared to show the effect on our unaudited consolidated net tangible assets at March 31, 2010 as if the Global Offering had occurred on March 31, 2010. The unaudited pro forma adjusted consolidated net tangible assets per share is calculated in accordance with Listing Rules 4.29.

The statistics in the table below do not give effect to the annual dividend for the year ended December 31, 2009 and the Special Dividend. At an extraordinary general meeting of shareholders on April 21, 2010, our shareholders approved an annual dividend of RMB20 billion for the year ended December 31, 2009 to be paid to our existing shareholders. At the same meeting, our shareholders also approved the resolution of the Special Dividend. The amount of the Special Dividend will be determined upon the conclusion of the Special Audit. We will publicly announce the effect of the Special Dividend on the unaudited pro forma adjusted consolidated net tangible assets per share as of March 31, 2010 as soon as practicable upon conclusion of the Special Audit and determination of the amount of the Special Dividend. For further details relating to the Special Dividend and arrangements relating to the Special Audit, see "—Dividend Policy."

The statement of the unaudited pro forma adjusted consolidated net tangible assets of our bank has been prepared for illustrative purposes only and, as a result, may not be an accurate reflection of our financial position.

	Unaudited consolidated net tangible assets at March 31, 2010[1]	Estimated net proceeds from the Global Offering[2]	Unaudited pro forma adjusted consolidated net tangible assets[3][5]	Unaudited pro forma adjusted consolidated net tangible assets per share[4]	
	(in millions of RMB)			(RMB)	(HK$)[6]
Based on the Offer Price of HK$2.88 per Offer Share	368,663	62,881	431,544	1.512	1.732
Based on the Offer Price of HK$3.48 per Offer Share	368,663	75,921	444,584	1.558	1.785

(1) The consolidated net tangible assets attributable to our shareholders as of March 31, 2010 is compiled based on the Unaudited Interim Financial Information set out in Appendix II to the prospectus, which is based on the unaudited consolidated net assets at March 31, 2010 of RMB370,154 million with an adjustment for intangible assets of RMB1,491 million at March 31, 2010.

(2) The estimated net proceeds from the Global Offering are based on the Offer Price of HK$2.88 per share and HK$3.48 per share, after deduction of the underwriting fees and other related expenses payable by us and takes no account of any shares which may be issued upon the exercise of the over-allotment option for the Global Offering.

(3) The unaudited pro forma adjusted consolidated net tangible assets do not take into account the effect of the net profit for the period from and including April 1, 2010 to the date immediately preceding the date of the Global Offering and the distribution of such net profit to our shareholders.

(4) The unaudited pro forma adjusted consolidated net tangible assets per share is arrived at after the adjustments referred to in note (2) above and on the basis that 285,411,765,000 shares are issued and outstanding following the completion of the Global Offering and that the over-allotment option for the Global Offering is not exercised, without giving effect to the subscription of 10,000,000,000 shares by the SSF on April 22, 2010. If the over-allotment option for the Global Offering is exercised, the unaudited pro forma adjusted consolidated net tangible assets per share would increase. Had effect been given to the A Share Offering in this calculation, the unaudited pro forma adjusted consolidated net tangible assets per share would have been HK$1.813 or RMB1.582 based on the Offer Prices of HK$2.88 per H share and RMB2.52 per A share and HK$1.874 or RMB1.636 based on the Offer Prices of HK$3.48 per H share and RMB2.68 per A share. This calculation is based on the assumption that there were 22,235,294,000 newly issued A shares in the A Share Offering (assuming the over-allotment option for the A Share Offering is not exercised) and the resulting net proceeds (after deduction of the estimated underwriting fees and other related expenses payable by us) of RMB55.25 billion (based on the Offer Price of RMB2.52 per A share) and RMB58.76 billion (based on the Offer Price of RMB2.68 per A share) from the A Share Offering.

(5) Details of the valuation of the Group's properties at March 31, 2010 are set out in Appendix VI to this prospectus. The unaudited carrying value of the Group's properties at March 31, 2010 was not substantially different from the valuation of the Group's properties as included in Appendix VI to this prospectus.

(6) The translation of Renminbi into Hong Kong dollars has been made at the rate of RMB0.8729 to HK$1.00, the exchange rate set by the PBOC prevailing at June 25, 2010. No representation is made that the Hong Kong dollar amounts have been, could have been or could be converted to Renminbi, or vice versa, at that rate, or at any other rate or at all.

NO MATERIAL ADVERSE CHANGE

Our directors confirm that there has been no material adverse change in our financial or trading position since December 31, 2009.

WORKING CAPITAL

Rule 8.21A(1) and Paragraph 36 of part A of Appendix 1A of the Hong Kong Listing Rules require this prospectus to include a statement by our directors that, in their opinion, the working capital available to our Company is sufficient for at least 12 months from the publication of this prospectus or, if not, how it is proposed to provide the additional working capital our directors consider to be necessary. We are of the view that the traditional concept of "working capital" does not apply to banking businesses such as ours. We are regulated in the PRC by, among others, the PBOC and the CBRC. These regulatory authorities impose minimum capital adequacy and liquidity requirements on commercial banks operating in the PRC. Rule 8.21A(2) of the Listing Rules provides that such a

working capital statement will not be required to be made by an issuer whose business is entirely or substantially that of the provision of financial services, provided that the Hong Kong Stock Exchange is satisfied that the inclusion of such a statement would not provide significant information for investors and the issuer's solvency and capital adequacy are subject to prudential supervision by another regulatory body. In view of the above, pursuant to Rule 8.21A(2) of the Hong Kong Listing Rules, we are not required to include a working capital statement from the directors in this prospectus.

The following discussion and analysis should be read in conjunction with our unaudited consolidated financial statements, together with accompanying notes, included in Appendix II to this prospectus. Our unaudited consolidated financial statements have been prepared in accordance with IFRS. Our historical results of operations and financial condition at and for the three months ended March 31, 2010 do not necessarily indicate our results of operations or financial condition expected for any future periods, nor do they necessarily represent our expected annual results of operations or year-end financial condition.

Results of Operations for the Three Months Ended March 31, 2010 Compared to the Three Months Ended March 31, 2009

The following table sets forth, for the periods indicated, our condensed consolidated results of operations.

	For the three months ended March 31,	
	2009	2010
	(in millions of RMB) (unaudited)	
Interest income	69,804	81,220
Interest expense	(28,369)	(27,672)
Net interest income	41,435	53,548
Net fee and commission income	9,040	10,857
Other net income[1]	1,610	1,930
Operating income	52,085	66,335
Operating expenses[2]	(20,715)	(26,047)
Provisions for impairment losses	(7,077)	(8,500)
Profit before tax	24,293	31,788
Income tax expense	(6,259)	(6,809)
Net profit	**18,034**	**24,979**

(1) Consists primarily of net trading gain/(loss), net gain/(loss) on financial instruments designated as at fair value through profit or loss, net gain/(loss) on investment securities and other operating income/(expense).

(2) Consists primarily of staff costs, general operating and administrative expenses, depreciation and amortization and business tax and surcharges.

Our net profit increased by 38.5% to RMB25.0 billion for the three months ended March 31, 2010 compared to RMB18.0 billion for the three months ended March 31, 2009, primarily due to increases in net interest income and net fee and commission income, which were partially offset by increases in operating expenses and provisions for impairment losses.

Net Interest Income

Our net interest income increased by 29.2% to RMB53.5 billion for the three months ended March 31, 2010 compared to RMB41.4 billion for the three months ended March 31, 2009, primarily due to an increase in interest income and a decrease in interest expense. Net interest income is the largest component of our operating income, representing 80.7% and 79.6% of our operating income for the three months ended March 31, 2010 and 2009, respectively.

The following table sets forth, for the periods indicated, our interest income, interest expense and net interest income.

	For the three months ended March 31,	
	2009	2010
	(in millions of RMB) (unaudited)	
Interest income	69,804	81,220
Interest expense	(28,369)	(27,672)
Net interest income	**41,435**	**53,548**

The table below sets forth, for the periods indicated, the average balances of our assets and liabilities and the related interest income or expense and average yields (for assets) or average costs (for liabilities). The average balances of interest-earning assets and interest-bearing liabilities are the average of the daily balances. The average balances of non-interest-earning assets, non-interest-bearing liabilities and the allowance for impairment losses are the average of the balances at January 1 and March 31 for the three months ended March 31, 2010 and 2009, respectively.

	For the three months ended March 31,					
	2009			2010		
	Average Balance	Interest Income	Average Yield[1]	Average Balance	Interest Income	Average Yield[1]
	(in millions of RMB, except percentages) (unaudited)					
Assets						
Loans to customers, total	3,237,107	46,356	5.73%	4,296,461	54,631	5.09%
Debt securities investments[2]	2,319,123	18,468	3.19	2,558,051	18,746	2.93
Non-restructuring-related debt securities	1,563,144	12,565	3.22	1,841,535	13,140	2.85
Restructuring-related debt securities[3]	755,979	5,903	3.12	716,516	5,606	3.13
Balances with central banks[4]	1,199,032	3,836	1.28	1,484,055	5,807	1.57
Amounts due from banks and other financial institutions[5]	449,899	1,144	1.02	504,318	2,036	1.61
Total interest-earning assets	**7,205,161**	**69,804**	**3.88%**	**8,842,885**	**81,220**	**3.67%**
Allowance for impairment losses	(88,415)			(131,072)		
Non-interest-earning assets[6]	299,258			424,241		
Total Assets	**7,416,004**			**9,136,054**		

	For the three months ended March 31,					
	2009			2010		
	Average Balance	Interest Expense	Average Cost[1]	Average Balance	Interest Expense	Average Cost[1]
	(in millions of RMB, except percentages) (unaudited)					
Liabilities						
Deposits from customers	6,394,073	26,859	1.68%	7,724,763	24,489	1.27%
Amounts due to banks and other financial institutions[7]	423,835	1,469	1.39	646,363	2,718	1.68
Other interest-bearing liabilities[8]	4,824	41	3.40	56,984	465	3.26
Total interest-bearing liabilities	**6,822,732**	**28,369**	**1.66%**	**8,428,110**	**27,672**	**1.31%**
Non-interest-bearing liabilities[9]	263,931			349,943		
Total liabilities	**7,086,663**			**8,778,053**		
Net interest income		**41,435**			**53,548**	
Net interest spread[10]		**2.22%**			**2.36%**	
Net interest margin[11]		**2.30%**			**2.42%**	

(1) Calculated on an annualized basis.
(2) Consists of debt securities at fair value through profit or loss, available-for-sale debt securities, held-to-maturity debt securities and debt securities classified as receivables.
(3) Consists of the MOF receivable and the special PRC government bond.
(4) Consists primarily of statutory deposit reserves and surplus deposit reserves.
(5) Consists primarily of deposits and placements with banks and other financial institutions and financial assets held under resale agreements.
(6) Consists primarily of cash, property and equipment, interest receivable, deferred tax assets and other assets.
(7) Consists primarily of deposits and placements from banks and other financial institutions and financial assets sold under repurchase agreements.
(8) Consists of certificates of deposit issued and subordinated bonds issued.
(9) Consists primarily of interest payables, accrued staff costs, tax liabilities and other liabilities.
(10) Calculated as the difference between the average yield on total interest-earning assets and the average cost of total interest-bearing liabilities.
(11) Calculated by dividing net interest income by the average balance of total interest-earning assets.

Interest Income

Our interest income increased by 16.4% to RMB81.2 billion for the three months ended March 31, 2010 compared to RMB69.8 billion for the three months ended March 31, 2009, primarily due to increases in interest income from loans to customers.

Interest Income from Loans to Customers

Interest income from loans to customers increased by 17.9% to RMB54.6 billion for the three months ended March 31, 2010 compared to RMB46.4 billion for the same period of 2009, primarily due to an increase in the average balance, which was partially offset by a decrease in the average yield. The annualized average yield decreased to 5.09% for the three months ended March 31, 2010 compared to 5.73% for the same period of 2009, primarily because a significant portion of our existing loans were repriced after the first quarter of 2009 at lowered interest rates as a result of the consecutive decreases in the PBOC benchmark rates in the second half of 2008. The increase in the average balance was primarily attributable to the growth of our corporate and retail loan portfolio as a result of our increased lending following the first quarter of 2009.

Interest income from corporate loans increased by 11.8% to RMB41.9 billion for the three months ended March 31, 2010 compared to RMB37.5 billion for the same period of 2009. Interest

income from retail loans increased by 70.3% to RMB11.0 billion for the three months ended March 31, 2010 compared to RMB6.4 billion for the same period of 2009. Interest income from corporate loans and retail loans were primarily due to increases in the average balances of corporate and retail loans, partially offset by decreases in the average yields on these loans.

Interest income from discounted bills decreased by 29.8% to RMB1.6 billion for the three months ended March 31, 2010 compared to RMB2.3 billion for the same period of 2009, primarily due to the decreases in both the average balance and the average yield. The decrease in the average balance resulted primarily from our adjustments to our loan mix to increase the allocation of funds to other higher-yielding assets. The decrease in the average yield reflected the cumulative effect of the decreased market interest rates on discounted bills.

Interest income from loans to customers of our overseas and other operations increased by 11.6% to RMB154 million for the three months ended March 31, 2010 compared to RMB138 million for the same period of 2009, primarily due to an increase in the average balance, partially offset by a decrease in the average yield.

Interest Income from Debt Securities Investments

Interest income from debt securities investments increased slightly by 1.5% to RMB18.7 billion for the three months ended March 31, 2010 compared to RMB18.5 billion for the same period of 2009, primarily due to an increase in the average balance, which was largely offset by a decrease in the average yield. The increase in the average balance was primarily due to our increased investments in debt securities, primarily the PRC government bonds and PBOC bills, based on our assessment of the macroeconomic and market conditions. The decrease in the average yield was primarily due to (i) the lower coupon rates on newly-acquired debt securities and the decreases in the applicable interest rates on the floating rate instruments as a result of the increased liquidity in the market, and (ii) our continued focus on investing in debt securities with short durations when the market interest rates were at a relatively low level to reduce potential interest risk when interest rates are rising.

Interest Income from Other Interest-earning Assets

Interest income from balances with central banks increased by 51.4% to RMB5.8 billion for the three months ended March 31, 2010 compared to RMB3.8 billion for the same period of 2009, primarily due to increases in both the average balance and the average yield. The increase in the average balance was primarily due to an increase in our deposits from customers and the increases in the statutory deposit reserve ratios in the first quarter of 2010. The increase in the average yield was primarily due to the increased proportion of statutory deposit reserves, which bear higher interest rates than surplus deposit reserves, in our total balances with central banks.

Interest income from amounts due from banks and other financial institutions increased by 78.0% to RMB2.0 billion for the three months ended March 31, 2010 compared to RMB1.1 billion for the same period of 2009, primarily due to increases in both the average balance and the average yield. The increase in the average balance was primarily due to the increases in financial assets held under resale agreements and placements with banks and other financial institutions. The increase in the average yield was primarily due to an increase in the money market interest rates in the first quarter of 2010 compared to the same period of 2009.

Interest Expense

Our interest expense decreased by 2.5% to RMB27.7 billion for the three months ended March 31, 2010 compared to RMB28.4 billion for the three months ended March 31, 2009, primarily due to a decrease in interest expense on deposits from customers.

Interest Expense on Deposits from Customers

Interest expense on deposits from customers decreased by 8.8% to RMB24.5 billion for the three months ended March 31, 2010 compared to RMB26.9 billion for the same period of 2009, primarily due to a decrease in the average cost, which was partially offset by an increase in the average balance. The annualized average cost on deposits from customers decreased to 1.27% for the three months ended March 31, 2010 compared to 1.68% for the same period of 2009, primarily because a portion of our existing customer deposits were repriced after the first quarter of 2009 at lowered interest rates as a result of the consecutive decreases in the PBOC benchmark rates in the fourth quarter of 2008. The increase in the average balance of deposits from customers resulted primarily from our continued marketing efforts leveraging our branch network and customer base.

Interest Expense on Amounts Due to Banks and Other Financial Institutions

Interest expense on amounts due to banks and other financial institutions increased by 85.0% to RMB2.7 billion for the three months ended March 31, 2010 compared to RMB1.5 billion for the same period of 2009, primarily due to an increase in the average balance, accompanied by an increase in the average cost. The increase in the average balance was primarily due to increases in deposits from banks and financial institutions as well as financial assets sold under repurchase agreements. The increase in the average cost was primarily due to an increase in the money market interest rates in the first quarter of 2010 compared to the same period of 2009.

Interest Expense on Other Interest-bearing Liabilities

Interest expense on other interest-bearing liabilities increased significantly to RMB465 million for the three months ended March 31, 2010 compared to RMB41 million for the same period of 2009, primarily attributable to the interest expense on the subordinated bonds with an aggregate nominal value of RMB50 billion we issued in May 2009.

Net Interest Spread and Net Interest Margin

As a result of the above, our annualized net interest spread increased to 2.36% for the three months ended March 31, 2010 compared to 2.22% for the three months ended March 31, 2009. Our annualized net interest margin increased to 2.42% for three months ended March 31, 2010 compared to 2.30% for the same period of 2009.

Net Fee and Commission Income

Our net fee and commission income increased by 20.1% to RMB10.9 billion for the three months ended March 31, 2010 compared to RMB9.0 billion for the same period of 2009. Excluding the net commissions from our agency services for the MOF in connection with the disposals of non-performing assets, which amounted to RMB548 million for the three months ended March 31, 2010 compared to RMB2,198 million for the same period of 2009, our net fee and commission income

would have increased by 50.7% to RMB10.3 billion for the three months ended March 31, 2010 compared to RMB6.8 billion for the same period of 2009. The increase in our net fee and commission income was primarily due to increases in consultancy and advisory fees, settlement and clearing fees, bank card fees and electronic banking service fees as a result of our continued efforts to grow our fee- and commission-based business.

Other Net Income

Other net income increased by 19.9% to RMB1.9 billion for the three months ended March 31, 2010 compared to RMB1.6 billion for the same period of 2009, primarily due to a net gain on financial instruments designated as at fair value through profit or loss, which was partially offset by decreases in net trading gain, other net operating income and net gain on investment securities.

We recorded a net gain of RMB551 million on financial instruments designated as at fair value through profit or loss for the three months ended March 31, 2010 compared to a net loss of RMB249 million for the same period of 2009, primarily reflecting the increases in the fair value of these financial instruments as a result of an improvement in the market condition.

Operating Expenses

The following table sets forth, for the periods indicated, the principal components of our total operating expenses.

	For the three months ended March 31,	
	2009	2010
	(in millions of RMB) (unaudited)	
Staff costs	10,949	13,803
General operating and administrative expenses	4,079	5,822
Business tax and surcharges	2,981	3,638
Depreciation and amortization	2,616	2,769
Others[1]	90	15
Total operating expenses	**20,715**	**26,047**

(1) Consists primarily of expense incurred from disposal of property and equipment and provisions for litigation.

Our operating expenses increased by 25.7% to RMB26.0 billion for the three months ended March 31, 2010 compared to RMB20.7 billion for the same period of 2009, primarily attributable to an increase of RMB2.9 billion in staff costs and an increase of RMB1.7 billion in general operating and administrative expenses, reflecting the overall growth of our business.

Provisions for Impairment Losses

The following table sets forth, for the periods indicated, the principal components of our impairment losses on assets.

	For the three months ended March 31,	
	2009	2010
	(in millions of RMB) (unaudited)	
Provisions for/(releases from) impairment losses on:		
Loans to customers	6,700	8,624
Investment Securities	392	(49)
Property and equipment	—	2
Other assets[1]	(15)	(77)
Total	**7,077**	**8,500**

(1) Consists primarily of provisions for/(releases from) impairment losses on amounts due from banks and other financial institutions.

Provisions for impairment losses increased by 20.1% to RMB8.5 billion for the three months ended March 31, 2010 compared to RMB7.1 billion for the same period of 2009, primarily attributable to an increase in provisions for loan impairment losses as a result of the overall growth of our corporate and retail loan portfolio and our continued implementation of a conservative approach to provisioning given the macroeconomic conditions continued to present uncertainties.

Income Tax

We recorded a tax expense of RMB6.8 billion for the three months ended March 31, 2010 compared to RMB6.3 billion for the same period of 2009, primarily due to an increase in our taxable income. Our effective tax rate was 21.42%, lower than the statutory tax rate of 25%, for the three months ended March 31, 2010, primarily attributable to non-taxable interest income on PRC government bonds.

Net Profit

Primarily as a result of all the foregoing factors, our net profit increased by 38.5% to RMB25.0 billion for the three months ended March 31, 2010 compared to RMB18.0 billion for the same period of 2009.

Shareholders' Equity

The following table sets forth, for the three months ended March 31, 2010, the components of the changes in our total equity attributable to shareholders.

	Shareholders' equity
	(in millions of RMB) (unaudited)
At December 31, 2009	**342,925**
Profit for the period	24,979
Other comprehensive income	2,365
Contribution from non-controlling shareholders	10
At March 31, 2010	**370,279**

Our total shareholders' equity increased to RMB370.3 billion at March 31, 2010 from RMB342.9 billion at December 31, 2009, primarily due to (i) our net profit of RMB25.0 billion for the three months ended March 31, 2010, and (ii) other comprehensive income of RMB2.4 billion recognized for the three months ended March 31, 2010 as a result of the increases in the fair value of our available-for-sale investment securities.

Assets and Liabilities at March 31, 2010

At March 31, 2010, our total assets amounted to RMB9,499.5 billion, a 6.9% increase from RMB8,882.6 billion at December 31, 2009, primarily due to increases in loans to customers as well as cash and balances with central banks. The following table sets forth, at the dates indicated, the components of our total assets.

	At December 31, 2009		At March 31, 2010	
	Amount	% of Total	Amount	% of Total
	(in millions of RMB, except percentages) (unaudited)			
Gross loans to customers	4,138,187		4,451,795	
Allowance for impairment losses	(126,692)		(135,008)	
Loans to customers, net	4,011,495	45.2%	4,316,787	45.4%
Investment securities and other financial assets, net[1]	2,616,672	29.5	2,678,043	28.2
Cash and balances with central banks	1,517,806	17.1	1,679,042	17.7
Deposits with banks and other financial institutions, net	61,693	0.7	67,902	0.7
Placements with banks and other financial institutions, net[2]	49,435	0.6	84,443	0.9
Financial assets held under resale agreements	421,093	4.7	456,796	4.8
Other assets[3]	204,394	2.2	216,474	2.3
Total assets	**8,882,588**	**100.0%**	**9,499,487**	**100.0%**

(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 RMB217 million and RMB210 million at March 31, 2010 and December 31, 2009, respectively.

(2) Placements with banks and other financial institutions are net of the related allowance for impairment losses of nil and RMB16 million at March 31, 2010 and December 31, 2009, respectively.

(3) Consists of property and equipment, deferred tax assets, derivative financial assets, interest in an associate, intangible assets and other assets.

Loans to Customers

Our gross loans to customers increased by 7.6% to RMB4,451.8 billion at March 31, 2010 from RMB4,138.2 billion at December 31, 2009, primarily due to increased customer demand for bank financing, reflecting the effect of the PRC's macroeconomic policies.

The following table sets forth, at the dates indicated, our loans to customers by business line.

	At December 31, 2009		At March 31, 2010	
	Amount	% of Total	Amount	% of Total
	(in millions of RMB, except percentages) (unaudited)			
Domestic				
Corporate loans	2,968,691	71.7%	3,319,463	74.5%
Retail loans	789,342	19.1	920,088	20.7
Discounted bills	352,230	8.5	177,857	4.0
Overseas and other operations(1)	27,924	0.7	34,387	0.8
Total loans to customers	**4,138,187**	**100.0%**	**4,451,795**	**100.0%**

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

Our corporate and retail loans increased by 11.8% and 16.6% to RMB3,319.5 billion and RMB920.1 billion, respectively, at March 31, 2010 from RMB2,968.7 billion and RMB789.3 billion, respectively, at December 31, 2009, while our discounted bills decreased by 49.5% to RMB177.9 billion at March 31, 2010 from RMB352.2 billion at December 31, 2009. As a percentage of our total loans to customers, corporate and retail loans increased to 74.5% and 20.7%, respectively, at March 31, 2010 from 71.7% and 19.1%, respectively, at December 31, 2009, while discounted bills decreased to 4.0% at March 31, 2010 from 8.5% at December 31, 2009, primarily as a result of our efforts to refine the mix of our assets to increase our allocation of funds to relatively high-yielding assets, including corporate and retail loans.

Asset Quality of Our Loan Portfolio

The following tables set forth, at the dates indicated, the distribution of our loan portfolio by the five-category loan classification.

	At December 31, 2009		At March 31, 2010	
	Amount	% of Total	Amount	% of Total
	(in millions of RMB, except percentages) (unaudited)			
Normal	3,693,136	89.24%	4,035,118	90.64%
Special mention	324,810	7.85	307,134	6.90
Substandard	52,575	1.27	43,448	0.98
Doubtful	62,895	1.52	60,767	1.36
Loss	4,771	0.12	5,328	0.12
Total loans to customers	**4,138,187**	**100.00%**	**4,451,795**	**100.00%**
Non-performing loan ratio(1)		**2.91%**		**2.46%**

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

The non-performing loan ratio for our total loan portfolio decreased to 2.46% at March 31, 2010 from 2.91% at December 31, 2009. The balance of our non-performing loans decreased by 8.9% to RMB109.5 billion at March 31, 2010 from RMB120.2 billion at December 31, 2009. The decreases in both the balance of our non-performing loans and our non-performing loan ratio were primarily due to (i) the overall growth of our loan portfolio, (ii) our increased collection efforts, and (iii) our continued efforts to strengthen our credit policies and procedures.

The following table sets forth, for the period indicated, the changes in the outstanding balance of our non-performing loans in our domestic loan portfolio which amounted for substantially all of our total non-performing loans.

	Amount	NPL ratio
	(in millions of RMB, except percentages) (unaudited)	
At December 31, 2009	**119,923**	**2.92%**
Downgrades[1]	3,114	
Upgrades	(2,960)	
Recoveries	(10,841)	
Write-offs	(7)	
At March 31, 2010	**109,229**	**2.47%**

(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.

Allowance for Impairment Losses on Loans to Customers

Our allowance for impairment losses on loans to customers increased by 6.6% to RMB135.0 billion at March 31, 2010 from RMB126.7 billion at December 31, 2009, primarily due to the overall growth of our loan portfolio in this period and our continued implementation of a conservative approach to provisioning given that the macroeconomic conditions continued to present uncertainties.

The coverage ratio of our total allowance for impairment losses to total non-performing loans increased to 123.25% at March 31, 2010 from 105.37% at December 31, 2009.

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

	At and for the three months ended March 31,
	(in millions of RMB) (unaudited)
At December 31, 2009	**126,692**
Charge for the year[1]	8,624
Write-offs	(7)
Recoveries of loans written-off in previous years	5
Unwinding of discount[2]	(367)
Other reversals	66
Exchange differences	(5)
At March 31, 2010	**135,008**

(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.

Investment Securities and Other Financial Assets

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

	At December 31, 2009		At March 31, 2010	
	Amount	% of Total	Amount	% of Total
	(in millions of RMB, except percentages) (unaudited)			
Debt Securities[1]				
Restructuring-related debt securities[2]	728,839	27.8%	699,858	26.1%
Non-restructuring-related debt securities	1,833,221	70.1	1,909,251	71.3
Subtotal	2,562,060	97.9	2,609,109	97.4
Equity instruments	487	0.0	534	0.0
Others[3]	54,125	2.1	68,400	2.6
Total investments securities and other financial assets	**2,616,672**	**100.0%**	**2,678,043**	**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 investment securities and other financial assets increased by 2.3% to RMB2,678.0 billion at March 31, 2010 from RMB2,616.7 billion at December 31, 2009, primarily attributable to increases in our non-restructuring-related debt securities, in particular PRC government bonds and PBOC bills, reflecting an increase in our general funding from customer deposits. These increases were partially offset by a decrease of RMB29.0 billion in our restructuring-related debt securities as a result of the repayment by the MOF of a portion of the MOF receivable which was issued to us in connection with our financial restructuring.

Other Components of Our Assets

At March 31, 2010, our cash and balances with central banks amounted to RMB1,679.0 billion, an increase of 10.6% from RMB1,517.8 billion at December 31, 2009, primarily attributable to an increase in statutory deposit reserves as a result of the increased deposits from customers and the increases in the statutory deposit reserve ratios by the PBOC in the first quarter of 2010.

Placements with banks and other financial institutions, net of the allowance for impairment losses, increased by 70.8% to RMB84.4 billion at March 31, 2010 from RMB49.4 billion at December 31, 2009, primarily due to increases in placements with overseas and domestic banks and other domestic financial institutions when the market interest rates were rising. Financial assets held under resale agreements increased by 8.5% to RMB456.8 billion at March 31, 2010 from RMB421.1 billion at December 31, 2009, primarily attributable to an increase in discounted bills held under resale agreements. The increases in placements with banks and other financial institutions and financial assets held under resale agreements primarily reflected an overall increase in our funding and our efforts to seek higher returns.

Liabilities and Sources of Funds

At March 31, 2010, our total liabilities amounted to RMB9,129.2 billion, an increase of 6.9% from RMB8,539.7 billion at December 31, 2009. The following table sets forth, at the dates indicated, the components of our total liabilities.

	At December 31, 2009		At March 31, 2010	
	Amount	% of Total	Amount	% of Total
	(in millions of RMB, except percentages) (unaudited)			
Deposits from customers	7,497,618	87.8%	8,100,382	88.7%
Deposits from banks and other financial institutions	573,949	6.7	565,295	6.2
Placements from banks and other financial institutions	26,312	0.3	32,225	0.4
Financial assets sold under repurchase agreements	100,812	1.2	103,981	1.1
Debt securities issued				
Subordinated bonds	49,955	0.6	49,968	0.5
Certificates of deposit	5,224	0.1	7,091	0.1
Subtotal	55,179	0.7	57,059	0.6
Borrowings from central bank	58	0.0	58	0.0
Other liabilities[1]	285,735	3.3	270,208	3.0
Total liabilities	**8,539,663**	**100.0%**	**9,129,208**	**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

At March 31, 2010, our deposits from customers represented 88.7% of our total liabilities. The following table sets forth, at the dates indicated, our deposits from customers by product type and customer type.

	At December 31, 2009		At March 31, 2010	
	Amount	% of Total	Amount	% of Total
	(in millions of RMB, except percentages) (unaudited)			
Domestic				
Corporate deposits[1]				
Time	733,303	9.8%	847,806	10.5%
Demand	2,167,944	28.9	2,313,698	28.6
Subtotal	2,901,247	38.7	3,161,504	39.1
Retail deposits				
Time	2,373,111	31.6	2,551,580	31.5
Demand	1,992,276	26.6	2,152,553	26.6
Subtotal	4,365,387	58.2	4,704,133	58.1
Other deposits[2]	219,494	2.9	218,938	2.6
Overseas and other operations[3]	11,490	0.2	15,807	0.2
Total deposits from customers	**7,497,618**	**100.0%**	**8,100,382**	**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.

Our deposits from customers increased by 8.0% to RMB8,100.4 billion at March 31, 2010 from RMB7,497.6 billion at December 31, 2009, primarily due to increases in retail and corporate deposits. Retail deposits increased by 7.8% to RMB4,704.1 billion at March 31, 2010 from RMB4,365.4 billion at December 31, 2009, primarily due to our continued marketing efforts leveraging our branch network and customer base to tap the opportunities from an overall increase in household income in China. Corporate deposits increased by 9.0% to RMB3,161.5 billion at March 31, 2010 from RMB2,901.2 billion at December 31, 2009, primarily due to our continued marketing efforts.

Other Components of Our Liabilities

Deposits from banks and other financial institutions decreased slightly to RMB565.3 billion at March 31, 2010 from RMB573.9 billion at December 31, 2009, primarily as a result of our reduction of negotiated deposits from banks and other financial institutions which bore relatively high interest rates.

Placements from banks and other financial institutions increased by 22.5% to RMB32.2 billion at March 31, 2010 from RMB26.3 billion at December 31, 2009, primarily attributable to the increased placements from banks and other financial institutions to support our overseas business growth.

Financial assets sold under repurchase agreements increased by 3.1% to RMB104.0 billion at March 31, 2010 from RMB100.8 billion at December 31, 2009, primarily as a result of the increased transaction volumes.

Our debt securities issued increased by 3.4% to RMB57.1 billion at March 31, 2010 from RMB55.2 billion at December 31, 2009, primarily attributable to an increase in the certificates of deposit issued through our overseas branches.

Although there are a number of Large Commercial Banks listed on the HKSE, none of them has established a significant presence in China's County Areas. As a result, we believe the investors may not be familiar with China's County Area market in general and our County Area Banking Business in particular. In light of the substantial growth of China's County Area economy and the uniqueness of our County Area Banking Business, we provide an introduction to the environment, development, operation and financial condition of our County Area Banking Business in this section to facilitate your understanding. The financial and operating data of our County Area Banking Business have been consolidated into our financial and operating data as disclosed in the "Business," "Assets and Liabilities," "Financial Information" and "Recent Developments" sections. For definitions of "County Areas," "County Area Banking Business," "Sannong," "Sannong Banking Business" and "Urban Areas," please see "Definitions and Conventions."

We provide customers in the County Areas with a broad range of financial products and services through our 2,048 county-level sub-branches and 22 business departments of tier-2 branches. We refer to such banking business as the "County Area Banking Business."

The County Area economy plays a significant role in China's national economy. The County Areas had a total population of 928 million as of the end of 2008, accounting for 69.8% of China's total population. In 2008, the total GDP attributable to the County Areas reached RMB15 trillion, accounting for 49.6% of China's total GDP. The County Area economy is a key component of China's new national economic development strategies which are to expand domestic consumption, increase urbanization and balance regional development, and the County Area economic development is expected to become a significant driver of China's long-term economic growth. As a result of that the growth of the County Area economy, the continuous improvement in the operating environment for the County Area Banking Business and a more balanced economic development between the Urban Areas and the County Areas, we believe the County Area banking market will continue to expand and provide China's banking industry with a significant growth opportunity.

As a primary provider and market leader of banking services in the County Areas with an unparalleled distribution network, leading operational scale, diverse and innovative product and service offerings, as well as decades of experience and expertise in the County Area banking market, we are well-positioned to capitalize on the future economic growth of the County Areas.

- We have the largest number of County Area branch outlets among the Large Commercial Banks, which cover 99.5% of all counties across China. Furthermore, the majority of our 12,737 branch outlets in the County Areas are located in economically more developed county centers and towns.
- We are well-positioned to expand our products and services provided in the Urban Areas to the County Areas and offer one-stop services to our customers in both Urban Areas and County Areas by leveraging our integrated information, capital and product platform covering both Urban Areas and County Areas and extensive nationwide branch outlets and electronic distribution network.
- We maintain a large customer base with a focus on mid- to high-end customer segments.
- We are the only Large Commercial Bank with an integrated and dedicated County Area banking division. Our comprehensive product portfolio, strong funding base and enhanced

IT system enable us to meet the fast growing and increasingly sophisticated banking needs of our County Area customers.

- We have built a highly recognized County Area banking brand in China, which allows us to better maintain customer loyalty.
- We have been able to maintain strong growth in our County Area Banking Business, while at the same time improving the operational efficiency and risk management capabilities. The profit before tax generated by our County Area Banking Business increased from RMB9.4 billion in 2007 to RMB20.9 billion in 2009, representing a CAGR of 49.0% over this period.

STRATEGIC POSITION OF THE COUNTY AREA MARKET

Substantial Growth Potential of County Area Economy

Over the past decade, the County Area economy has achieved significant growth as the primary regions in China have undergone continued urbanization, industrialization and industry migration. Between 2001 and 2008, the nominal GDP of the County Areas increased at a CAGR of 16.8%, exceeding that of the nominal national GDP, which grew at a CAGR of 15.5% during the same period. We believe that the County Area economy will become increasingly significant to China's national economy as the County Area economy continuously benefits from factors such as China's rapid urbanization and industrialization, industry migration and supportive government policies.

The table below sets forth, for the periods indicated, the growth in the national GDP and the County Area GDP.

	2001	2002	2003	2004	2005	2006	2007	2008
	(in billions of RMB, except percentages)							
County Area GDP	5,030.3	5,612.2	6,400.4	7,740.0	8,802.0	10,335.8	12,550.3	14,905.0
National GDP	10,965.5	12,033.3	13,582.3	15,987.8	18,321.7	21,192.4	25,730.6	30,067.0
% of County Area GDP in national GDP	45.9	46.6	47.1	48.4	48.0	48.8	48.8	49.6

Sources: NBSC for national GDP data; All China Marketing Research Co., Ltd. (one of the major data providers in China) for County Area GDP data; Although NBSC has adjusted the national GDP data based on its economic survey conducted in 2009, such adjusted data are not used herein for comparison purposes because the adjusted corresponding County Area data have not yet been made available

Rapid Urbanization

China has experienced rapid urbanization. China's urbanization rate increased to 45.7% in 2008 from 17.9% in 1978. An increasing number of people have been migrating to cities and towns in the County Areas and have become the major force for the Secondary Industries and Tertiary Industries. The United Nations forecasts that the urbanization rate in China is expected to reach 51.1% in 2015 and 58.6% in 2025. The PRC government's policy initiatives for easing residency restrictions for migrants from the rural areas into cities and towns are expected to further promote the ongoing urbanization process.

The table sets forth below China's urbanization rate during the periods indicated.

	1978	1985	1990	1995	2000	2005	2006	2007	2008
Urbanization Rate (%)	17.9	23.7	26.4	29.0	36.2	43.0	43.9	44.9	45.7

Source: China Statistical Yearbook 2009

As China's urbanization continues, the resulting lifestyle changes have also led to growth in consumption and demand for housing, durable goods and other products in the County Areas. In addition, urbanization has been accompanied by increased infrastructure investment in the County Areas, which is expected to continue to be a significant driver for the County Area's future economic development. The table below sets forth, for the periods indicated, the increase in fixed asset investment in China's rural areas, which are contained in the County Areas, and consumption expenditure in rural households.

	2001	2002	2003	2004	2005	2006	2007	2008
Investments in fixed assets in rural areas (RMB in billions)	721.2	801.1	975.5	1,144.9	1,367.9	1,662.9	1,985.9	2,409.0
Average consumption expenditure per capita in rural households (RMB)	1,364	1,468	1,577	1,754	2,555	2,415	3,224	3,661

Source: NBSC

County Area Industry Structure Upgrade

With increasing farming machinery utilization, improved agricultural infrastructure, as well as improvements in agriculture production scalability, China's agricultural industrialization and modernization continue to accelerate and the productivity of the Primary Industries has also been improving steadily. However, the contribution of the Primary Industries, as a percentage to China's national economy, has been decreasing since the 1980s. In 2008, the percentage of the County Area GDP attributable to Primary Industries decreased to 17.7%, while the rest of the 82.3% was attributable to the Secondary Industries and Tertiary Industries, representing 8.7 percentage points increase from 2001. Non-farm labor in the entire rural population has been growing. In light of the higher marginal productivity of the Secondary Industries and Tertiary Industries as compared to the Primary Industries, we expect the ongoing shift in the County Area industry structure will continue to fuel the rapid growth of the County Area economy.

The table below sets forth the changes in the County Area industry structure for the periods indicated.

	2001	2002	2003	2004	2005	2006	2007	2008
	(in billions of RMB, except percentages)							
County Area GDP	5,030.3	5,612.2	6,400.4	7,740.0	8,802.0	10,335.8	12,550.3	14,905.0
GDP from Primary Industries	1,328.9	1,396.5	1,452.5	1,722.7	1,884.9	2,022.6	2,320.8	2,633.0
% of County Area GDP	26.4	24.9	22.7	22.3	21.4	19.6	18.5	17.7
GDP from Secondary Industries	2,085.8	2,374.5	2,872.7	3,553.7	4,155.1	5,053.1	6,262.2	7,645.3
% of County Area GDP	41.5	42.3	44.9	45.9	47.2	48.9	49.9	51.3
GDP from Tertiary Industries	1,615.6	1,841.2	2,075.2	2,463.6	2,762.0	3,260.1	3,967.3	4,626.7
% of County Area GDP	32.1	32.8	32.4	31.8	31.4	31.5	31.6	31.0

Source: NBSC

The upgrade of industry structure has been accompanied by the migration of labor-intensive industries from the Urban Areas to the County Areas and the formation of County Area industrial centers. The emergence of County Area industrial centers has facilitated industrial capital formations and increases in fixed asset investments. We expect that ample labor supply and continued increases in fixed asset investments will promote the further growth of the County Area economy.

Favorable State Policies

In recent years, the PRC government has undertaken a number of policy initiatives aiming to promote agricultural production, rural development and income growth for farmers, and these policy initiatives have played a significant role in promoting County Area economic growth. The government expenditure related to Sannong increased by 21.8% to RMB725.3 billion in 2009 from RMB595.6 billion in 2008, which in turn increased by 37.9% from 2007.

The PRC government continues to provide policy support for the growth of China's agricultural economy through, among others, agricultural subsidies, price support for certain agricultural products, agriculture tax exemption and increasing investment in agricultural modernization. The PRC government has also undertaken measures to improve rural infrastructure, support the development of rural public facilities, increase funding for mandatory education in rural areas and develop rural cooperative healthcare, social security and pension insurance systems. In addition, to promote farmers' income growth and improve rural consumption patterns, the PRC government has refined its policies for stimulating rural area consumption, such as those promoting the sales of home appliances, vehicles and motorcycles in rural areas, and continue to place importance on expanding County Area consumption as part of its overall efforts to expand domestic consumption.

Furthermore, the PRC government has launched a series of comprehensive rural reform initiatives, including County Area and Urban Area integration and rural property rights reform and has initiated a pilot program in selected provinces under which counties are given more authority and, as administrative units, are placed directly under the supervision of the provincial governments. These initiatives have contributed to the improvement in the quality and efficiency of resource allocation in the County Areas as well as the governments' capabilities in administering the economic and social affairs within their jurisdictions, and are expected to continue to promote economic growth and social development in the County Areas.

County Area Banking Market

China's County Area financial institutions include commercial banks, cooperative banks and policy banks. During the past several decades, County Area financial institutions, including Large Commercial Banks, Agricultural Development Bank, rural credit cooperatives, rural cooperative banks, rural commercial banks and Postal Savings Bank of China, have experienced substantial growth in terms of their aggregate deposits and loans. In addition, the overall health of China's County Area financial institutions in terms of their results of operations and asset quality has been improving. Particularly since 2004, County Area banking institutions have experienced a significant decrease in their non-performing loan ratios.

The following table sets forth the main operating indicators of China's County Area financial institutions for the periods indicated.

	At and for the year ended December 31,			
	2004	2005	2006	2007
County Area loans (in trillions of RMB)	3.63	3.84	4.52	5.32
As a percentage of national total loans (%)	19.3	18.6	19.0	19.2
County Area deposits (in trillions of RMB)	5.75	6.76	8.00	9.11
As a percentage of national total deposits (%)	22.7	22.5	23.0	22.7
Profit attributable to County Area financial institutions (in billions of RMB)	9.90	18.10	35.12	70.48

Source: PBOC

In recent years, the Chinese government has implemented a series of policies to improve the operating environment for County Area financial institutions and expand the range of financial products and services available in the County Areas.

- The PRC government has applied differentiated regulatory and monetary policies to rural credit cooperatives and other rural financial institutions, including (i) temporarily exempting rural credit cooperatives from the CBRC regulatory supervision fees and (ii) applying to rural credit cooperatives a statutory deposit reserve ratio lower than what is typically applicable to commercial banks.
- Since October 29, 2004, the PBOC has removed interest rate ceilings on loans issued by commercial banks and has extended the range of floating interest rate charged by urban and rural cooperatives to 2.3 times of the applicable benchmark rate.
- On April 22, 2009, the MOF issued the Provisional Measures on Administering Fund for Rewarding Increases in Agriculture-related Loans by County Area Financial Institutions (財政縣域金融機構涉農貸款增量獎勵資金管理暫行辦法). Pursuant to the Provisional Measures and related supplemental notices, the MOF provides County Area financial institutions in Heilongjiang and seven other provinces a financial reward equal to 2% of the average balance of their respective outstanding agriculture-related loans in excess of the amount representing a 15% annual growth from the previous year.
- On August 21, 2009, the MOF and the SAT jointly issued the Notice on Policies for Pre-tax Deduction of Loss Provisions for Agriculture-related Loans and SME Loans Made by Financial Enterprises (關於金融企業涉農貸款和中小企業貸款損失準備金稅前扣除政策的通知), allowing a financial enterprise to deduct from its tax payable a specified percentage of its loan loss provision for agriculture-related loans and SME loans upon completion of the risk classification of such loans by the financial enterprise. This favorable policy is expected to expire on December 31, 2010.
- In 2009, the MOF issued the Notice on Issues Relating to Write-off of Non-performing SME Loans and Non-performing Agriculture-related Loans (關於中小企業和涉農不良貸款呆賬核銷有關問題的通知) allowing non-performing loans to small businesses and County Area customers, each in an amount of RMB5 million or less, to qualify for write-offs, provided that a good faith effort to collect the debt was made for more than a year.
- On May 13, 2010, the MOF and the SAT issued the Notice on Rural Finance Tax Policy (關於農村金融有關稅收政策的通知). Pursuant to the Notice, from January 1, 2009 to December 31, 2013, financial institutions are (i) exempted from paying business tax for

interest income from small loans to agricultural households and (ii) entitled to take into account only 90% of interest income from these loans when calculating their taxable income. Furthermore, for the period from January 1, 2009 to December 31, 2011, rural credit cooperatives, township banks, rural mutual cooperatives, and loan companies and other corporate entities established solely by banking industry institutions, rural cooperative banks and rural commercial banks that are located at or below the county level under the PRC's administrative division system are subject to a reduced business tax rate of 3% for their banking and bancassurance income.

- On May 14, 2010, the PBOC, the MOF and the CBRC jointly issued the Notice on Matters Relating to Furthering Agricultural Bank of China's County Area Banking Division Reform on a Pilot Basis (關於深化中國農業銀行"三農金融事業部"改革試點有關事項的通知), or the Notice, delineating the scope, management structure and operating mechanism of our County Area banking division pilot reform program and the policy support for the pilot reform program. The Notice provides that the tax policies applicable to the agriculture-related loans at our 561 county-level sub-branches in Sichuan, Hubei, Guangxi, Gansu, Jilin, Fujian and Shandong provinces and Chongqing municipality, which represent all of the geographical areas for the pilot program, will be benchmarked against and similar to those applicable to rural credit cooperatives. In addition, the Notice exempts the county-level sub-branches participating in the pilot program from the CBRC regulatory supervision fees, which exemption is granted in reference to the fee policies applicable to rural credit cooperatives, and subjects these sub-branches to a differentiated statutory deposit reserve ratio.

In addition, the development of China's County Area banking industry has been facilitated by a series of important infrastructure developments and initiatives, including:

- *Construction of a Nationwide County Area Credit Information Infrastructure*. An electronic credit information database covering a majority of counties across China has been under development. With the ability to generate standardized credit scores for rural households, cooperatives, and enterprises based on financial information and credit records, the database is expected to significantly facilitate credit decision-making for County Area financial institutions;

- *An Improved Collateral-backed Financing System.* A number of developments have contributed to the improvement of sources and quality of financial collateral including the establishment of guarantee funds and guarantee institutions for loans to SMEs, improvement in the collateral appraisal, registration and certification procedures, improvement in the operations of the asset auction market and property rights transfer market as well as the improving convertibility of collateral into cash;

- *Introduction of Risk-mitigation Mechanisms.* The expansion of agricultural insurance programs, subsidized by the central government, and the rapid development of the futures market for agricultural products have also provided effective risk mitigation mechanisms for the County Area financial institutions. For example, as of December 31, 2009, 133 million rural households had participated in agricultural insurance programs, representing a year-over-year increase of 48% from 2008; and

- *Continued Expansion of Farmers' Specialized Economic Cooperatives.* The recognition of the legal status of farmers' economic cooperatives has greatly enhanced the expansion of

various specialized rural cooperative organizations. In addition, the ongoing development of a credit information infrastructure for rural economic cooperative organizations, specialized associations and other organizational platforms is expected to further improve the credit risk environment in which rural financial institutions operate.

Despite the positive economic growth prospects of the County Areas, the overall County Area banking market currently remains underserved. In 2008, the ratio of County Area loans to the total County Area GDP was 40.2%, compared with a loans-to-GDP ratio of 171.5% for the Urban Areas. We believe that the sustained economic growth in the County Areas will continue to generate a significant increase in the demand for financial products and services. For example, credit demand in the County Areas is expected to continue to grow due to the financing needs associated with fixed asset investments in rural infrastructure, upgrading of consumer spending patterns, real estate developments, agribusiness plants and other projects. Similarly, rising financing demand propelled by agricultural modernization, is expected to promote the development of relevant fee- and commission-based banking business such as leasing and debt financing.

OUR COUNTY AREA BANKING BUSINESS

To strengthen our leading position in the County Area banking market, we have formed a dedicated County Area banking division based on our 2,048 county-level sub-branches and 22 business departments of our tier-2 branches and been implementing a pilot program to set up a business division dedicated to our County Area Banking Business. We believe that the establishment of such dedicated division further sharpens our strategic focus, improves our risk control and operational efficiency and allows us to better meet the rapidly growing and increasingly diversified banking needs of our customers in the County Areas. At December 31, 2009, the total loans and deposits attributable to our County Area Banking Business accounted for 28.8% and 40.5% of our total loans and deposits, respectively.

According to the CBRC, as of December 31, 2008, our total loans and total deposits represented a market share of approximately 13.6% and 21.6% in the County Area banking market, respectively.

The following chart sets forth the market share of banking institutions in the County Area banking market in term of the total deposits, saving deposits, total loans and the number of outlets as of December 31, 2008:

	As of December 31, 2008			
	Total Deposits	Saving Deposits	Total Loans	Number of Outlets
Agricultural Bank of China	21.6%	22.1%	13.6%	12.1%
Other Large Commercial Banks	34.0	27.6	33.7	11.4
Policy Banks	0.8	0.0	10.5	1.4
Rural Credit Cooperatives	22.7	27.2	28.9	45.4
Postal Savings Bank of China	10.8	15.3	0.4	23.0
Other Banking Institutions	10.1	7.8	12.9	6.7
County Area in Total	**100.0%**	**100.0%**	**100.0%**	**100.0%**

Source: CBRC

Organization Structure

Under our Board, we have established the County Area Banking Business Development Committee, which formulates the strategies, plans, policies and basic internal procedures and regulations applicable to our overall County Area Banking Business. Under our senior management, we have also established the County Area Banking Business Management Committee, which is primarily responsible for the implementation of decisions made by our Board related to our County Area Banking Business.

We have formed a County Area banking division dedicated to the operation of our County Area Banking Business. The division is under the charge of the division head, who also serves as our president and the head of our County Area Banking Business Management Committee. All important matters relating to our County Area Banking Business are submitted to our president for final determination following discussions at the meetings of the County Area Banking Business Management Committee.

Under our County Area banking division, we have set up several special sub-divisions performing functions such as policy research, procedures formulation, product development, marketing and credit management. In addition, to support our County Area banking division, we have established a number of middle and back office management centers at our head office, including County Area Banking Business audit and performance review center, risk management center, product research and development center and human resources management center.

Managed by our County Area banking division and its departments at our tier-1 and tier-2 branches, our 2,048 county-level sub-branches and 22 business departments of tier-2 branches are the basic business units through which we operate our County Area Banking Business.

Our County Area banking division operates independently within its granted authorization limits. Within our County Area banking division, authorization is delegated from a higher level and the relevant responsibilities are clearly laid out. While applying bank-wide management policies and procedures, it has established a set of policies and procedures tailored to the differentiated needs of our County Area Banking Business relating to, among others, credit management, resources allocation, performance review and risk management. See “Our History, Restructuring and Operational Reform—Operational Reform.”

Market Positioning

We have adopted a market positioning strategy for our County Area Banking Business that is different from that applicable to our Urban Area banking business. The strategic focus of our County Area Banking Business has been concentrating resources in our core business areas, strengthening our market leading position and maintaining competitive advantage in the County Areas. We have developed this strategy based on our current market leadership position in the County Area banking market and our in-depth understanding of the County Area economic development prospects and County Area banking business opportunities.

In order to better serve the diversified needs of our customers in the County Areas, we have dedicated more resources to perform County Area market segmentation. Our County Area corporate banking business targets industry-leading companies in the County Areas as well as their suppliers, customers and distributors. With respect to our County Area retail banking business, we will

continuously leverage our Huinong Card (惠農卡) to develop business related to the new rural pension insurance and new rural cooperative medical insurance schemes to increase our deposits and fee and commission income. Our business operations in the County Areas are attuned to the different levels of economic development in various geographic regions. Specifically, we will:

- concentrate our branch outlets in counties, county-level cities and township centers;
- strengthen our business in the financially advanced eastern China and other developed County Areas;
- sharpen our focus on those counties with substantial growth potential in Central China and Western China; and
- allocate additional financial and management resources to selected County Area sub-branches to drive the growth of our business in the County Areas.

Customer Segmentation

We have a broad customer base in the County Areas. As of December 31, 2009, we served a total of approximately 33,700 corporate loan and discounted bill customers, 3.604 million retail loan customers, 1.15 million corporate deposit accounts and 340 million retail deposit accounts.

The rapid growth of the County Area economy in recent years has transformed our customer base in the County Areas from traditional agricultural product suppliers and distributors to high-quality industrial enterprises and affluent individuals with rising household income:

- *Corporate Customers.* Our target corporate customers are active participants in the urbanization and industrialization process. They include leading enterprises in the agricultural modernization process, major production centers of agricultural goods, wholesalers designated by the Ministry of Agriculture, merchandise distributors designated by the Ministry of Commerce, SMEs with growth potential, solid credit history and short working capital cycles, and suppliers and distributors of large and leading agriculture enterprises.
- *Retail Customers.* Our target retail customers are county residents and county-level city dwellers, private business owners and affluent rural households. We are establishing County Area wealth management centers to cater to these customers. In addition, we classify our retail customers by their assets and calibrate our sales and marketing activities accordingly. Through these efforts, we aim to develop our retail banking business by taking advantage of the opportunities presented by the growing wealth and increasing consumption of County Area residents.

Our Service Channels

With extensive presence in the cities, counties and towns across China, we have established an integrated banking distribution network through branch outlets, e-banking, phone banking, mobile phone banking, self-service centers, ATMs and customer service centers.

As of December 31, 2009, we established 12,737 branch outlets in the County Areas, covering 99.5% of the counties nationwide. According to the CBRC, as of December 31, 2008, the number of our physical branch outlets in the County Areas accounted for 12.1% of all County Area banking

branch outlets nationwide and exceeded the total number of branch outlets of all other Large Commercial Banks combined.

We are committed to continuously developing our electronic service channels in the County Areas. As of December 31, 2009, we had 15,350 ATMs, 3,398 self-service centers, 4,666 self-service terminals, 88,089 POS machines, 606,823 tele-transfer machines, 8.28 million online banking customers, and 626,000 mobile banking users in the County Areas. Through our online banking system, we provide various County Area banking services, such as small loans to farmers and revolving credit to our retail customers. Through our phone banking system, we provide account inquiry, account transfer and financial management services and small loans to Huinong Card holders.

We established a County Area banking customer service center in Chengdu, Sichuan, in March 2010. This center provides product support, collects and distributes information and serves as a back-up customer service center.

We seek to strengthen mobile services channels, increase the number of electronic banking machines and promote the service offering by our on-the-move customer managers in areas which have not yet been covered by our network. We are also expanding our Huinong Card issuance and usage coverage by partnering with other rural financial institutions.

Product Portfolio

We have established a national center at our head office and a sub-center in Chongqing, which are jointly responsible for the research and development of our overall County Area banking products. Our branches and sub-branches in the County Areas then develop products catering to the specific needs of their respective local customers. In 2009, we introduced an umbrella brand "Jinyinong" ("金益農"), which enables us to provide a comprehensive County Area banking product portfolio to our customers. In addition to the bank-wide standardized products, we also provide the following products and services to our County Area customers:

Credit Products for Corporate Customers

Loans to Leading Agricultural Industrialization Enterprises

We actively target leading agricultural industrialization enterprises and provide them with various liquidity facilities, medium-to-long term project financing, fixed asset loans and other financial products.

County Area SME Loans

We provide a comprehensive set of products to cater to the needs of high-growth and high-quality SMEs, including secured loans and Self-Service Revolving Credit Facilities.

Urbanization Loans

To capitalize on the urbanization of the County Areas, we launched several loan products that are intended for infrastructure development and other purposes associated with County Area urbanization, including, among others, loans for township infrastructure development and loans for public utilities construction.

Loans for County Area Merchandise Distribution

We endeavor to promote the facility and functional upgrade of wholesalers and merchandise distributors accredited by the Ministry of Agriculture of the PRC and the Ministry of Commerce of the PRC. We have developed financial products to support the expansion of leading enterprises with business operations in both Urban Areas and County Areas. Leveraging our extensive distribution network, we provide settlement, agency and other financial services to merchandise distributors and logistics enterprises in the County Areas.

Products for Retail Customers

Small Loans to Rural Households

In April 2008, we launched a loan product providing rural households with loans in amounts ranging from RMB3,000 to RMB50,000. The facility may be secured by mortgages, pledges, guarantees or joint guarantees by multiple rural households, while a household with a high credit rating can apply for a credit line of up to RMB10,000. The facility comes in the form of a loan with repayment term of three years or less or a one-year revolving credit.

Loans to County Area Private Business

We have loan products, targeting family businesses in the County Areas engaging in aquaculture, manufacturing, transportation, hospitality and other industrial activities. The amount of each loan is between RMB50,000 and RMB1 million.

Huinong Card

In April 2008, we leveraged our existing debit card platform and launched Kins Huinong Card ("金穗惠農卡"). In addition to the basic features of our Kins debit cards, our Kins Huinong Card incorporates enhanced features such as transaction records, small-amount loans to rural households, new rural cooperative medical insurance services, fee payment agency services and rural and agricultural subsidy payments. As of December 31, 2009, we had issued Kins Huinong Card to 33.36 million rural households.

In January 2009, we launched our Kins Huinong Credit Card ("金穗惠農信用卡"), targeting County Area entrepreneurs, small business owners and high-net-worth retail customers. Our Kins Huinong Credit Card provides cardholders with revolving credit. As of December 31, 2009, we had issued approximately 214,500 Kins Huinong Credit Cards.

In addition, our branches and sub-branches have developed various localized financial products to meet the diverse needs of County Area customers.

Fee- and Commission-based Business

We deliver various fee- and commission-based services through our payment and settlement platforms. We offer a comprehensive portfolio of investment banking services to our County Area corporate customers. We also distribute insurance policies, wealth management products and PRC government bonds. In 2009, we, as an agent, distributed wealth management products in an aggregate amount of RMB31.8 billion, placed fund products in an aggregate amount of RMB53.0 billion, and

sold certificated savings bonds in an aggregate amount of RMB3.9 billion, each in the County Areas, an increase of 382.7%, 10.5% and 22.8%, respectively, from 2008.

Pricing Strategy

When we price our County Area banking products, we take into account the characteristics and competitive environment of the local market and our customers' risk profiles. Currently, in the County Area market, there is a significant demand for financial services and, according to the PBOC, our competitors regularly price their loan products significantly above the benchmark rate. We believe that our innovative and differentiated product offerings, extensive network and established brand name provide us with flexibility in pursuing a pricing strategy that aims at increasing our risk-adjusted returns.

Risk Management

We apply our bank-wide risk management policies and procedures to our operations in the County Areas. In addition, we have established a set of policies and procedures to specifically deal with risks in respect of our County Area Banking Business. See "Risk Management—Credit Risk Management—Credit Risk Management for County Area Banking Business."

ASSETS AND LIABILITIES

Assets

At December 31, 2009, the total assets of our County Area Banking Business amounted to RMB3,235.1 billion, an increase of 19.1% from RMB2,715.2 billion at December 31, 2008, which in turn increased by 42.1% from RMB1,911.2 billion at December 31, 2007. For details of the assets of our overall business, see "Assets and Liabilities—Assets."

Loans to customers and intra-bank balances are the two largest components of the asset portfolio of our County Area Banking Business. The following table sets forth, at the dates indicated, the components of the asset portfolio of our County Area Banking Business.

	At December 31,					
	2007		2008[1]		2009	
	Amount	% of total	Amount	% of total	Amount	% of total
	(in millions of RMB, except percentages)					
Loans to customers, total	1,057,137		832,278		1,193,413	
Allowance for impairment losses	(320,369)		(26,698)		(43,327)	
Loans to customers, net	736,768	38.6%	805,580	29.7%	1,150,086	35.6%
Intra-bank balances[2]	1,093,614	57.2	1,800,086	66.3	1,975,226	61.1
Other assets[3]	80,778	4.2	109,511	4.0	109,791	3.3
Total assets	**1,911,160**	**100.0%**	**2,715,177**	**100.0%**	**3,235,103**	**100.0%**

(1) The amount at December 31, 2008 reflected the effect of the restructuring-related disposal.
(2) Represents funds provided by our County Area Banking Business to our other business through internal funds transfers.
(3) Consists primarily of investment securities (including receivables), cash, deposits and placements with banks and other financial institutions and financial assets under resale agreements and fixed assets.

Loans to Customers

At December 31, 2009, loans to customers of our County Area Banking Business amounted to RMB1,193.4 billion, an increase of 43.4% from RMB832.3 billion at December 31, 2008, representing a higher growth rate than that of our total loan portfolio. Loans to customers of our County Area Banking Business decreased by 21.3% to RMB832.3 billion at December 31, 2008 from RMB1,057.1 billion at December 31, 2007, primarily due to our restructuring-related disposal.

Distribution of County Area Loans by Product Type

The following table sets forth, at the dates indicated, loans to customers of our County Area Banking Business 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)					
Corporate loans						
Short-term loans	523,392	49.6%	377,063	45.3%	449,139	37.6%
Medium- and long-term loans	315,503	29.8	259,748	31.2	381,954	32.0
Subtotal	838,895	79.4	636,811	76.5	831,093	69.6
Discounted bills	42,764	4.0	40,370	4.9	57,191	4.8
Retail loans						
Residential mortgage loans	75,393	7.2	86,047	10.2	134,282	11.3
Loans to private businesses	41,396	3.9	38,201	4.6	58,646	4.9
Personal consumption loans	19,112	1.8	18,812	2.3	36,394	3.0
Credit card balances	439	0.0	424	0.1	714	0.1
Loans to rural households	20,128	1.9	9,077	1.1	72,467	6.1
Others[2]	19,010	1.8	2,536	0.3	2,626	0.2
Subtotal	175,478	16.6	155,097	18.6	305,129	25.6
Total loans to customers	**1,057,137**	**100.0%**	**832,278**	**100.0%**	**1,193,413**	**100.0%**

(1) The amounts at December 31, 2008 reflected the effect of the restructuring-related disposal.
(2) Consists primarily of education loans and certain other loan products.

Corporate loans are the largest component of the loan portfolio of our County Area Banking Business, representing 69.6%, 76.5% and 79.4% at December 31, 2009, 2008 and 2007, respectively. Corporate loans to customers increased by 30.5% to RMB831.1 billion at December 31, 2009 from RMB636.8 billion at December 31, 2008, primarily due to (i) the implementation of the PRC government's economic stimulus package, the continued economic growth in, and the urbanization of, the County Areas and the development of small towns and (ii) our increased efforts to grow our County Area Banking Business through the introduction of new products and services to our County Area corporate customers.

Corporate loans to customers decreased by 24.1% to RMB636.8 billion at December 31, 2008 from RMB838.9 billion at December 31, 2007, primarily due to our restructuring-related disposal.

Discounted bills increased by 41.7% to RMB57.2 billion at December 31, 2009 from RMB40.4 billion at December 31, 2008, primarily due to (i) the increased customer demand for this product and

(ii) the increased liquidity in the market. Discounted bills decreased by 5.6% to RMB40.4 billion at December 31, 2008 from RMB42.8 billion at December 31, 2007, primarily because we reduced the discounted bills in the loan portfolio of our County Area Banking Business to make our funds available for lending to our valued customers and key projects.

Retail loans to customers increased by 96.7% to RMB305.1 billion at December 31, 2009 from RMB155.1 billion at December 31, 2008, primarily due to a combination of (i) a significant increase in our small-amount loans to rural households, primarily through our Huinong Cards, (ii) significant increases in personal consumption loans and loans to private businesses to RMB36.4 billion and RMB58.6 billion, respectively, at December 31, 2009, primarily as a result of our targeted marketing efforts to meet diversified customer needs, and (iii) an increase of 56.1% in residential mortgage loans to RMB134.3 billion at December 31, 2009, primarily as a result of our increased marketing efforts to meet the increasing demand from County Area households for loans to finance their purchases of residential properties, reflecting the rapid development of the County Area economy.

Retail loans to rural and agricultural customers decreased by 11.6% to RMB155.1 billion at December 31, 2008 from RMB175.5 billion at December 31, 2007, primarily due to our restructuring-related disposal.

Distribution of Loans by Geographical Region

We classify loans of our County Area Banking Business geographically based on the location of the branch outlets that originated the loan. Our branch outlets in the County Areas generally originate loans to borrowers located in the same geographical areas. The following table sets forth, at the dates indicated, the distribution of the loan portfolio of our County Area Banking Business 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)					
Yangtze River Delta	292,742	27.7%	313,284	37.6%	427,059	35.8%
Pearl River Delta	56,699	5.4	60,571	7.3	96,902	8.1
Bohai Rim	171,382	16.2	125,450	15.1	177,499	14.9
Central China	176,970	16.7	76,446	9.2	131,943	11.1
Northeastern China	66,948	6.3	13,371	1.6	27,894	2.3
Western China	292,396	27.7	243,156	29.2	332,116	27.8
Total loans to customers	**1,057,137**	**100.0%**	**832,278**	**100.0%**	**1,193,413**	**100.0%**

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

We have increased our efforts to grow our lending business in the regions where the local County Area economy is relatively developed or has strong potential to grow, such as the Yangtze River Delta, Western China and Central China, and to optimize the geographical distribution of our loans attuned to the different levels of development in the County Areas. At December 31, 2009, loans to our County Area customers in the Yangtze River Delta, Western China and Central China increased by 36.3%, 36.6% and 72.6%, respectively, from December 31, 2008. The increases in these geographical regions in aggregate accounted for 71.5% of the total increase in our County Area loans from December 31, 2008 to December 31, 2009. The changes in the distribution of the loans of our

County Area Banking Business by geographical region from December 31, 2007 to December 31, 2008 were primarily due to our restructuring-related disposal.

Asset Quality of Loan Portfolio

We classify the loan portfolio of our County Area Banking Business using the five-category loan classification criteria consistent with the loan classification criteria for our overall loan portfolio. See "Assets and Liabilities—Asset—Asset Quality of Our Loan Portfolio—Loan Classification Criteria." The following table sets forth, at the dates indicated, the distribution of the loan portfolio of our County Area Banking Business by the five-category loan classification.

	At December 31,					
	2007		2008[1]		2009	
	Amount	% of total	Amount	% of total	Amount	% of total
	(in millions of RMB, except percentages)					
Normal	654,748	61.94%	675,929	81.21%	1,053,266	88.26%
Special mention	65,036	6.15	110,513	13.28	96,054	8.05
Substandard	14,500	1.37	30,453	3.66	20,980	1.75
Doubtful	82,565	7.81	13,288	1.60	20,386	1.71
Loss	240,288	22.73	2,095	0.25	2,727	0.23
Total loans to customers	**1,057,137**	**100.00%**	**832,278**	**100.00%**	**1,193,413**	**100.00%**
Non-performing loan ratio[2]		**31.91%**		**5.51%**		**3.69%**

(1) The amount at December 31, 2008 reflected the effect of the restructuring-related disposal.
(2) Calculated by dividing total non-performing loans to customers by total loans to customers.

Both the non-performing loan balance and the non-performing loan ratio of the loan portfolio of our County Area Banking Business decreased from December 31, 2007 to December 31, 2009. The non-performing loan ratio of the loan portfolio of our County Area Banking Business decreased to 3.69% at December 31, 2009 from 5.51% at December 31, 2008, primarily due to a combination of (i) our continued efforts to strengthen our credit risk management policies and procedures and refine credit risk management tools to control the formation of new non-performing loans, (ii) our increased efforts to recover non-performing loans, and (iii) our focus on lending to valued customers and key projects and (iv) the overall increase in the loan portfolio of our County Area Banking Business. The non-performing loan ratio of the loan portfolio of our County Area Banking Business significantly decreased to 5.51% at December 31, 2008 from 31.91% at December 31, 2007, primarily due to our restructuring-related disposal.

Changes in the Asset Quality of the New Loans and the Pre-existing Loans of Our County Area Banking Business

The following discussion analyzes the changes in the asset quality of the loans to customers of our County Area Banking Business at the dates presented. Pre-existing Loans include County Area loans made for the first time prior to January 1, 2004. New Loans include County Area loans made for the first time after January 1, 2004. Loans made for the first time prior to January 1, 2004 and rolled over after January 1, 2004 are included as Pre-existing Loans. For a discussion on the use of the January 1, 2004 as the starting date, see "Assets and Liabilities—Assets—Asset Quality of Our Loan Portfolio—Changes in the Asset Quality of Our Domestic Loan Portfolio by New Loans and Pre-existing Loans."

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

	At December 31,					
	2007		2008[1]		2009	
	Amount	% of total	Amount	% of total	Amount	% of total
	(in millions of RMB, except percentages)					
New Loans	643,961	60.9%	736,667	88.5%	1,111,328	93.1%
Pre-existing Loans	413,176	39.1	95,611	11.5	82,085	6.9
Total loans	**1,057,137**	**100.0%**	**832,278**	**100.0%**	**1,193,413**	**100.0%**

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

The following table sets forth, at the dates indicated, the distribution of the New Loans of our County Area Banking Business 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	573,641	89.08%	615,147	83.50%	993,964	89.44%
Special mention	42,818	6.65	89,696	12.18	83,862	7.55
Substandard	7,016	1.09	22,163	3.01	17,215	1.55
Doubtful	16,629	2.58	8,750	1.19	14,675	1.32
Loss	3,857	0.60	911	0.12	1,612	0.14
Total New Loans	**643,961**	**100.00%**	**736,667**	**100.00%**	**1,111,328**	**100.00%**
Non-performing loan ratio[2]		**4.27%**		**4.32%**		**3.01%**

(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 the Pre-existing Loans of our County Area Banking Business 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	81,107	19.63%	60,782	63.57%	59,302	72.24%
Special mention	22,218	5.38	20,817	21.77	12,192	14.86
Substandard	7,484	1.81	8,290	8.67	3,765	4.59
Doubtful	65,936	15.96	4,538	4.75	5,711	6.96
Loss	236,431	57.22	1,184	1.24	1,115	1.35
Total Pre-existing Loans	**413,176**	**100.00%**	**95,611**	**100.00%**	**82,085**	**100.00%**
Non-performing loan ratio[2]		**74.99%**		**14.66%**		**12.90%**

(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.

Distribution of Non-performing Loans by Product Type

The following table sets forth, at the dates indicated, the non-performing loans in the loan portfolio of our County Area Banking Business 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)								
Corporate loans									
Short-term loans	186,635	55.4%	35.66%	17,591	38.4%	4.67%	16,351	37.1%	3.64%
Medium- and long-term loans	108,675	32.2	34.44	24,418	53.3	9.40	23,328	52.9	6.11
Subtotal	295,310	87.6	35.20	42,009	91.7	6.60	39,679	90.0	4.77
Discounted bills	72	0.0	0.17	71	0.2	0.18	61	0.1	0.11
Retail loans									
Residential mortgage loans	1,819	0.6	2.41	1,396	3.0	1.62	1,410	3.2	1.05
Loans to private businesses	3,158	0.9	7.63	1,441	3.1	3.77	1,741	4.0	2.97
Personal consumption loans	2,978	0.9	15.58	211	0.5	1.12	226	0.5	0.62
Credit card balances	38	0.0	8.66	10	0.0	2.36	10	0.0	1.40
Loans to rural households	17,019	5.0	84.55	405	0.9	4.46	715	1.6	0.99
Others[3]	16,959	5.0	89.21	293	0.6	11.55	251	0.6	9.56
Subtotal	41,971	12.4	23.92	3,756	8.1	2.42	4,353	9.9	1.43
Total non-performing loans	**337,353**	**100.0%**	**31.91%**	**45,836**	**100.0%**	**5.51%**	**44,093**	**100.0%**	**3.69%**

(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 education loans and certain other loan products.

The non-performing loan ratio of the corporate loan portfolio of our County Area Banking Business decreased to 4.77% at December 31, 2009 from 6.60% at December 31, 2008, primarily due to (i) our continued efforts to strengthen our credit risk management policies and procedures, including our efforts to refine the customer identification process and implement targeted risk management measures based on our industry-specific credit guidelines applicable to various agriculture-related businesses and the development of the County Area economy, (ii) our strengthened post-disbursement monitoring over County Area corporate loans and (iii) the overall increase in the corporate loan portfolio of our County Area Banking Business. The non-performing loan ratio of the corporate loan portfolio of our County Area Banking Business significantly decreased to 6.60% at December 31, 2008 from 35.20% at December 31, 2007, primarily due to our restructuring-related disposal.

The non-performing loan ratio of the retail loan portfolio of our County Area Banking Business decreased to 1.43% at December 31, 2009 from 2.42% at December 31, 2008, primarily due to (i) our increased focus on risk control and monitoring throughout our lending process and on the preventive measure to reduce operational risk and moral hazard, (ii) our refinement of the repayment terms, based on various factors, such as business cycles and cash flow of agriculture-related businesses, and (iii) the overall increase in the retail loan portfolio of our County Area Banking Business. The non-performing loan ratio of the retail loan portfolio of our County Area Banking Business significantly decreased to 2.42% at December 31, 2008 from 23.92% at December 31, 2007, primarily due to our restructuring-related disposal.

Distribution of Non-performing Loans by Geographical Region

The following table sets forth, at the dates indicated, the distribution of the non-performing loans our County Area Banking Business 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)								
Yangtze River Delta	15,672	4.6%	5.35%	7,384	16.2%	2.36%	7,529	17.1%	1.76%
Pearl River Delta	5,877	1.7	10.37	2,721	5.9	4.49	2,723	6.2	2.81
Bohai Rim	59,662	17.7	34.81	4,983	10.9	3.97	4,703	10.7	2.65
Central China	110,503	32.8	62.44	5,780	12.6	7.56	5,259	11.9	3.99
Northeastern China	54,266	16.1	81.06	2,216	4.8	16.57	1,983	4.5	7.11
Western China	91,373	27.1	31.25	22,752	49.6	9.36	21,896	49.6	6.59
Total non-performing loans	**337,353**	**100.0%**	**31.91%**	**45,836**	**100.0%**	**5.51%**	**44,093**	**100.0%**	**3.69%**

(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.

The non-performing loan ratios of our loans to County Area borrowers in all six geographical regions decreased from December 31, 2008 to December 31, 2009. The non-performing loan ratios of our loans to County Area borrowers in Northeastern China, Central China and Western China decreased by 9.46, 3.57 and 2.77 percentage points, respectively, from December 31, 2008 to December 31, 2009. The decreases in non-performing loan ratios of our loans to County Area customers in these regions were primarily due to (i) our increased efforts to strengthen risk management on loans to these regions, which historically had higher non-performing loan ratios and (ii) the overall increases in our County Area loans originated in these regions.

The non-performing loan ratios of loans of our County Area Banking Business to borrowers in all six geographical regions decreased from December 31, 2007 to December 31, 2008, primarily due to our restructuring-related disposal.

Intra-bank Balances

Intra-bank balances represent funds provided by our County Area Banking Business to our other business. Intra-bank balances amounted to RMB1,975.2 billion at December 31, 2009, an increase of 9.7% from RMB1,800.1 billion at December 31, 2008. As a percentage of the asset portfolio of our County Area Banking Business, intra-bank balances decreased to 61.1% at December 31, 2009 from 66.3% at December 31, 2008, primarily due to an increase in our lending in the County Areas.

Intra-bank balances increased both in absolute terms and as a percentage of the asset portfolio of our County Area Banking Business, to RMB1,800.1 billion and 66.3%, respectively, at December 31, 2008 from RMB1,093.6 billion and 57.2%, respectively, at December 31, 2007. The increases were primarily due to (i) our intra-bank transfer of the proceeds from the disposal of non-performing County Area loans as part of our restructuring-related disposal, and (ii) the increased funds provided to our other business from customer deposits of our County Area Banking Business.

Liabilities and Sources of Funds

The total liabilities of our County Area Banking Business increased by 19.0% to RMB3,217.4 billion at December 31, 2009 from RMB2,703.5 billion at December 31, 2008, which in turn increased by 21.6% from RMB2,223.5 billion at December 31, 2007. For details of the liabilities and sources of funds of our overall business, see "Assets and Liabilities—Liabilities and Sources of Funds."

Deposits from customers of our County Area Banking Business are the primary source of funding for our County Area Banking Business and represented 94.3%, 93.0% and 93.6% of total liabilities of our County Area Banking Business at December 31, 2009, 2008 and 2007, respectively.

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

	At December 31,					
	2007		2008		2009	
	Amount	% of total	Amount	% of total	Amount	% of total
	(in millions of RMB, except percentages)					
Deposits from customers	2,080,639	93.6%	2,514,308	93.0%	3,034,646	94.3%
Other liabilities[1]	142,881	6.4	189,190	7.0	182,760	5.7
Total liabilities	**2,223,520**	**100.0%**	**2,703,498**	**100.0%**	**3,217,406**	**100.0%**

(1) Consists of deposits and placements from banks and other financial institutions, financial assets sold under repurchase agreements, intra-bank funds received, borrowings from central bank, accrued staff cost, tax liabilities and other liabilities.

The total customer deposits of our County Area Banking Business increased by 20.7% to RMB3,034.6 billion at December 31, 2009 from RMB2,514.3 billion at December 31, 2008, which in turn increased by 20.8% from RMB2,080.6 billion at December 31, 2007. The overall increases in deposits from customers of our County Area Banking Business primarily reflected (i) an increase in household income of farmers, and (ii) our continued marketing efforts, leveraging our extensive branch network in the County Areas.

The following table sets forth, at the dates indicated, the deposits from customers of our County Area Banking Business by product type and business line.

	At December 31,					
	2007		2008		2009	
	Amount	% of total	Amount	% of total	Amount	% of total
	(in millions of RMB, except percentages)					
Corporate deposits						
Time	99,894	4.8%	119,554	4.8%	159,478	5.3%
Demand	528,611	25.4	581,293	23.1	774,663	25.5
Subtotal	628,505	30.2	700,847	27.9	934,141	30.8
Retail deposits						
Time	800,910	38.5	1,025,034	40.8	1,146,218	37.8
Demand	605,887	29.1	731,051	29.1	891,128	29.4
Subtotal	1,406,797	67.6	1,756,085	69.9	2,037,346	67.2
Other deposits(1)	45,337	2.2	57,376	2.2	63,159	2.0
Total deposits from customers	**2,080,639**	**100.0%**	**2,514,308**	**100.0%**	**3,034,646**	**100.0%**

(1) Consists of margin deposits and funds deposited with us for remittances purposes.

Retail deposits are the primary component of the total customer deposits of our County Area Banking Business. Retail deposits represented 67.2%, 69.9% and 67.6% of the total deposits from customers of our County Area Banking Business at December 31, 2009, 2008 and 2007, respectively, which are higher by 9.0, 8.6 and 11.2 percentage points, respectively, than the percentages of retail deposits to the total deposits from customers of our overall business.

The general factors affecting retail and corporate deposits of our County Area Banking Business at December 31, 2009, 2008 and 2007 did not differ materially from those affecting retail and corporate deposits of our overall banking business. See "Assets and Liabilities—Liabilities and Sources of Funds—Deposits from Customers."

Distribution of County Area Deposits by Geographical Region

We classify deposits geographically based on the location of the branch outlets taking the deposit. There is generally a high correlation between the location of the depositor and the location of the branch taking the deposit.

The following table sets forth, at the dates indicated, the distribution of our deposits from customers of our County Area Banking Business by geographical region.

	At December 31,					
	2007		2008		2009	
	Amount	% of total	Amount	% of total	Amount	% of total
	(in millions of RMB, except percentages)					
Yangtze River Delta	450,339	21.6%	529,207	21.0%	666,811	22.0%
Pearl River Delta	157,977	7.6	183,115	7.3	213,932	7.1
Bohai Rim	313,889	15.1	388,819	15.5	467,407	15.4
Central China	451,869	21.7	549,672	21.9	639,747	21.1
Northeastern China	118,567	5.7	144,645	5.8	165,653	5.4
Western China	587,998	28.3	718,850	28.5	881,096	29.0
Total deposits from customers	**2,080,639**	**100.0%**	**2,514,308**	**100.0%**	**3,034,646**	**100.0%**

RESULTS OF OPERATIONS OF OUR COUNTY AREA BANKING BUSINESS

In 2009, profit before tax from our County Area Banking Business increased by 55.8% to RMB20.9 billion compared to RMB13.4 billion in 2008, primarily due to the continued growth of our County Area Banking Business, including increases in net interest income and net fee and commission income. Profit before tax from our County Area Banking Business increased by 42.5% to RMB13.4 billion in 2008 compared to RMB9.4 billion in 2007, primarily due to the growth of our County Area Banking Business, in particular attributable to an increase in net interest income.

For details of the results of operations of our overall business, see "Financial Information."

The following table sets forth, for the years indicated, the condensed results of operations of our County Area Banking Business.

	For the year ended December 31,		
	2007	2008	2009
	(in millions of RMB)		
External interest income	51,696	62,889	57,708
External interest expense	(33,207)	(48,514)	(41,830)
Interest income from intra-bank balances[1]	18,149	45,953	54,575
Net interest income	36,638	60,328	70,453
Fee and commission income	8,974	10,671	14,146
Fee and commission expense	(133)	(255)	(453)
Net fee and commission income	8,841	10,416	13,693
Other net income[2]	2,246	1,281	1,215
Operating income	47,725	72,025	85,361
Operating expenses	(30,644)	(45,757)	(46,892)
Provisions for impairment losses	(7,647)	(12,824)	(17,524)
Profit before tax	**9,434**	**13,444**	**20,945**

(1) Represents interest income earned on funds provided to our other business at internal funds transfer pricing, which is determined based on market rates.

(2) Includes net trading gain/(loss), net gain/(loss) on financial assets and liabilities designated as at fair value through profit or loss, net gain/(loss) on investment securities, net exchange gain/(loss) and other net operating income.

Net Interest Income

Net interest income has been the largest component of operating income of our County Area Banking Business, representing 82.5%, 83.8% and 76.8% of operating income of our County Area Banking Business for the years ended December 31, 2009, 2008 and 2007, respectively. Net interest income of our County Area Banking Business increased by 16.8% to RMB70.5 billion in 2009 compared to RMB60.3 billion in 2008, which in turn increased by 64.7% compared to RMB36.6 billion in 2007.

External Interest Income

External interest income of our County Area Banking Business decreased by 8.2% to RMB57.7 billion in 2009 from RMB62.9 billion in 2008. External interest income of our County Area Banking Business increased by 21.7% to RMB62.9 billion in 2008 from RMB51.7 billion in 2007.

Interest income from loans to customers has been substantially all of the external interest income of our County Area Banking Business, representing 99.9%, 99.8% and 99.5% of our total external interest income of County Area Banking Business for the years ended December 31, 2009, 2008 and 2007, respectively.

Interest income from loans to customers decreased by 8.1% to RMB57.6 billion in 2009 from RMB62.8 billion in 2008, primarily due to a decrease in the average yield to 5.50% in 2009 compared to 7.80% in 2008, which was partially offset by an increase in the average balance. The decrease in the average yield was primarily due to (i) the consecutive decreases in the PBOC benchmark rates in the second half of 2008, which resulted in lower interest rates charged on loans made or repriced after such decreases, and (ii) weakened pricing power of PRC commercial banks under the increased competition in the lending market as a result of the rapid growth in bank loans, reflecting the effect of the moderately loose monetary policy in China.

Interest income from loans to customers increased by 22.0% to RMB62.8 billion in 2008 from RMB51.4 billion in 2007, primarily due to an increase in the average yield to 7.80% in 2008 compared to 5.57% in 2007, which was partially offset by a decrease in the average balance as a result of our restructuring-related disposal. The average yields on our corporate loans, discounted bills and retail loans in the loan portfolio of our County Area Banking Business increased by 233 basis points, 13 basis points and 212 basis points, respectively, in 2008 compared to 2007.

The following table sets forth, for the years indicated, the average balance, interest income and average yield for each component of the loan portfolio of our County Area Banking Business. The average balances of loans are the average of the monthly balances.

	For the year ended December 31,								
	2007			2008[1]			2009		
	Average balance	Interest income	Average yield(%)	Average balance	Interest income	Average yield(%)	Average balance	Interest income	Average yield (%)
	(in millions of RMB, except percentages)								
Corporate loans	726,026	40,081	5.52%	625,953	49,141	7.85%	749,969	43,202	5.76%
Retail loans	146,313	8,947	6.11	146,372	12,045	8.23	231,895	12,989	5.60
Discounted bills	50,333	2,405	4.78	31,904	1,565	4.91	66,440	1,448	2.18
Total loans to customers	**922,672**	**51,433**	**5.57%**	**804,229**	**62,751**	**7.80%**	**1,048,304**	**57,639**	**5.50%**

(1) The amounts of the average balances and the average yields for the year ended December 31, 2008 reflected the effect of the restructuring-related disposal.

External Interest Expense

External interest expense of our County Area Banking Business decreased by 13.8% to RMB41.8 billion in 2009 from RMB48.5 billion in 2008. External interest expense of our County Area Banking Business increased by 46.1% to RMB48.5 billion in 2008 from RMB33.2 billion in 2007. Interest expense on deposits from customers of our County Area Banking Business has been substantially all of the external interest expense of our County Area Banking Business, representing 98.7%, 98.3% and 97.5% of the total external interest expense of our County Area Banking Business for the years ended December 31, 2009, 2008 and 2007, respectively.

The following table sets forth, for the years indicated, the average balance, interest expense and average cost for each component of customer deposits of our County Area Banking Business. The average balances of deposits are the average of the monthly balances.

	For the year ended December 31,								
	2007			2008			2009		
	Average balance	Interest expense	Average cost (%)	Average balance	Interest expense	Average cost (%)	Average balance	Interest expense	Average cost (%)
	(in millions of RMB, except percentages)								
Corporate deposits									
Time	114,844	3,312	2.88%	152,983	5,690	3.72%	214,290	4,995	2.33%
Demand	428,872	3,591	0.84	535,576	4,210	0.79	662,128	2,793	0.42
Subtotal	543,716	6,903	1.27	688,559	9,900	1.44	876,418	7,788	0.89
Retail deposits									
Time	752,061	20,471	2.72	935,912	32,570	3.48	1,140,834	30,117	2.64
Demand	526,040	5,013	0.95	680,546	5,206	0.76	833,669	3,392	0.41
Subtotal	1,278,101	25,484	1.99	1,616,458	37,776	2.34	1,974,503	33,509	1.70
Total deposits from customers	**1,821,817**	**32,387**	**1.78%**	**2,305,017**	**47,676**	**2.07%**	**2,850,921**	**41,297**	**1.45%**

Interest expense on customer deposits of our County Area Banking Business decreased by 13.4% to RMB41.3 billion in 2009 from RMB47.7 billion in 2008, primarily due to a decrease in the average cost to 1.45% in 2009 compare to 2.07% in 2008, which was partially offset by an increase in the average balance. The decrease in the average cost was primarily due to the decreases in the

applicable interest rates for new deposits from customers taken, and existing customer deposits repriced, in the fourth quarter of 2008 and 2009, reflecting the effect of the consecutive decreases in the PBOC benchmark rates in the fourth quarter of 2008. The increase in the average balance was primarily attributable to (i) the increased liquidity as a result of the moderately loose monetary policy, and (ii) the continued increase in the County Area household income.

Interest expense on deposits from customers increased by 47.2% to RMB47.7 billion in 2008 from RMB32.4 billion in 2007, primarily due to an increase in the average balance and, to a lesser extent, an increase in the average cost to 2.07% in 2008 compared to 1.78% in 2007. The increase in the average balance of our deposits from customers primarily reflected the preference of the customers of our County Area Banking Business for lower risk investments during the downturn of China's securities markets and the suspension by the PRC tax administration of levying interest tax. The increase in the average cost on our deposits from customer was primarily due to the effect of the consecutive increases in the PBOC benchmark rates in 2007.

Interest Income from Intra-bank Balances

Our County Area Banking Business recorded an interest income of RMB54.6 billion, RMB46.0 billion and RMB18.1 billion from intra-bank balances in 2009, 2008 and 2007, respectively, which represents the interest income recognized on the funds provided by our County Area Banking Business to our other business using our internal funds transfer pricing, which is determined based on market rates.

Net Fee and Commission Income

Net fee and commission income from our County Area Banking Business increased by 31.5% to RMB13.7 billion in 2009 from RMB10.4 billion in 2008, which in turn increased by 17.8% from RMB8.8 billion in 2007. The following table sets forth, for the years indicated, the principal components of net fee and commission income from our County Area Banking Business.

	For the year ended December 31,		
	2007	2008	2009
	(in millions of RMB)		
Fee and commission income			
Settlement and clearing fees	3,254	4,273	5,059
Agency commissions	3,036	2,225	3,383
Bank card fees	1,629	2,292	2,255
Consultancy and advisory fees	161	872	2,581
Others[1]	894	1,009	868
Total	8,974	10,671	14,146
Fee and commission expenses	(133)	(255)	(453)
Net fee and commission income	**8,841**	**10,416**	**13,693**

(1) Includes electronic banking services, custody, guarantees and commitments and other fee and commission income.

The general factors affecting net fee and commission income of our County Area Banking Business in 2009, 2008 and 2007 did not differ materially from those affecting net fee and commission income of our overall banking business. See "Financial Information—Results of Operations for the Years Ended December 31, 2009, 2008 and 2007—Net Fee and Commission Income."

Operating Expenses

The following table sets forth, for the years indicated, the principal components of the operating expenses of our County Area Banking Business.

	For the year ended December 31,		
	2007	2008	2009
	(in millions of RMB)		
Staff costs	14,762	24,864	25,132
General operating and administrative expenses	7,914	11,175	13,673
Depreciation and amortization	2,969	4,897	3,978
Business tax and surcharges	3,329	3,976	3,832
Others	1,670	845	277
Total	**30,644**	**45,757**	**46,892**

The operating expenses of our County Area Banking Business increased by 2.5% to RMB46.9 billion in 2009 compared to RMB45.8 billion in 2008, which in turn increased by 49.3% from RMB30.6 billion in 2007. These increases were primarily due to (i) increases in our general operating and administrative expenses and staff costs attributable to the overall growth of our County Area Banking Business, and (ii) increases in supplementary retirement benefits and early retirement benefits as a result of changes to actuarial assumptions in 2008. The cost-to-income ratio (excluding business tax and surcharges) of our County Area Banking Business was 50.44%, 58.01% and 57.23% in 2009, 2008 and 2007, respectively, higher than that of our overall business, which was 43.37%, 45.30% and 34.60% in 2009, 2008 and 2007, respectively. The relatively high cost-to-income ratio (excluding business tax and surcharges) of our County Area Banking Business was primarily attributable to the fact that a significant portion of our branch outlets located in the County Areas on average generated less revenues than those in the Urban Areas.

Provisions for Impairment Losses

Provisions for impairment losses on assets of our County Area Banking Business increased by 36.7% to RMB17.5 billion in 2009 from RMB12.8 billion in 2008, primarily due to an increase in provisions for impairment losses on loans to customers of our County Area Banking Business as a result of (i) an increase in the loan portfolio of our County Area Banking Business, and (ii) our adoption of a more conservative approach to provisioning when macroeconomic conditions presented uncertainties. The coverage ratio of allowance to loans of our County Area Banking Business increased to 98.26% at December 31, 2009 from 58.25% at December 31, 2008. Provisions for impairment losses on assets of our County Area Banking Business increased by 67.7% to RMB12.8 billion in 2008 from RMB7.6 billion in 2007, primarily due to an increase in provisions for loans, reflecting the impact of the global financial crisis, the adverse developments in macroeconomic conditions and the Sichuan earthquake in 2008.

Key Financial Indicators

The following table sets forth, at the dates and for the years indicated, key financial indicators of our County Area Banking Business.

	At and for the year ended December 31,		
	2007	2008	2009
Return on average total assets[1]	n.a.	0.57%	0.62%
Net fee and commission income to operating income	18.52%	14.46%	16.04%
Cost-to-income ratio[2]	57.23%	58.01%	50.44%
Loan-to-deposit ratio	50.81%	33.10%	39.33%
Non-performing loan ratio[3]	31.91%	5.51%	3.69%
Allowance to non-performing loans[4]	94.97%	58.25%	98.26%
Allowance to total loans[5]	30.31%	3.21%	3.63%

(1) Represents the net profit for the period as a percentage of the average balance of total assets at the beginning and end of the period. The net profit for the period represents a product of profit before tax multiplied by the difference between 1 and the effective income tax rate of our bank. The average balance of total assets represents the average of the balance at the beginning of the period and the balance at the end of the period.

(2) Calculated by dividing total operating expenses (excluding business tax and surcharges) by operating income.

(3) Calculated by dividing non-performing loans to customers by total loans to customers.

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

(5) Calculated by dividing the allowance for impairment losses on total loans by total loans to customers.

OVERVIEW

As part of our restructuring, we were converted from a wholly state-owned commercial bank into a joint stock limited liability company in January 2009, with the MOF and Huijin as our promoters. At the Latest Practicable Date, each of the MOF and Huijin owned approximately 48.15% of our total issued shares. Immediately following the A Share Offering and the Global Offering, assuming that neither of the over-allotment options for the A Share Offering and the Global Offering is exercised, the MOF will own approximately 40.20% and Huijin will own approximately 40.93% of our registered capital, respectively.

Relationship with the MOF

The MOF, one of our two promoters, is a ministry under the State Council primarily responsible for, among others things, macroeconomic management, state fiscal revenues and expenditures, and taxation policies.

Relationship with Huijin

Huijin, one of our two promoters, is a wholly state-owned limited liability company ultimately owned by the PRC central government and mandated by the state to invest in and hold shares in major PRC financial institutions. It exercises the rights and assumes the obligations of an investor in several financial institutions including us, the Industrial and Commercial Bank of China Limited, China Construction Bank Corporation and Bank of China Limited on behalf of the PRC government, and implements PRC government policies with respect to reforms of state-owned financial institutions. Huijin does not engage in any commercial activity.

Huijin has undertaken to us that:

(1) so long as Huijin continues to hold any of our shares or is deemed to be a controlling shareholder or a connected person of a controlling shareholder in accordance with the laws or listing rules of China or of the place where our shares are listed, it will not engage or participate in any competing commercial banking activities. If Huijin engages or participates in any competing commercial banking activities or activities which evolve into competing commercial banking activities in China or abroad, Huijin will immediately cease to participate in, manage or engage in such competing commercial banking activities;

(2) if Huijin obtains any governmental approval, authorization or license to operate commercial banking activities directly, or obtains any other opportunities to operate commercial banking activities, Huijin will immediately relinquish such approval, authorization or license, and will not operate any commercial banking activities;

(3) notwithstanding the above undertaking (1) and (2), Huijin, as a state-owned investment vehicle established by the PRC government to invest in financial institutions, may through its investments in other companies (including but not limited to its wholly-owned entities, joint ventures, contractual joint ventures, or through its direct or indirect ownership of shares or other interests in such companies) operate or participate in any competing commercial banking activities in China or abroad;

(4) Huijin, as a state-owned investment vehicle established by the PRC government to invest in financial institutions, will treat its investments in commercial banks on an equal footing,

and will not confer upon any commercial banks any governmental approval, authorization or license to operate commercial banking activities or any business opportunities it obtains or may obtain, nor will it take advantage of its status as a holder of our shares or the information obtained by virtue of such status to make decisions or judgments against us or in favor of other commercial banks, and will avoid such circumstances arising. It will exercise its shareholder's rights in our best interests as if we were its sole investment in a commercial bank, and will exercise its commercial judgment to maximize the interests of our shareholders and our Company, which judgment will not be affected by its investments in other commercial banks.

CONNECTED TRANSACTIONS

Pursuant to Chapter 14A of the Listing Rules, after the listing of our H shares, the transactions we have entered into with our connected persons (as defined in the Listing Rules) will constitute connected transactions. Such transactions will continue following the Listing Date, thereby constituting continuing connected transactions under the Listing Rules.

Exempt Continuing Connected Transactions

Set forth below are details of various connected transactions between us and certain directors, supervisors, substantial shareholders and/or their respective associates. These transactions are entered into on normal commercial terms in the ordinary and usual course of our business and are exempt from the reporting, annual review, disclosure and independent shareholders' approval requirements under the Listing Rules.

Commercial Banking Services and Products Provided by us in the Ordinary and Usual Course of Business

We provide commercial banking services and products to customers in the ordinary and usual course of our business. Such services and products include the taking of deposits. Customers who place deposits with us include substantial shareholders, directors, supervisors, presidents and chief executive officers of us and our subsidiaries, and former directors of us and our subsidiaries who were directors within 12 months preceding the date of listing of our H shares and their respective associates. Each of the above persons is our connected person under Chapter 14A of the Listing Rules. We expect that our connected persons will continue to place deposits with us following the listing of our H shares, which will constitute continuing connected transactions for us under Chapter 14A of the Listing Rules.

The deposits placed by our connected persons are on normal commercial terms with reference to prevailing market rates.

The provision of commercial banking services and products by us to our connected persons in the ordinary and usual course of our business and on normal commercial terms that are comparable or no more favorable than those offered to independent third parties (including other comparable employees of ours who are not connected persons) will be exempt continuing connected transactions under Rule 14A.65(4) of the Listing Rules, namely financial assistance provided by a connected person in the form of deposits placed with a listed issuer for the benefit of the listed issuer on normal commercial terms (or better to the listed issuer) where no security over the assets of the listed issuer is granted in respect of the financial assistance, and thus will be exempt from the reporting,

announcement and independent shareholders' approval requirements contained in Rules 14A.35 and 14A.45 to 14A.48 of the Listing Rules.

Loans and Credit Facilities Granted by Us to Connected Persons

We extend loans and credit facilities (including the provision of long-term loans, short-term loans, consumer loans, credit card overdrafts, mortgages, guarantees, guarantees of third-party loans, comfort letters and bill discounting facilities) to our customers in the ordinary and usual course of our business and on normal commercial terms with reference to prevailing market rates. Customers who utilize the above banking products and services may include substantial shareholders, directors, supervisors, presidents and chief executive officers of us and our subsidiaries, and former directors of us and our subsidiaries who were directors within 12 months preceding the date of listing of our H shares and their respective associates. Each of the above persons is our connected person under Chapter 14A of the Listing Rules. We expect that we will continue to provide the above banking products and services to our connected persons following the Global Offering, which will constitute continuing connected transactions for us under Chapter 14A of the Listing Rules.

The above loans and credit facilities provided by us to our connected persons are on normal commercial terms with reference to prevailing market rates.

The provision of the above loans and credit facilities by us to our connected persons in the ordinary and usual course of our business and on normal commercial terms that are comparable or no more favorable than those offered to independent third parties (including other comparable employees of ours who are not connected persons) will be exempt continuing connected transactions under Rule 14A.65(1) of the Listing Rules, namely financial assistance provided by a listed issuer in its ordinary and usual course of business for the benefit of a connected person on normal commercial terms, and thus will be exempt from all reporting, announcement and independent shareholders' approval requirements under Rules 14A.35 and 14A.45 to 14A.48 of the Listing Rules.

Connected Transactions with CA-CIB

Amundi Asset Management holds 33.33% equity interest in our non-wholly owned subsidiary, ABC-CA Fund Management Co., Ltd. ("ABC-CA Fund"). According to the Listing Rules, Amundi Asset Management is a substantial shareholder in one of our subsidiaries, and therefore, it and its associates are our connected persons under the Listing Rules.

Crédit Agricole S.A. holds a 75% equity interest in Amundi Asset Management and 100% equity interest in Crédit Agricole Corporate and Investment Bank ("CA-CIB"), a note-issuing bank in France, respectively. Therefore, pursuant to the Listing Rules, CA-CIB is an associate of Amundi Asset Management, and is our connected person.

We have regularly engaged in various transactions (both one-off transactions and continuing transactions) on normal commercial terms in the ordinary and usual course of our business with CA-CIB. Each of these transactions will constitute a connected transaction under Rule 14A.13(1) or continuing connected transaction under Rule 14A.14 of the Listing Rules, as the case may be, if entered into or continuing following the listing of our H shares.

The value of ABC-CA Fund's total assets, profits and revenue accounts for less than 5% of the total assets, profits and revenue of our Group, respectively, in the past two years since its establishment

on March 18, 2008. Thus the connected transactions between us and CA-CIB will be exempt from the reporting, annual review, announcement and independent shareholders' approval requirements under Rule 14A.33(4) of the Listing Rules.

DIRECTORS

The following table sets out certain information relating to our directors.

Name	Age	Position	Time of joining our Bank	Years of service
XIANG Junbo	53	Chairman, Executive Director	June, 2007	three years
ZHANG Yun	51	Vice Chairman, Executive Director, President	July, 1985	25 years
YANG Kun	51	Executive Director, Executive Vice President	April, 1983	27 years
PAN Gongsheng	46	Executive Director, Executive Vice President	April, 2008	two years
LIN Damao	55	Non-Executive Director	January, 2009	one year
ZHANG Guoming	55	Non-Executive Director	January, 2009	one year
XIN Baorong	58	Non-Executive Director	January, 2009	one year
SHEN Bingxi	58	Non-Executive Director	January, 2009	one year
YUAN Linjiang	46	Non-Executive Director	January, 2009	one year
CHENG Fengchao	51	Non-Executive Director	January, 2009	one year
John Dexter LANGLOIS	67	Independent Non-Executive Director	January, 2009	one year
Anthony WU Ting-yuk	55	Independent Non-Executive Director	January, 2009	one year
QIU Dong	52	Independent Non-Executive Director	January, 2009	one year

Mr. XIANG Junbo, chairman of the Board of Directors and legal representative of our Bank, is responsible for our business strategy and overall development. Mr. ZHANG Yun, vice chairman of the Board of Directors and president of our Bank, is responsible for our daily overall operation and management. Our president is appointed by and responsible to the Board of Directors, and performs duties in accordance with our Articles of Association and authorization of the Board of Directors. The roles of our chairman and president are separate, and the division of responsibilities between them is clearly established and set out in writing.

Executive Directors

Mr. XIANG Junbo has served as chairman of the Board of Directors and executive director of our Bank since January 15, 2009. Mr. Xiang is responsible for our business strategy and overall development. Mr. Xiang joined our Bank in June 2007, and was appointed as president of our Bank. Mr. Xiang previously served successively as vice president of Nanjing Audit University; deputy director of the Audit Management Department of the NAO; and commissioner of the Special Commissioner's Office for Beijing, Tianjin and Hebei, the NAO during the period of 1993 to 1999; and director of the Personnel and Education Department of the NAO from 1999 to 2002. Mr. Xiang was appointed as deputy auditor general of the NAO in February 2002, and deputy governor of the PBOC in July 2004 (also director of Shanghai Head Office of the PBOC from August 2005 to June 2007). Mr. Xiang currently serves as vice chairman of the Standing Council of China Banking Association and chairman of the China Institute of Rural Finance. He received a PhD in law in 2001 from Peking University and is a Research Fellow certified by the PBOC.

Mr. ZHANG Yun has served as vice chairman, executive director and president of our Bank since January 15, 2009. Mr. Zhang is responsible for our daily overall operation and management as well as matters in relation to risk management. Mr. Zhang previously served successively as deputy president of our Shenzhen branch, deputy president of our Guangdong branch, and president of our Guangxi Autonomous Region branch. Mr. Zhang was appointed as executive assistant president and general manager of Personnel Department of our Bank in March 2001, and executive vice president of our Bank in December 2001. Mr. Zhang received a PhD in economics in 2004 from Wuhan University and is a Senior Economist certified by our Bank.

Mr. YANG Kun has served as executive director and executive vice president of our Bank since January 15, 2009. Mr. Yang is primarily responsible for our personal banking, bank card and electronic banking business as well as matters in relation to product research and development and information technology. Mr. Yang currently also serves as chairman of the board of directors of ABC-CA Fund Management Co., Ltd. Mr. Yang previously served successively in our Bank as deputy general manager of the Personnel and Education Department, deputy general manager of the Agency Business Department, general manager of the Market Development Department and president of our Anhui branch. Mr. Yang had served concurrently as executive assistant president of our Bank and president of our Anhui branch since January 2002. In November 2003, Mr. Yang had served as executive assistant president of our Bank, and was appointed as executive vice president of our Bank in March 2004. Mr. Yang received a Master's degree in economics in 1996 from Nankai University and is a Senior Economist certified by our Bank.

Mr. PAN Gongsheng has served as executive director of our Bank since April 28, 2010 and executive vice president of our Bank since January 15, 2009. Mr. Pan is primarily responsible for our financial restructuring, finance and accounting, assets and liabilities management, financial market business and international business as well as relevant legal affairs. Mr. Pan currently also serves as chairman of the board of directors of ABC International Holdings Limited. Mr. Pan joined our Bank in April 2008, and was appointed as executive vice president. Mr. Pan previously served several positions successively in Industrial and Commercial Bank of China, including deputy general manager of the Human Resources Department; deputy general manager of the Financial Planning Department; vice president of Shenzhen Branch; general manager of the Financial Planning Department; and managing director of the Restructuring Office. Mr. Pan was appointed as secretary to the board of directors of Industrial and Commercial Bank of China Limited, or ICBC, managing director of ICBC Restructuring Office and general manager of ICBC Financial Planning Department in October 2005; secretary to the board of directors of ICBC, managing director of ICBC Restructuring Office and managing director of the Office of board of directors of ICBC in February 2006; and secretary to the board of directors of ICBC and general manager of ICBC Strategic Management and Investor Relationship Department in March 2007. Mr. Pan received a PhD in economics in 1993 from Renmin University of China and is a Research Fellow of Renmin University of China. Mr. Pan is also an expert entitled to Government Special Allowance by the State Council.

Non-executive Directors

Mr. LIN Damao has served as non-executive director of our Bank since January 15, 2009. Mr. Lin previously served in several positions in the MOF, including deputy director of Foreign Economy Division, Foreign Currency and Foreign Affairs Department; deputy director of Foreign Economic Cooperation Division, Foreign Currency and Foreign Affairs Department; director of Foreign Economic Cooperation Division, Foreign Currency and Foreign Affairs Department; director of Foreign Economy Division, Foreign Affairs Department; and director of Foreign Affairs Division, Department of Policies and Legislation. Mr. Lin was appointed as vice counsel of the MOF Department of Policies and Legislation in May 2001. Mr. Lin received a Bachelor's degree in financial accounting in 1979 from Xiamen University and is an Accountant certified by the MOF.

Mr. ZHANG Guoming has served as non-executive director of our Bank since January 15, 2009. Mr. Zhang currently also serves as non-executive director of ABC International Holdings Limited. Mr. Zhang previously served successively in several positions in the MOF, including as officer of Agriculture Department; deputy director of Business Division, Agriculture Department;

director of Business Division, Agriculture Department; and director of Forestry Division, Agriculture Department. Mr. Zhang was appointed as vice counsel of the MOF Agriculture Department in April 2006. Mr. Zhang received a Bachelor's degree in accounting in 1982 from Shanxi Finance and Economics Institute and is an Accountant certified by the MOF.

Ms. XIN Baorong has served as non-executive director of our Bank since January 15, 2009. Ms. Xin previously served as deputy director, Office of Assessment Center, State Administration of Stated-owned Assets; office director of China Appraisal Society; and director of Human Resources Department, Chinese Institute of Certified Public Accountants. Ms. Xin was appointed as advisor of China Appraisal Society in November 2006. Ms. Xin is now also serving as executive member of China Appraisal Society and director of Work Committee for Female Appraisers. Ms. Xin received a Bachelor's degree in international economics in 1997 from Party School of the Central Committee of the Communist Party of China and is a Senior Engineer certified by the Chinese Academy of Sciences, a China Certified Public Accountant and a China Certified Asset Appraiser.

Mr. SHEN Bingxi has served as non-executive director of our Bank since January 15, 2009. Mr. Shen previously served as deputy director of Financial Market Division, Financial System Reform Department of the PBOC; director of System Reform Division and Currency Policy Research Division, Policy Research Office of the PBOC; director of Currency Policy Division, Research Department of the PBOC; and chief representative of Tokyo Representative Office of the PBOC. Mr. Shen was appointed as deputy chief of Financial Market Department of the PBOC in December 2003; and counsel of Financial Market Department of PBOC in January 2009. Mr. Shen was a guest research fellow at University of Tokyo, and is now supervisor of master students at the Graduate School of the PBOC and adjunct professor of Renmin University of China and Xiamen University. Mr. Shen received a PhD in economics in 1990 from Renmin University of China and is a Research Fellow certified by the PBOC.

Mr. YUAN Linjiang has served as non-executive director of our Bank since January 15, 2009. Mr. Yuan previously served as assistant general manager, Credit Management Department of China Everbright Bank; deputy general manager, Credit Management Department of China Everbright Bank; and deputy general manager, Risk Management Department of China Everbright Bank. Mr. Yuan was appointed as vice president and chief risk officer of China Everbright Bank Beijing branch in August 2005, and president of China Everbright Bank Chongqing branch in December 2007. Mr. Yuan received an EMBA degree in 2009 from Renmin University of China and is an Economist certified by the former PRC Ministry of Material.

Mr. CHENG Fengchao has served as non-executive director of our Bank since January 15, 2009. Mr. Cheng currently also serves as non-executive director of ABC International Holdings Limited. Mr. Cheng previously served as vice director general, Financial Bureau of Pingquan County, Hebei Province; vice director, Administrative Office of Financial Department of Hebei Province; head of Hebei Accounting Firm; vice president and secretary-general, Hebei Institute of Certified Public Accountants; and deputy general manager, Shijiazhuang Office of China Great Wall Asset Management Corporation. Mr. Cheng was appointed as general manager, Valuation Management Department, China Great Wall Asset Management Corporation in January 2001; general manager, Tianjin Office of China Great Wall Asset Management Corporation in January 2006; and general manager, Development Research Department, China Great Wall Asset Management Corporation in August 2008. Mr. Cheng is now also serving as a guest professor of Beijing Technology and Business University, member of Committee for Restructuring of Listed Companies of the CSRC, executive

member of China Appraisal Society and independent director of Tongfang Co., Ltd. Mr. Cheng received a PhD in management in 2004 from Hunan University and is a Senior Accountant certified by the Professional Qualifications Reform Office of Hebei Province, a China Certified Public Accountant and a China Certified Asset Appraiser.

Independent non-executive Directors

Mr. John Dexter LANGLOIS has served as independent non-executive director of our Bank since January 15, 2009. Mr. Langlois previously served successively as associate professor and chairman of History Department, Bowdoin College, Brunswick, Maine, US from 1973 to 1982; vice president, J.P. Morgan; chairman and managing director of Real Estate Asia Pacific, J.P. Morgan; chairman of China Business, J.P. Morgan; and chief representative of Beijing Representative Office, J.P. Morgan during the period from 1982 to 1999; and visiting professor at East Asian Studies, Princeton University from 1999 to 2001. Mr. Langlois was also appointed as president, later chairman, of Morgan Stanley Properties (China) Co., Ltd. in September 2002, and managing director of Countrywide Capital Markets Asia Limited in April 2006. In addition, Mr. Langlois was a director of Bank of Shanghai from 2000 to 2004; a director of Nanjing City Commercial Bank from 2003 to 2004; a non-executive chairman of the board of directors and a director of Shenzhen Development Bank from January 2005 to June 2006; and an independent non-executive director of China CITIC Bank Corporation Limited (listed on the Hong Kong Stock Exchange under stock code: 998) from January 2007 to September 2008. Mr. Langlois currently serves as chairman of Langlois (Beijing) Investment Advisory Co., Ltd since March 2008. Mr. Langlois received a PhD in East Asian Studies in 1974 from Princeton University and an MBA degree in 1986 from New York University.

Mr. Anthony WU Ting-yuk has served as independent non-executive director of our Bank since January 15, 2009. Mr. Wu previously served as chairman of Far East and China, Ernst & Young PLLC, and chairman of Hong Kong Hospital Authority since October 2004. Mr. Wu is currently serving as chairman of Bauhinia Foundation Research Center, Hong Kong; chairman of Hong Kong General Chamber of Commerce; chief advisor of Greater China, Bank of Tokyo-Mitsubishi; senior advisor of Hong Kong and China, Ernst & Young PLL; member of Hong Kong Commission on Strategic Development; member of Hong Kong Health and Medical Development Advisory Committee; member of Committee for Pearl River Delta Project; member of Board of Directors, United Nations Association of the PRC; and trustee of Foundation of Oxford University. Mr. Wu was appointed as Justice of the Peace in 2004 and awarded Gold Bauhinia Star in 2008 respectively by the Government of Hong Kong. Mr. Wu graduated from Wah Yan College, Hong Kong in 1974, and finished the foundation course in accountancy in Teesside Polytechnic in the United Kingdom in 1975. Mr. Wu then joined the Institute of Chartered Accountants in England & Wales as a student member in 1975 and obtained the Associate Chartered Accountant qualification in 1979. Mr. Wu is a member of the Hong Kong Institute of Certified Public Accountants and the Association of Chartered Certified Accountants, and member of the Ninth, Tenth and Eleventh Chinese People's Political Consultative Conference ("CPPCC") National Committee.

Mr. QIU Dong has served as independent non-executive director of our Bank since January 15, 2009. Mr. Qiu once served as principal of Northeast Finance and Economics University. Mr. Qiu is currently serving as vice president of China National Conditions Research Association; vice president of China Association of Market Information and Research; vice president of Statistical Education Society of China; vice president of National Accounting Society of China; member of the Appraisal Group of Philosophy, Social Science and Planning; member of the Disciplines Evaluation

Panel of the Academic Degrees Committee of the State Council (Applied Economics); member of the Advisory Committee of the NBSC; member of Economics Teaching Steering Committee for Universities and Colleges, Ministry of Education; member of National Statistical Teaching Material Editing and Censoring Committee; member of Selection Committee for Science and Technology Progress Award on Statistics of China; member of Academic Committee, Center for Applied Statistics, Renmin University of China; invited research fellow of Xi'an Statistic Research Institute; adjunct professor of Southwestern University of Finance and Economics; adjunct professor of Shanxi University of Finance and Economics; and member of Editorial Board of Statistical Research. Mr. Qiu received a PhD in economics in 1990 from Northeast Finance and Economics University. He is a professor and a PhD supervisor of Central University of Finance and Economics, and an expert entitled to Government Special Allowance by the State Council. Mr. Qiu was also a representative of the Tenth National People's Congress.

Of our 13 directors, we have three independent non-executive directors. We have made an application to the CSRC for a waiver from compliance with the requirement that independent non-executive directors comprise at least one-third of our Board of Directors and intend to appoint two additional independent non-executive directors in due course following the listing to comply with such requirement.

Save as disclosed above, there is no other information in respect of each of our directors that is required to be disclosed pursuant to Rule 13.51(2) (a) to (v) of the Listing Rules and there is no other material matters relating to our directors that need to be brought to the attention of our shareholders.

SUPERVISORS

The following table sets out certain information relating to our supervisors.

Name	Age	Position
CHE Yingxin	55	Chairman of the Board of Supervisors
PAN Xiaojiang	58	Supervisor Representing Shareholders
WANG Yurui	55	Supervisor Representing Employees
WANG Xingchun	46	Supervisor Representing Employees
JIA Xiangsen	55	Supervisor Representing Employees

Mr. CHE Yingxin has served as chairman of the Board of Supervisors of our Bank since January 15, 2009. Mr. Che is responsible for our supervision and management. Mr. Che previously served as governor of Lushi sub-branch of the PBOC; deputy governor of Luoyang branch of the PBOC; governor of Sanmenxia branch of the PBOC; president of Xinyang branch of the PBOC; vice president of Henan Provincial branch of the PBOC; deputy director of the Inspection Bureau of the PBOC; deputy secretary of the Commission for Discipline Inspection and director of the Inspection Bureau of the PBOC; deputy secretary of Communist Party of China Central Commission for Financial Discipline Inspection; director of Financial Inspection Bureau of Ministry of Supervision; and director of Banking Supervision Department I of the CBRC. Mr. Che was appointed as assistant to chairman of the CBRC in February 2005, and chairman of the Board of Supervisors of Key State-owned Financial Institutions in December 2005. Mr. Che holds a Bachelor's degree in economic management.

Mr. PAN Xiaojiang has served as supervisor representing shareholders of our Bank since January 15, 2009. Mr. Pan previously served successively as deputy director of the Accounting Management Department of the MOF; deputy director of Chinese Institute of Certified Public

Accountants; deputy director, director and deputy director-general of the World Bank Department of the MOF; and deputy director-general of the International Department of the MOF. Mr. Pan was appointed as full-time supervisor (at the deputy bureau level) and deputy office director of the board of supervisors of Bank of China in July 2000; full-time supervisor (at the bureau level) and office director of the board of supervisors of Bank of China in November 2001; and full-time supervisor (at the bureau level) and office director of the Board of Supervisors of our Bank in July 2003. Mr. Pan received a PhD in management from Tsinghua University and is a Senior Economist certified by the MOF and a China Certified Public Accountant.

Mr. WANG Yurui has served as supervisor representing employees of our Bank since April 10, 2009. Mr. Wang was appointed as full-time supervisor (at the director level) of the Board of Supervisors of our Bank in August 2004; then full-time supervisor (at the deputy bureau level) of the Board of Supervisors of our Bank in April 2008; and supervisor representing shareholders of our Bank in January 2009. Mr. Wang previously served successively as deputy director of the Construction and Finance Division of the Science and Education Department, the PBOC; deputy director of the Plan and Finance Division of the Education Department, the PBOC; deputy governor of the PBOC Weihai branch; and deputy director of the Integrated Services Division of the Accounting and Treasury Department, the PBOC. Mr. Wang was appointed as deputy director of the board of supervisors of China Galaxy Securities Company in July 2000, and supervisor (at the director level) of the board of supervisors of Bank of Communications in August 2003. Mr. Wang holds a Bachelor's degree in industrial and civil architecture and is an Engineer certified by the PBOC. Mr. Wang was a member of the seventh and the eighth All-China Youth Federation and a member of the tenth CPPCC Standing Committee of Xicheng District of Beijing.

Mr. WANG Xingchun has served as supervisor representing employees of our Bank since April 10, 2009. Mr. Wang previously served successively in our head office as officer and deputy chief of the Policy Research Division of the Research Office, chief of the Policy Research Division of the Development Planning Department, assistant to general manager of the Development Planning Department, and assistant to general manager of the Market Development Department. Mr. Wang was appointed to several positions in our head office, including deputy general manager of the Market Development Department in May 1998, deputy general manager of the Training Department in December 2000, vice president of Tianjin Training Institute of our Bank in February 2002; general manager of the Legal Affairs Department in November 2003; general manager of the Legal and Compliance Department in June 2006; and general manager of the Legal Affairs Department in July 2008. Mr. Wang received a Master's degree in economics from the Graduate School of the PBOC and is a Senior Economist certified by our Bank.

Mr. JIA Xiangsen has served as supervisor representing employees of our Bank since April 10, 2009. Mr. Jia previously served successively as officer and deputy section chief of the PBOC Beijing Branch, and deputy director of the PBOC Beijing Fengtai District Office. Then Mr. Jia served in several positions in our Bank, including vice president of Beijing Fengtai sub-branch, deputy chief of the Education Division of our Beijing branch, deputy director of the Credit Cooperation Management Department of our Beijing branch and deputy chief of the Science and Technology Division of our Beijing branch. Mr. Jia also once served as president of our Beijing Dongcheng sub-branch and assistant to president of our Beijing branch. Mr. Jia was appointed as vice president of our Beijing branch in November 1994, general manager of the Corporate Banking Department of our Bank in December 2000, president of our Guangdong branch in November 2003, and principal of the Audit

Office of our Bank in April 2008. Mr. Jia graduated from a Master program in money and banking at the Chinese Academy of Social Sciences and is a Senior Economist certified by our Bank.

SENIOR MANAGEMENT

The following table sets out certain information relating to our senior management.

Name	Age	Position
ZHANG Yun	51	Vice Chairman, Executive Director, President
YANG Kun	51	Executive Director, Executive Vice President
ZHU Hongbo	47	Executive Vice President, Secretary of the Party Discipline Committee
GUO Haoda	52	Executive Vice President
PAN Gongsheng	46	Executive Director, Executive Vice President
CAI Huaxiang	50	Executive Vice President
LI Zhenjiang	39	Secretary to the Board of Directors, Company Secretary

For detailed biographies of **Mr. ZHANG Yun, Mr. YANG Kun and Mr. PAN Gongsheng**, please see "Directors" above. The biographies of other senior management personnel are as follows:

Mr. ZHU Hongbo has served as executive vice president and secretary of the Party Discipline Committee of our Bank since February 2010. Mr. Zhu is primarily responsible for our County Area Banking Business and relevant supervisory matters. Mr. Zhu previously served successively as deputy director and director of the General Office of our Bank; and president of our Hainan Branch, Jiangsu Branch and Beijing Branch. Mr. Zhu was appointed as secretary of the Party Discipline Committee of our Bank since April 2008. Mr. Zhu received a PhD in management from Nanjing University and is a Senior Economist certified by our Bank.

Mr. GUO Haoda served as executive vice president of our Bank and president of our Beijing branch from January 2009 to March 2010 and has served as executive vice president of our Bank since March 2010. Mr. Guo is primarily responsible for our corporate banking business development and matters in relation to custodian management, operational management and settlement and cash management. Mr. Guo previously served successively as vice president and president of our Jiangsu province Suzhou branch; president of our Shenzhen branch; and president of our Jiangsu branch. Mr. Guo was appointed as executive vice president of our Bank and president of our Beijing Branch in April 2008. Mr. Guo holds a Bachelor's degree in accounting and is a Senior Economist certified by our Bank. Mr. Guo is an expert entitled to Government Special Allowance by the State Council. Mr. Guo received National May 1st Labor Medal in 2003.

Mr. CAI Huaxiang has served as executive vice president of our Bank since February 2010. Mr. Cai is primarily responsible for our assets disposal, security and safeguarding as well as matters in related to labor union. Mr. Cai previously served successively as deputy director of the Personnel Bureau of China Development Bank; president of Nanchang Branch and Jiangxi Branch of China Development Bank; general manager of Operation Department of China Development Bank and president of Beijing Branch of China Development Bank. Mr. Cai was appointed as vice president of China Development Bank Corporation in September 2008. Mr. Cai received a Master's degree in engineering from China University of Geosciences and is a Senior Economist certified by Agricultural Development Bank of China.

Mr. LI Zhenjiang has served as secretary to the Board of Directors, managing director of the Office of Board of Directors and deputy executive director of the Restructuring Office of our Bank

since January 2009. Mr. Li previously served successively as chief of Policy Research Division of the PBOC General Administration Department and vice director of the Integrated Management Department of the PBOC Shanghai Head Office. Mr. Li was appointed as deputy director of our Restructuring Office in August 2007, director of our Research Office in January 2008, and general manager of our Strategic Management Department in October 2008. Mr. Li received a PhD in economics from Nankai University and is a Senior Economist certified by the PBOC.

COMPANY SECRETARY

Mr. LI Zhenjiang also has served as company secretary of our Bank since April 2010. For the biography of Mr. Li, see "Senior Management" above.

Ms. WOO Lee Wah Cecilia has been appointed to act as an assistant to the company secretary of our Bank since April 2010. For the biography of Ms. Woo, see "Waiver from Rules 8.17 and 19A.16 of the Listing Rules" below.

BOARD OF DIRECTORS COMMITTEES

Our Board of Directors delegates certain responsibilities to various committees. We have formed five committees, namely strategic planning, County Area Banking Business development, audit, nomination and remuneration and Risk Management Committees, and a related party transactions management committee under the Risk Management Committee.

Strategic Planning Committee

Our strategic planning committee consists of 11 directors, including the chairman Mr. XIANG Junbo, the vice chairman, Mr. ZHANG Yun and the directors Mr. YANG Kun, Mr. PAN Gongsheng, Mr. ZHANG Guoming, Ms. XIN Baorong, Mr. SHEN Binxi, Mr. YUAN Linjiang, Mr. CHENG Fengchao, Mr. John Dexter LANGLOIS and Mr. Anthony WU Ting-yuk. Our chairman Mr. XIANG Junbo is the chairman of the strategic planning committee. The primary duties of the strategic planning committee are to review and propose general development strategy and specific strategic development plans, evaluate factors having an impact on strategic development and implementation in light of domestic and international financial conditions and market changes as well as the overall development of our banking businesses, and propose adjustments to our strategic plan and advice to our Board of Directors and perform other duties and responsibilities as assigned by our Board of Directors.

County Area Banking Business Development Committee

The County Area Banking Business development committee consists of six directors, including the vice chairman, Mr. ZHANG Yun and the directors Mr. YANG Kun, Mr. ZHANG Guoming, Ms. XIN Baorong, Mr. SHEN Bingxi and Mr. QIU Dong, among whom the vice chairman Mr. ZHANG Yun is the chairman of the County Area Banking Business development committee. The primary duties of the County Area Banking Business development committee are to review development strategic plan of County Area Banking Business, and propose to our Board of Directors in line with the general development strategic plan, evaluate factors having material impacts on County Area Banking Business and propose adjustment to development strategic plan to our Board of Directors, monitor our business development plan, policy and general management systems of County Area Banking Business and perform other duties and responsibilities as assigned by our Board of Directors.

Audit Committee

We have established an Audit Committee with written terms of reference in compliance with Rule 3.21 of the Listing Rules and paragraph C3 of the Code on Corporate Governance Practices, as set out in Appendix 14 to the Listing Rules. The Audit Committee consists of two non-executive directors, being Mr. LIN Damao and Ms. XIN Baorong, and three independent non-executive directors, being Mr. Anthony WU Ting-yuk, an independent non-executive director with appropriate accounting qualifications as required under Rule 3.10(2) of the Listing Rules who serves as chairman of the committee, Mr. John Dexter LANGLOIS and Mr. QIU Dong. The primary duties of the Audit Committee are to supervise our internal controls, inspect and evaluate compliance matters in relation to our core business, relevant rules and material operation, review our critical accounting policies and their implementation, supervise our financial and operational status and perform other duties and responsibilities as assigned by our Board of Directors.

Nomination and Remuneration Committee

The nomination and remuneration committee consists of one executive director, being vice chairman Mr. ZHANG Yun, two non-executive directors, being Mr. LIN Damao and Mr. SHEN Bingxi and three independent non-executive directors, being Mr. John Dexter LANGLOIS, Mr. Anthony WU Ting-yuk and Mr. QIU Dong. Mr. QIU Dong is the chairman of the nomination and remuneration committee. The primary duties of the nomination and remuneration committee are to propose appointment standards and procedures for directors, chairman and members of Board of Directors committees as well as senior management, review qualifications and conditions for appointment of directors, president, secretary to the Board of Directors, vice president and other senior management nominated by the president and make proposals to our Board of Directors, draft assessment measures for directors and senior management and compensation plan for directors, supervisors and senior management and perform other duties and responsibilities as assigned by our Board of Directors. We do not comply with paragraph B1 of the Code on Corporate Governance Practices, as set out in Appendix 14 to the Listing Rules as the independent non-executive directors are not a majority of members of the nomination and remuneration committee. However, we expect to comply with such requirement in due course following our listing.

Risk Management Committee

The Risk Management Committee consists of seven directors, including Mr. YANG Kun, Mr. LIN Damao, Mr. ZHANG Guoming, Mr. YUAN Linjiang, Mr. CHENG Fengchao, Mr. John Dexter LANGLOIS and Mr. QIU Dong. Mr. John Dexter LANGLOIS is the chairman of the Risk Management Committee. The Risk Management Committee is responsible for reviewing and approving risk management strategies, policies and procedures of risk management and internal control in line with our general development strategies, supervising and evaluating their implementation and effectiveness, making recommendations to our Board of Directors and performing other duties and responsibilities as assigned by our Board of Directors.

We have established a related party transactions management committee under the Risk Management Committee. The related party transactions management committee consists of three directors, including Mr. YUAN Linjiang, Mr. John Dexter LANGLOIS and Mr. QIU Dong. Mr. John Dexter LANGLOIS is the chairman of the related party transactions management committee. The primary function of the related party transactions management committee is to manage related party

transaction matters, review and approve our general management system for related party transactions, supervise its implementation and make proposals to our Board of Directors.

WAIVER FROM RULES 8.17 AND 19A.16 OF THE LISTING RULES

Mr. LI Zhenjiang, our company secretary, does not possess the relevant qualifications under Rule 8.17 of the Listing Rules. Our company has appointed Ms. WOO Lee Wah Cecilia to act as an assistant to Mr. Li for a minimum period of three years after the Listing Date, to ensure that Mr. Li will be able to acquire the necessary experience to satisfy the requirements of Rule 8.17(3) of the Listing Rules. Ms. Woo is a Hong Kong resident and a Hong Kong qualified solicitor (which is the required qualification stipulated in Rule 8.17(2) of the Listing Rules). She currently serves as the Head of Legal & Compliance Department at ABC International Holdings Limited, a wholly-owned subsidiary of the Company. Ms. Woo received a Bachelor of Laws degree from the University of Leicester, United Kingdom. In this regard, we also have procedures in place to provide Mr. Li with appropriate training in order to enable Mr. Li to acquire such necessary experience. We have applied to the Hong Kong Stock Exchange for, and the Hong Kong Stock Exchange has granted us, a waiver from strict compliance with the requirements under Rule 8.17 and Rule 19A.16 of the Listing Rules, in appointing Mr. Li as our company secretary for a period of three years under the condition that and only so long as Ms. Woo is appointed as an assistant to Mr. Li as described above. The waiver will be revoked if Ms. Woo ceases to be the assistant to Mr. Li during the three years after the Listing Date. Upon the expiry of the three-year period, we will re-evaluate the qualifications of Mr. Li to determine whether the requirements of Rule 8.17 of the Listing Rules can be satisfied.

WAIVER FROM RULES 8.12 AND 19A.15 OF THE LISTING RULES

According to Rules 8.12 and 19A.15 of the Listing Rules, an issuer must have sufficient management presence in Hong Kong, normally meaning that at least two of the issuer's executive directors must be ordinarily resident in Hong Kong. Currently, none of our executive directors resides in Hong Kong. Since our principal operations are located in China, we do not and, for the foreseeable future, will not have a sufficient management presence in Hong Kong. Accordingly, we have applied to the Hong Kong Stock Exchange for, and the Hong Kong Stock Exchange has granted us, a waiver from strict compliance with the requirements under Rules 8.12 and 19A.15 of the Listing Rules, subject to the conditions that, among other things, we maintain the following arrangements to maintain effective communication between us and the Hong Kong Stock Exchange.

We have appointed two authorized representatives, namely Mr. ZHANG Yun and Mr. LI Zhenjiang, who will act at all times as our principal channel of communication with the Hong Kong Stock Exchange. The authorized representatives will be readily contactable by telephone, facsimile and email to deal promptly with inquiries from the Hong Kong Stock Exchange.

Each of our authorized representatives has access to our Board of Directors and senior management at all times. Each director has provided their respective mobile phone numbers, office phone numbers, e-mail addresses and facsimile numbers to the Hong Kong Stock Exchange. Each of our directors, through the authorized representatives, will be readily contactable by telephone, facsimile or email. Each of our executive directors, non-executive directors and independent non-executive directors who are not ordinarily residents of Hong Kong holds a valid travel document for travel to Hong Kong, and will make themselves available in Hong Kong if required to meet with the Hong Kong Stock Exchange at a reasonable period of time.

We have, in compliance with Rule 3A.19 of the Listing Rules, appointed Goldman Sachs (Asia) L.L.C. and China International Capital Corporation Hong Kong Securities Limited as our compliance advisors who will, among other things, act as our principal channel of communication with the Hong Kong Stock Exchange, in addition to our authorized representatives. The compliance advisors will provide the Hong Kong Stock Exchange with the names, home and office telephone numbers and facsimile numbers of their representatives, who will act as the compliance advisors' contact with the Hong Kong Stock Exchange and the Bank pursuant to Rule 19A.06(4) of the Listing Rules. See "Compliance Advisors" below.

COMPENSATION OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

We offer our executive directors, supervisors and senior management members, who are also employees of our Bank, various compensation in the form of salaries, bonuses, social security plans, housing provident fund plans and other benefits. Our independent non-executive directors receive compensation based on their responsibilities, and as of the Latest Practicable Date, our non-executive directors (except for independent non-executive directors) have not received any compensation from us. The aggregate amount of pre-tax compensation paid to our directors, supervisors and senior management members for the three years ended December 31, 2009, 2008 and 2007 was approximately RMB17.37 million, RMB8.41 million and RMB8.71 million, respectively. As required by PRC regulations and rules, we participate in various social security plans and housing provident fund plans organized by provincial and municipal governments, and provide supplementary medical insurance and other benefits for our employees (including employees who are directors, supervisors and senior management members). Among the above aggregate amount of pre-tax compensation, we contributed approximately RMB2.83 million, RMB1.46 million and RMB1.06 million in aggregate to these plans and benefits for our directors, supervisors and senior management members for the three years ended December 31, 2009, 2008 and 2007, respectively.

The aggregate amount of pre-tax compensation we paid to our five highest paid individuals for the three years ended December 31, 2009, 2008 and 2007 was approximately RMB7.20 million, RMB6.06 million and RMB6.49 million, respectively.

Pursuant to the Regulatory Measure on Approval of Remuneration for Responsible Personnel of Central Financial Enterprises promulgated by the MOF, 50% of the performance-related annual salaries of the year of 2009 for our directors, chairman of the Board of Supervisors and senior management members was paid immediately, and one-third of the other 50% of the performance-related annual salaries will be paid every year in 2010, 2011 and 2012, respectively.

We have not paid any remuneration to our directors or the five highest paid individuals as an inducement to join or upon joining us or as a compensation for loss of office in respect of the three years ended December 31, 2009, 2008 and 2007. Further, none of our directors had waived any remuneration during the same period.

Save as disclosed above, no other payments have been paid or are payable, in respect of the three years ended December 31, 2009, 2008 and 2007, by us or any of our subsidiaries to our directors.

COMPLIANCE ADVISORS

We have appointed Goldman Sachs (Asia) L.L.C. and China International Capital Corporation Hong Kong Securities Limited as our compliance advisors pursuant to Rule 3A.19 of the Listing Rules.

Pursuant to Rule 3A.23 of the Listing Rules, our compliance advisors will advise us in the following circumstances:

- before the publication of any regulatory announcement, circular or financial report;
- where a transaction, which might be a notifiable or connected transaction (as defined under the Listing Rules), is contemplated, including share issues and share repurchases;
- where we propose to use the proceeds of the Global Offering in a manner different from that detailed in this prospectus or where our business activities, developments or results deviated from any estimate or other information in this prospectus; and
- where the Hong Kong Stock Exchange makes an inquiry of us regarding unusual movements in the price or trading volume of our shares.

The term of the appointment shall commence on the Listing Date and end on the date on which we distribute our annual report in respect of our financial results for the first full financial year commencing after the Listing Date and such appointment may be subject to extension by mutual agreement.

So far as our directors are aware, assuming neither of the over-allotment options for the A Share Offering and the Global Offering is exercised, the following persons will, immediately following the completion of the A Share Offering and the Global Offering, have interests or short positions in our shares or underlying shares which would fall to be disclosed to us under the provisions of Divisions 2 and 3 of Part XV of the SFO.

Name	Nature of interest	Class	Number of securities	Approximate percentage of interest in our Bank immediately after the A Share Offering and the Global Offering
MOF	Beneficial owner/Nominee	A shares	138,682,352,926(1)	43.66%
	Nominee	H shares	1,317,647,074(2)	0.41%
Huijin	Beneficial owner	A shares	130,000,000,000	40.93%

(1) Among such shares, 10,976,470,582 A shares are held by the SSF but the voting rights thereof are delegated to the MOF pursuant to the Share Subscription Agreement and the Approval regarding the Transfer of State-owned Shares Plan for Agricultural Bank of China Limited issued by the MOF on May 5, 2010 (the "State-owned Shares Transfer Approval").

(2) Such shares are held by the SSF but the voting rights thereof are delegated to the MOF pursuant to the Share Subscription Agreement and the State-owned Shares Transfer Approval.

So far as our directors are aware, assuming that the over-allotment options for the A Share Offering and the Global Offering are exercised in full, the following persons will, immediately following the completion of the A Share Offering and the Global Offering, have interests or short positions in our shares or underlying shares which would fall to be disclosed to us under the provisions of Divisions 2 and 3 of Part XV of the SFO.

Name	Nature of interest	Class	Number of securities	Approximate percentage of interest in our Bank immediately after the A Share Offering and the Global Offering
MOF	Beneficial owner/Nominee	A shares	138,484,705,904(1)	42.63%
	Nominee	H shares	1,515,294,096(2)	0.47%
Huijin	Beneficial owner	A shares	130,000,000,000	40.03%

(1) Among such shares, 11,122,941,167 A shares are held by the SSF but the voting rights thereof are delegated to the MOF pursuant to the Share Subscription Agreement and the State-owned Shares Transfer Approval.

(2) Such shares are held by the SSF but the voting rights thereof are delegated to the MOF pursuant to the Share Subscription Agreement and the State-owned Shares Transfer Approval.

For those shareholders who are directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of our Bank, please refer to "Substantial Shareholders" in Appendix IX.

Establishment of Our Bank as a Joint Stock Limited Liability Company

We were converted from a wholly state-owned commercial bank to a joint stock limited liability company on January 15, 2009, with a total registered capital of RMB260 billion and the MOF and Huijin as our promoters. The promoters' equity interests in our Bank were 260,000,000,000 shares at par value RMB 1.00 per share. In accordance with the Approval regarding the State-owned Shares Management Plan issued by the MOF (Caijin [2008] No.181), each of the MOF and Huijin holds 130,000,000,000 shares in our registered capital respectively, which are all state-owned shares.

After SSF Investment but Before A Share Offering and Global Offering

We, the MOF, Huijin and the SSF entered into the Share Subscription Agreement on April 21, 2010, pursuant to which the SSF subscribed for 10,000,000,000 shares newly issued by us representing approximately 3.70% of our registered capital before the A Share Offering and the Global Offering for a consideration of approximately RMB15.5 billion. Following the completion of the SSF investment, our total registered capital amounted to RMB270,000,000,000, and particulars of our shareholdings were as follows:

Name	Nature	Number of shares	Approximate percentage of registered capital
MOF	State-owned shares	130,000,000,000	48.15%
Huijin	State-owned shares	130,000,000,000	48.15
SSF	State-owned shares	10,000,000,000(1)	3.70
Total		**270,000,000,000**	**100.00%**

(1) The voting rights of such shares are delegated to the MOF pursuant to the Share Subscription Agreement.

Upon Completion of A Share Offering and Global Offering

Immediately following the completion of the A Share Offering and the Global Offering, assuming that neither of the over-allotment options for the A Share Offering and the Global Offering is exercised, our registered capital will be RMB317,647,059,000, comprising 26,729,412,074 H shares and 290,917,646,926 A shares, representing approximately 8.41% and 91.59%, respectively, of our registered capital, and particulars of our shareholdings will be as follows:

Name	Class	Number of shares	Approximate percentage of registered capital
MOF	A shares(1)	127,705,882,344	40.20%
Huijin	A shares(1)	130,000,000,000	40.93
SSF	A shares	10,976,470,582(2)	3.46
	H shares	1,317,647,074(2)	0.41
H shares issued pursuant to the Global Offering	H shares	25,411,765,000	8.00
A shares issued pursuant to the A Share Offering	A shares	22,235,294,000	7.00
Total		**317,647,059,000**	**100.00%**

(1) For information relating to the shares held by the MOF and Huijin, please refer to "—Shares Held by the MOF and Huijin."
(2) The voting rights of such shares are delegated to the MOF pursuant to the Share Subscription Agreement and the State-owned Shares Transfer Approval.

Immediately following the completion of the A Share Offering and the Global Offering, assuming full exercise of the over-allotment options for the A Share Offering and the Global Offering, our registered capital will be RMB324,794,117,000, comprising 30,738,823,096 H shares and 294,055,293,904 A shares, representing approximately 9.47% and 90.53%, respectively, of our registered capital, and particulars of our shareholdings will be as follows:

Name	Class	Number of shares	Approximate percentage of registered capital
MOF	A shares[1]	127,361,764,737	39.21%
Huijin	A shares[1]	130,000,000,000	40.03
SSF	A shares	11,122,941,167[2]	3.42
	H shares	1,515,294,096[2]	0.47
H shares issued pursuant to the Global Offering	H shares	29,223,529,000	9.00
A shares issued pursuant to the A Share Offering	A shares	25,570,588,000	7.87
Total		**324,794,117,000**	**100.00%**

(1) For information relating to the shares held by the MOF and Huijin, please refer to "—Shares Held by the MOF and Huijin."

(2) The voting rights of such shares are delegated to the MOF pursuant to the Share Subscription Agreement and the State-owned Shares Transfer Approval.

RANKING

The H shares and A shares in issue upon the completion of the A Share Offering and the Global Offering will be ordinary shares in the registered capital of our Company. However, apart from QDIIs, H shares generally may not be subscribed for by or traded between legal or natural persons of China. A shares, on the other hand, can only be subscribed for by and traded between legal or natural persons of China, QFIIs or foreign strategic investors and must be traded in RMB. All dividends in respect of the H shares are to be paid by us in Hong Kong dollars. All dividends in respect of A shares are to be paid by us in RMB.

A and H shares are regarded as different classes of shares under our Articles of Association. The differences between the two classes of shares and provisions on class rights, the dispatch of notices and financial reports to shareholders, dispute resolution, registration of shares on different registers of shareholders, the method of share transfer and appointment of dividend receiving agents are set out in our Articles of Association and summarized in "Appendix VIII—Summary of Articles of Association". Any change or abrogation of the rights of class shareholders should be approved by way of a special resolution at a general meeting of shareholders and by a separate meeting of the affected class of shareholders. However, the procedures for approval by separate class shareholders shall not apply (i) where we issue, upon approval by a special resolution of our shareholders in a general meeting, either separately or concurrently every twelve months, shares representing not more than 20% of each of the existing issued A shares and H shares; (ii) where our plan to issue A shares and H shares on establishment is implemented within fifteen months from the date of approval by the securities regulatory authorities of the State Council; or (iii) to the conversion by our promoters and the SSF of their shares to H shares upon receiving the approval of the CSRC or the authorized securities approval authorities of the State Council. A shares and H shares will however rank *pari passu* with each other in all other respects and, in particular, will rank equally for all dividends or distributions declared, paid or made after the date of this prospectus.

A and H shares are generally neither interchangeable nor fungible, and the market prices of our A shares and H shares may be different after the A Share Offering and the Global Offering.

SHARES HELD BY THE MOF AND HUIJIN

Upon the completion of our A Share Offering and the Global Offering, all the shares held by the MOF and Huijin will be registered as A shares. Such shares will be deposited with the China Securities Depository and Clearing Corporation Limited and are approved for listing on the Shanghai Stock Exchange. Upon the Hong Kong Stock Exchange granting us approval for the listing of our H shares as part of the Global Offering, all the shares held by the MOF and Huijin will be approved for listing on the Hong Kong Stock Exchange and following conversion into H shares and completion of certain procedural requirements, could be listed on the Hong Kong Stock Exchange. The relevant procedural requirements involve the withdrawal of such shares from the China Securities Depository and Clearing Corporation Limited and re-registering such shares on our H share register maintained in Hong Kong, on the condition that (a) our H share registrar lodges with the Hong Kong Stock Exchange a letter confirming the proper entry of the relevant shares on the H share register, and the due dispatch of share certificates, and (b) the admission of the shares to trade in Hong Kong will comply with the Listing Rules and the General Rules of CCASS and CCASS Operational Procedures in force from time to time. Until such shares are re-registered on our H share register, such shares would not be listed as H shares, and holders thereof will not be entitled to attend and vote at meetings of H shareholders in respect of such shares. After completion of our Global Offering, no further approval from the Hong Kong Stock Exchange or our shareholders (including our H shareholders) will be required for the listing of such shares as H shares on the Hong Kong Stock Exchange. However, prior to the shares held by the MOF and Huijin becoming listed as H shares on the Hong Kong Stock Exchange, the MOF and Huijin would require the approval of the CSRC or the authorized securities approval authorities of the State Council.

To effect the withdrawal of their shares that are deposited with the China Securities Depository and Clearing Corporation Limited and re-register such shares on our H share register, the MOF or Huijin shall issue to us a removal request on a prescribed form in respect of a specified number of shares attaching the relevant documents of title. Subject to our being satisfied with the authenticity of the document, and with the approval of our Board of Directors, we would then issue a notice to our H share registrar with instructions that, with effect from a specified date, our H share registrar is to issue the relevant holders with H share certificates for such specified number of shares. The relevant holders' shareholding interest deposited with the China Securities Depository and Clearing Corporation Limited would then be correspondingly reduced. In addition, we will comply with the Listing Rules in respect of the issuance of an announcement to inform shareholders and the public of such fact not less than three days prior to the proposed specified date. We will also comply with the Shanghai Stock Exchange Securities Listing Rules in respect of the issuance of announcements to shareholders and the public.

Upon the completion of the A Share Offering and the Global Offering and the deposit of the shares held by the MOF and Huijin with the China Securities Depository and Clearing Corporation Limited, the MOF and Huijin will be subject to the following regulatory transfer restrictions:

- Under the PRC Company Law, shares which have been in issue before we publicly issue shares may not be transferred within one year from the date of listing on a stock exchange.
- Under the Listing Rules, the MOF and Huijin, as our controlling shareholders, may not, amongst others (i) dispose of or agree to dispose any of our shares for a period of six months from the date of listing on the Hong Kong Stock Exchange and (ii) during a period of six months thereafter, dispose of or agree to dispose of any of our shares if, immediately

after such disposition, they would respectively cease to be one of our controlling shareholders.

- Under the Shanghai Stock Exchange Securities Listing Rules, all the A shares held by the MOF and Huijin are subject to a 36-month lock-up restriction from the date of listing on the Shanghai Stock Exchange.

Upon any re-registration of the shares of the MOF and Huijin on our H share register, the MOF and Huijin will remain subject to the above transfer restrictions under the PRC Company Law and Listing Rules to the extent that such restrictions have not expired. However, the 36-month lock-up restriction under the Shanghai Stock Exchange Securities Listing Rules will not apply to such converted H shares.

The MOF has undertaken that, in accordance with the PRC Company Law, it will not transfer any of our shares within one year from the date of listing of our shares on a stock exchange (based on the date our A shares or H shares commence trading, whichever is earlier). Huijin has undertaken to comply with the lock-up requirements of Chinese and international regulators arising as a result of Huijin being our promoter.

As of the Latest Practicable Date, there were no pledges over or disputes on the shares held by the MOF and Huijin.

SHARES HELD BY THE SSF

Upon the completion of our A Share Offering and Global Offering, except for those H shares to be converted from the Purchased Shares pursuant to the State-owned Shares Transfer Approval, the Purchased Shares held by the SSF will be registered as A shares. Such shares will be deposited with the China Securities Depository and Clearing Corporation Limited and are approved for listing on the Shanghai Stock Exchange. Subject to the same procedural requirements and conditions applicable to the MOF and Huijin as described above, such shares could be re-registered as H shares and listed on the Hong Kong Stock Exchange. Pursuant to the Share Subscription Agreement, the Purchased Shares held by the SSF are subject to a lock-up period of five years commencing on the transaction completion date or three years commencing on the pricing date of our initial public offering, whichever is longer. Prior to the first anniversary of the expiration of the lock-up period, the SSF is allowed to transfer no more than 30% in aggregate of the Purchased Shares (including any split shares, bonus shares and shares subscribed pursuant to a rights issue) and prior to the second anniversary of the expiration of the lock-up period, the SSF is allowed to transfer no more than 60% in aggregate of the Purchased Shares (including any split shares, bonus shares and shares subscribed pursuant to a rights issue), provided that our initial public offering is completed within five years following the transaction completion date. Upon any re-registration of the Purchased Shares on our H share register, the SSF will remain subject to the above transfer restrictions to the extent that such restrictions have not expired. The voting rights for the Purchased Shares have been delegated to the MOF. As of the Latest Practicable Date, there are no pledges over or other disputes on the Purchased Shares.

In accordance with relevant PRC rules regarding transfer of state-owned shares, the A shares received by the SSF from the transfer of state-owned shares shall comply with the transfer restrictions to which the state-owned shareholders, as transferors, may be subject. However, the H shares received by the SSF from the transfer of state-owned shares are not subject to such transfer restrictions.

LOCK-UP PERIODS

The following table summarizes applicable lock-up periods to the MOF, Huijin and the SSF upon the completion of the A Share Offering and the Global Offering.

Name	Class	Number of shares (assuming no exercise of over-allotment options for the A Share Offering and the Global Offering)	Number of shares (assuming full exercise of over-allotment options for the A Share Offering and the Global Offering)	Applicable lock-up period
MOF	A shares	127,705,882,344	127,361,764,737	36 months from the date of listing on the Shanghai Stock Exchange
Huijin	A shares	130,000,000,000	130,000,000,000	36 months from the date of listing on the Shanghai Stock Exchange
SSF	A shares	9,905,882,352(1)	9,891,764,707(1)	Five years commencing on the completion date of the Share Subscription Agreement or three years commencing on the pricing date of our initial public offering, whichever is longer
	A shares	1,070,588,230(2)	1,231,176,460(2)	36 months from the date of listing on the Shanghai Stock Exchange
	H shares	1,317,647,074	1,515,294,096	None

(1) Purchased Shares after deduction of H shares converted therefrom.
(2) Shares transferred from the MOF according to the State-owned Shares Transfer Approval.

TRANSFER OF SHARES ISSUED PRIOR TO THE A SHARE OFFERING AND THE GLOBAL OFFERING

Under the PRC Company Law, shares which have been in issue before we publicly issue shares may not be transferred within one year from the date of listing on a stock exchange. However, the H shares to be transferred by the MOF and the SSF itself, respectively, to the SSF in accordance with relevant PRC regulations regarding transfer of state-owned shares and calculated based on the Global Offering (see "Transfer of State-owned Shares" below) are not subject to such statutory restrictions.

TRANSFER OF STATE-OWNED SHARES

In accordance with relevant PRC rules regarding transfer of state-owned shares in the domestic capital market, our state-owned shareholders, namely the MOF, Huijin and the SSF, are required to transfer to the SSF, in proportion to their respective holdings in our Bank, such number of shares in aggregate equivalent to 10% of the number of the shares offered under the A Share Offering (22,235,294,000 shares before the exercise of the over-allotment option for the A Share Offering, and an additional 3,335,294,000 shares upon the exercise in full of the over-allotment option for the A Share Offering) or pay the equivalent cash at the offer price under the A Share Offering to the SSF. In accordance with the State-owned Shares Transfer Approval, the MOF will transfer A shares to the SSF (being 1,070,588,230 shares before the exercise of the over-allotment option for the A Share Offering, and an additional 160,588,230 shares upon the exercise in full of the over-allotment option for the A Share Offering), while Huijin will pay cash, which is calculated at the offer price under the A Share Offering and equivalent to the shares which Huijin is required to transfer to the SSF (being 1,070,588,230 shares before the exercise of the over-allotment option for the A Share Offering, and an

additional 160,588,230 shares upon the exercise in full of the over-allotment option for the A Share Offering). The shares held by Huijin in our Bank will remain unchanged. Our Bank will not receive any proceeds from the transfer of A shares by our state-owned shareholders to the SSF or any subsequent disposal of such A shares by the SSF.

In accordance with relevant PRC rules regarding the transfer of state-owned shares in overseas capital markets, our state-owned shareholders, namely the MOF, Huijin and the SSF, are required to transfer to the SSF, in proportion to their respective holdings in our Bank, such number of shares in aggregate equivalent to 10% of the number of the Offer Shares (being 25,411,765,000 shares before the exercise of the over-allotment option for the Global Offering, and an additional 3,811,764,000 shares upon the exercise in full of the over-allotment option for the Global Offering) or pay the equivalent cash at the Offer Price under the Global Offering to the SSF. In accordance with the State-owned Shares Transfer Approval, the MOF will transfer such number of shares to the SSF (being 1,223,529,426 shares before the exercise of the over-allotment option for the Global Offering, and an additional 183,529,378 shares upon the exercise in full of the over-allotment option for the Global Offering), while Huijin will pay cash, which is calculated at the Offer Price and equivalent to the shares which Huijin is required to transfer to the SSF (being 1,223,529,426 shares before the exercise of the over-allotment option for the Global Offering, and an additional 183,529,378 shares upon the exercise in full of the over-allotment option for the Global Offering). The shares held by Huijin in our Bank remain unchanged. The H shares to be converted from the Purchased Shares held by the SSF pursuant to the State-owned Share Transfer Approval amount to 94,117,648 shares before the exercise of the over-allotment option for the Global Offering, and an additional 14,117,644 shares upon the exercise in full of the over-allotment option for the Global Offering. At the time of listing, such shares will be converted into H shares on a one-for-one basis. These H shares will not be part of the Global Offering. Our Bank will not receive any proceeds from the transfer of H shares by our state-owned shareholders to the SSF or any subsequent disposal of such H shares by the SSF.

The transfer of state-owned shares by our state-owned shareholders to the SSF was approved by the MOF on May 5, 2010. The conversion of those shares into H shares was approved by the CSRC on June 9, 2010. We have been advised that the transfer and the conversion, and the holding of H shares by the SSF following such transfer and conversion, have been approved by the relevant PRC authorities and are legal under PRC law.

PUBLIC FLOAT REQUIREMENTS

Rules 8.08(1)(a) and (b) of the Listing Rules require there to be an open market in the securities for which listing is sought and for a sufficient public float of an issuer's listed securities to be maintained. This normally means that (i) at least 25% of the issuer's total issued share capital must at all times be held by the public; and (ii) where an issuer has more than one class of securities apart from the class of securities for which listing is sought, the total securities of the issuer held by the public (on all regulated market(s) including the Hong Kong Stock Exchange) at the time of listing must be at least 25% of the issuer's total issued share capital. However, the class of securities for which listing is sought must not be less than 15% of the issuer's total issued share capital and must have an expected market capitalization at the time of listing of not less than HK$50 million.

We have applied to the Hong Kong Stock Exchange to request the Hong Kong Stock Exchange to exercise, and the Hong Kong Stock Exchange has confirmed that it will exercise, its discretion under Rule 8.08(1) of the Listing Rules to accept that the minimum percentage of our issued share capital

from time to time to held by the public shall be no less than 5% for our H shares and 15% for our A shares and H shares, in each case of the enlarged share capital of our Company immediately upon completion of the Global Offering and, if applicable, the A Share Offering.

We will make appropriate disclosure of the lower prescribed percentage of public float and confirm sufficiency of public float in successive annual reports after listing. In addition, we will, with a view to ensuring compliance with our obligations under the Listing Rules in relation to the minimum number of our H shares which must be in public hands, (i) monitor our H share register, relevant disclosures made under Part XV of the SFO and other relevant sources of information available to us and (ii) (if at any time we become aware that the number of H shares which are in public hands is less than such minimum number) take such steps as are legally available to us to restore the number of H shares in public hands to such minimum number.

THE CORPORATE PLACING

As part of the International Offering, the Joint Bookrunners and we have entered into cornerstone investment agreements with each of the 11 investors described below (the "Corporate Investors", each a "Corporate Investor"), pursuant to which the Corporate Investors have agreed to subscribe, at the Offer Price for such number of Offer Shares (rounded down to the nearest whole board lot of 1,000 H shares) that may be purchased for an aggregate amount of US$5.45 billion (the "Corporate Placing"). Assuming an Offer Price of HK$3.18 (being the mid-point of the indicative Offer Price range stated in this prospectus), the total number of H shares to be subscribed for by the Corporate Investors would be 13,337,585,000, representing approximately (i) 4.20% of the shares in issue and outstanding upon the completion of the A Share Offering and the Global Offering, assuming that neither of the over-allotment options for the A Share Offering and the Global Offering is exercised; or (ii) without giving effect to the A Share Offering, approximately 4.51% of the shares in issue and outstanding upon completion of the Global Offering, assuming that the over-allotment option for the Global Offering is not exercised.

The Corporate Investors are independent third parties and are not our connected persons. Details of the actual number of Offer Shares to be allocated to the Corporate Investors will be disclosed in the allotment results announcement to be issued by our Company on or before July 15, 2010.

The Corporate Placing forms part of the International Offering. The Offer Shares to be subscribed for by the Corporate Investors will rank *pari passu* in all respects with the other fully paid H shares in issue and will be counted towards the public float of our Company. Immediately following the completion of the Global Offering, none of the Corporate Investors will have any board representation in our Company, nor will any of the Corporate Investors become our substantial shareholder. The Offer Shares to be subscribed for by the Corporate Investors will not be affected by any reallocation of the Offer Shares between the International Offering and the Hong Kong Public Offering described in "Structure of the Global Offering—The Hong Kong Public Offering".

CORPORATE INVESTORS

The following Corporate Investors have entered into cornerstone investment agreements with the Joint Bookrunners and us in respect of the Corporate Placing. The information about our Corporate Investors has been provided by each of the relevant Corporate Investors in connection with the Corporate Placing.

Archer-Daniels-Midland Company

Archer-Daniels-Midland Company ("ADM") has agreed to subscribe for such number of H shares (rounded down to the nearest whole board lot of 1,000 H shares) which may be purchased for the Hong Kong dollar equivalent of US$100 million at the Offer Price. Assuming an Offer Price of HK$3.18, being the mid-point of the Offer Price range set out in this prospectus, the total number of H shares that ADM would subscribe for would be 244,726,000, representing approximately 0.077% of the shares outstanding immediately following the completion of the A Share Offering and the Global Offering, assuming that neither of the over-allotment options for the A Share Offering and the Global Offering is exercised, or, without giving effect to the A Share Offering, approximately 0.083% of the shares outstanding immediately following the completion of the Global Offering, assuming that the over-allotment option for the Global Offering is not exercised.

ADM is a corporation incorporated in Delaware, United States, whose common stock is listed and traded on the New York Stock Exchange. ADM is one of the world's largest processors of oilseeds, corn, wheat, cocoa, and other feedstuffs, and is a leading manufacturer of vegetable oil and protein meal, corn sweeteners, flour, biodiesel, ethanol, and other value-added food and feed ingredients, and operates an extensive grain elevator and transportation network to procure, store, clean, and transport agricultural commodities.

In addition, on June 11, 2010, we entered into a non-binding memorandum of understanding with ADM which sets out the parties' mutual intentions with respect to the establishment of a long-term and mutually beneficial cooperation relationship.

Cheung Kong

Ruperta Limited has agreed to subscribe for such number of H shares (rounded down to the nearest whole board lot of 1,000 H shares) which may be purchased for the Hong Kong dollar equivalent of US$100 million at the Offer Price. Assuming an Offer Price of HK$3.18, being the mid-point of the Offer Price range set out in this prospectus, the total number of H shares that Ruperta Limited would subscribe for would be 244,726,000, representing approximately 0.077% of the shares outstanding immediately following the completion of the A Share Offering and the Global Offering, assuming that neither of the over-allotment options for the A Share Offering and the Global Offering is exercised, or, without giving effect to the A Share Offering, approximately 0.083% of the shares outstanding immediately following the completion of the Global Offering, assuming that the over-allotment option for the Global Offering is not exercised.

Ruperta Limited is a limited liability company incorporated in the British Virgin Islands, and an indirectly wholly-owned subsidiary of Cheung Kong (Holdings) Limited ("Cheung Kong"). Cheung Kong has also entered into the relevant cornerstone investment agreement in its capacity as the ultimate parent company of Ruperta Limited.

Cheung Kong is a company listed on the Main Board of the Hong Kong Stock Exchange, and its principal business activities are investment holding and project management. Its subsidiaries are active in the field of property development and investment, hotel and serviced suite operation, property and project management and investment in securities.

China Resources

Commotra Company Limited has agreed to subscribe for such number of H shares (rounded down to the nearest whole board lot of 1,000 H shares) which may be purchased for the Hong Kong dollar equivalent of US$200 million at the Offer Price. Assuming an Offer Price of HK$3.18, being the mid-point of the Offer Price range set out in this prospectus, the total number of H shares that Commotra Company Limited would subscribe for would be 489,452,000, representing approximately 0.15% of the shares outstanding immediately following the completion of the A Share Offering and the Global Offering, assuming that neither of the over-allotment options for the A Share Offering and the Global Offering is exercised, or, without giving effect to the A Share Offering, approximately 0.17% of the shares outstanding immediately following the completion of the Global Offering, assuming that the over-allotment option for the Global Offering is not exercised.

Commotra Company Limited is a limited liability company incorporated in Hong Kong with its principal business activities in securities investment holding. Commotra Company Limited is a wholly-

owned subsidiary of China Resources (Holdings) Company Limited ("CRH"). The principal business of CRH is investment holding. CRH, together with its subsidiaries, is a diversified conglomerate in Hong Kong and the PRC with its core businesses in consumer products (retail, beverage and food), power, real estate, cement, gas, medications and financial services.

CTS Holdings

China Travel Finance & Investment (H.K.) Limited has agreed to subscribe for such number of H shares (rounded down to the nearest whole board lot of 1,000 H shares) which may be purchased for the Hong Kong dollar equivalent of US$150 million at the Offer Price. Assuming an Offer Price of HK$3.18, being the mid-point of the Offer Price range set out in this prospectus, the total number of H shares that China Travel Finance & Investment (H.K.) Limited would subscribe for would be 367,089,000, representing approximately 0.116% of the shares outstanding immediately following the completion of the A Share Offering and the Global Offering, assuming that neither of the over-allotment options for the A Share Offering and the Global Offering is exercised, or, without giving effect to the A Share Offering, approximately 0.124% of the shares outstanding immediately following the completion of the Global Offering, assuming that the over-allotment option for the Global Offering is not exercised.

China Travel Finance & Investment (H.K.) Limited is a limited liability company incorporated in Hong Kong, and a wholly-owned subsidiary of China Travel Service (Holdings) Hong Kong Limited ("CTS Holdings"). CTS Holdings has also entered into the relevant cornerstone investment agreement in its capacity as the parent company of China Travel Finance & Investment (H.K.) Limited.

China Travel Finance & Investment (H.K.) Limited's principal business activities are investment holding, money lending services and securities trading. The principal business activities of CTS Holdings encompass a diversified business portfolio including travel agency and its related operations, tourist hospitality, logistics operations, industrial investment in steel production and property development in the PRC. CTS Holdings is also a controlling shareholder of China Travel International Investment Hong Kong Limited, whose shares are listed and traded on the Main Board of the Hong Kong Stock Exchange.

Kuwait Investment Authority

Kuwait Investment Authority ("KIA") has agreed to subscribe for such number of H shares (rounded down to the nearest whole board lot of 1,000 H shares) which may be purchased for the Hong Kong dollar equivalent of US$800 million at the Offer Price. Assuming an Offer Price of HK$3.18, being the mid-point of the Offer Price range set out in this prospectus, the total number of H shares that KIA would subscribe for would be 1,957,811,000, representing approximately 0.62% of the shares outstanding immediately following the completion of the A Share Offering and the Global Offering, assuming that neither of the over-allotment options for the A Share Offering and the Global Offering is exercised, or, without giving effect to the A Share Offering, approximately 0.66% of the shares outstanding immediately following the completion of the Global Offering, assuming that the over-allotment option for the Global Offering is not exercised.

KIA is an autonomous government body of Kuwait responsible for management and administration of funds and assets entrusted to it by the Ministry of Finance of Kuwait for and on behalf of the State of Kuwait.

Qatar Investment Authority

Qatar Holding LLC has agreed to subscribe for such number of H shares (rounded down to the nearest whole board lot of 1,000 H shares) which may be purchased for the Hong Kong dollar equivalent of US$2.8 billion at the Offer Price. Assuming an Offer Price of HK$3.18, being the mid-point of the Offer Price range set out in this prospectus, the total number of H shares that Qatar Holding LLC would subscribe for would be 6,852,339,000, representing approximately 2.16% of the shares outstanding immediately following the completion of the A Share Offering and the Global Offering, assuming neither of the over-allotment options for the A Share Offering and the Global Offering is exercised, or, without giving effect to the A Share Offering, approximately 2.32% of the shares outstanding immediately following the completion of the Global Offering, assuming that the over-allotment option for the Global Offering is not exercised.

Qatar Holding LLC is the strategic and direct investment arm of Qatar Investment Authority. Key investment assets of Qatar Holding LLC include Barclays Plc., Credit Suisse Group, Harrods, Hassad Food Company, J Sainsbury Plc, London Stock Exchange, Lagerdere SCA, Porsche SE, Qatar Exchange, Qatar Telecom, Qatar National Bank and Volkswagen AG.

In addition, on June 17, 2010, we entered into a non-binding memorandum of understanding with Qatar Holding LLC which sets out the principles upon which the parties wish to develop and strengthen their strategic economic cooperation.

Rabobank

Rabobank International Holding B.V. has agreed to subscribe for such number of H shares (rounded down to the nearest whole board lot of 1,000 H shares) which may be purchased for the Hong Kong dollar equivalent of US$250 million at the Offer Price. Assuming an Offer Price of HK$3.18, being the mid-point of the Offer Price range set out in this prospectus, the total number of H shares that Rabobank International Holding B.V. would subscribe for would be 611,816,000, representing approximately 0.19% of the shares outstanding immediately following the completion of the A Share Offering and the Global Offering, assuming that neither of the over-allotment options for the A Share Offering and the Global Offering is exercised, or, without giving effect to the A Share Offering, approximately 0.21% of the shares outstanding immediately following the completion of the Global Offering, assuming that the over-allotment option for the Global Offering is not exercised.

Rabobank International Holding B.V. is incorporated in the Netherlands, and is a directly wholly-owned subsidiary of Coöperatieve Centrale Raiffeisen-Boerenleenbank B.A. ("Rabobank Nederland"). Rabobank Nederland has also entered into the relevant cornerstone investment agreement in its capacity as the ultimate parent company of Rabobank International Holding B.V.

Rabobank Nederland is an international financial service provider based in the Netherlands operating on the basis of cooperative principles. The Rabobank group comprises of Rabobank Nederland and its subsidiaries and 143 independent local Rabobanks as of June 2010, and it operates in 48 countries. Its operations include domestic retail banking, wholesale and international retail banking, asset management and investment, leasing and real estate. In the Netherlands, its focus is on all-finance services and, internationally, on food and agriculture, as the largest food and agribusiness bank in the world.

In addition, on June 2, 2010, we entered into a memorandum of understanding with Rabobank Nederland for overall strategic cooperation between the two banks and relevant subsidiaries. Under the memorandum of understanding, Rabobank will provide technical support, training and expertise to our Company and both parties will seek to explore cooperation in rural finance, leasing, assets management and wholesale banking business in China and abroad.

Standard Chartered Bank

Standard Chartered Bank ("SCB") has agreed to subscribe for such number of H shares (rounded down to the nearest whole board lot of 1,000 H shares) which may be purchased for the Hong Kong dollar equivalent of US$500 million at the Offer Price. Assuming an Offer Price of HK$3.18 being the mid-point of the Offer Price range set out in this prospectus, the total number of H shares that SCB would subscribe for would be 1,223,632,000, representing approximately 0.39% of the shares outstanding immediately following the completion of the A Share Offering and the Global Offering, assuming that neither of the over-allotment options for the A Share Offering and the Global Offering is exercised, or, without giving effect to the A Share Offering, approximately 0.41% of the shares outstanding immediately following the completion of the Global Offering, assuming that the over-allotment option for the Global Offering is not exercised.

SCB is a company incorporated in England with limited liability by Royal Charter in 1853 and regulated by the Financial Services Authority in England. It is a wholly-owned subsidiary of Standard Chartered PLC whose shares are listed on both the London and the Hong Kong Stock Exchanges. Standard Chartered PLC operates through a number of subsidiaries, including SCB, and is a leading international banking and financial services company which focuses on the markets of Asia, Africa and the Middle East. As of December 31, 2009, Standard Chartered PLC and its subsidiaries operated with approximately 1,700 branches and outlets in more than 70 countries with over 75,000 employees worldwide. Standard Chartered PLC has significant operations in the Asia region, which accounted for over 75% of its approximately US$5 billion total profit before taxation for the year ended December 31, 2009.

In addition, on June 17, 2010, we entered into a non-binding set of key principles with SCB relating to cooperation in banking and financial services with the intention to leverage each other's respective clients, geographic distribution strengths and product capabilities, as well as staff training. The parties intend to discuss and negotiate the terms of future cooperation in these areas using these non-binding principles as the basis for discussion.

Seven Group Holdings Limited

Seven Group Holdings Limited ("SGH") has agreed to subscribe for such number of H shares (rounded down to the nearest whole board lot of 1,000 H shares) which may be purchased for the Hong Kong dollar equivalent of US$250 million at the Offer Price. Assuming an Offer Price of HK$3.18, being the mid-point of the Offer Price range set out in this prospectus, the total number of H shares that SGH would subscribe for would be 611,816,000, representing approximately 0.19% of the shares outstanding immediately following the completion of the A Share Offering and the Global Offering, assuming that neither of the over-allotment options for the A Share Offering and the Global Offering is exercised, or, without giving effect to the A Share Offering, approximately 0.21% of the shares

outstanding immediately following the completion of the Global Offering, assuming that the over-allotment option for the Global Offering is not exercised.

SGH is a leading Australian diversified operating and investment company listed on the Australian Securities Exchange. The company has a market-leading presence in Australian broadcast television, magazines publishing and online media through Seven Media Group. It also has major shareholdings in publicly listed companies, including West Australian Newspapers Holdings, publisher of the leading newspapers in Western Australia and Consolidated Media Holdings which has interests in subscription television in Australia. SGH also operates in the industrial equipment industry in Australia and China through the wholly-owned WesTrac Group, which is the Caterpillar dealer for Western Australia, New South Wales, the Australian Capital Territory and six provinces in Northeast China.

In addition, on June 8, 2010, we entered into a non-binding memorandum of understanding with SGH which sets out the principles on which the parties agree to explore opportunities to support the development of each other's business objectives and for China's economic development.

Temasek

Cairnhill Investments (Mauritius) Pte Ltd has agreed to subscribe for such number of H shares (rounded down to the nearest whole board lot of 1,000 H shares) which may be purchased for the Hong Kong dollar equivalent of US$200 million at the Offer Price. Assuming an Offer Price of HK$3.18, being the mid-point of the Offer Price range set out in this prospectus, the total number of H shares that Cairnhill Investments (Mauritius) Pte Ltd would subscribe for would be 489,452,000, representing approximately 0.15% of the shares outstanding immediately following the completion of the A Share Offering and the Global Offering, assuming that neither of the over-allotment options for the A Share Offering and the Global Offering is exercised, or, without giving effect to the A Share Offering, approximately 0.17% of the shares outstanding immediately following the completion of the Global Offering, assuming that the over-allotment option for the Global Offering is not exercised.

Cairnhill Investments (Mauritius) Pte Ltd is a wholly-owned subsidiary of Temasek Holdings (Private) Limited ("Temasek"). Incorporated in 1974, Temasek is an Asian investment company headquartered in Singapore. Supported by 12 international offices in Asia and Latin America, Temasek owns a diversified investment portfolio of approximately $172 billion Singapore dollars (approximately US$119 billion) as of July 31, 2009, concentrated principally in Singapore, Asia and the emerging economies.

United Overseas Bank Limited

United Overseas Bank Limited ("UOB") has agreed to subscribe for such number of H shares (rounded down to the nearest whole board lot of 1,000 H shares) which may be purchased for the Hong Kong dollar equivalent of US$100 million at the Offer Price. Assuming an Offer Price of HK$3.18, being the mid-point of the Offer Price range set out in this prospectus, the total number of H shares that UOB would subscribe for would be 244,726,000, representing approximately 0.077% of the shares outstanding immediately following the completion of the A Share Offering and the Global Offering, assuming that neither of the over-allotment options for the A Share Offering and the Global Offering is exercised, or, without giving effect to the A Share Offering, approximately 0.083% of the shares outstanding immediately following the completion of the Global Offering, assuming that the over-allotment option for the Global Offering is not exercised.

UOB is a leading bank in Asia. It provides a wide range of financial services through its global network of over 500 offices in 19 countries and territories in Asia Pacific, Western Europe and North America, including banking subsidiaries in Singapore, Malaysia, Indonesia, Thailand and China.

CONDITIONS PRECEDENT

The subscription obligation of the Corporate Investors is subject to, among other things, the following conditions precedent:

(a) the underwriting agreement for the Hong Kong Public Offering and the international purchase agreement for the International Offering being entered into and having become effective and unconditional;

(b) neither of the aforesaid agreements having been terminated;

(c) the listing committee of the Hong Kong Stock Exchange having granted the listing of, and permission to deal in, the H shares and such approval or permission not having been revoked; and

(d) no laws having been enacted or promulgated which prohibit the consummation of the transactions contemplated in the Hong Kong Public Offering, the International Offering or the relevant cornerstone investment agreement and there being no orders or injunctions from a court of competent jurisdiction in effect precluding or prohibiting consummation of such transactions.

RESTRICTIONS ON DISPOSALS BY THE CORPORATE INVESTORS

Certain of the Corporate Investors including ADM, KIA, Qatar Holding LLC, SGH, SCB and Rabobank International Holding B.V. or their affiliates have established a strategic relationship with us through entering into memoranda of understanding on strategic cooperation with our Company or through committing substantial amounts of investment in our Company in the Corporate Placing. Each of these Corporate Investors has agreed that, without the prior written consent of our Company and the Joint Bookrunners, it will not, directly or indirectly, at any time during the period of 12 months following the Listing Date, dispose of any of the H shares subscribed for and acquired by it pursuant to the Corporate Placing other than certain permitted intra-group transfers.

Each of the other Corporate Investors, including Ruperta Limited, Commotra Company Limited, China Travel Finance & Investment (H.K.) Limited, Cairnhill Investments (Mauritius) Pte Ltd and UOB, has agreed that, without the prior written consent of our Company and the Joint Bookrunners, it will not, whether directly or indirectly, at any time during the first six months following the Listing Date, dispose of any of the H shares subscribed for and acquired by it pursuant to the Corporate Placing, and during the second six months following the Listing Date, dispose of more than 50% of the H shares subscribed for and acquired by it pursuant to the Corporate Placing other than certain permitted intra-group transfers.

FUTURE PLANS

Please see "Business—Our Strategies" section for detailed description of our future plans.

USE OF PROCEEDS

We estimate the net proceeds from the Global Offering accruing to us (after deduction of underwriting fees and estimated expenses payable by us in relation to the Global Offering, assuming an Offer Price of HK$3.18, being the mid-point of the proposed Offer Price range of HK$2.88 to HK$3.48) to be approximately HK$79,509 million, if the over-allotment option for the Global Offering is not exercised, or HK$91,386 million if the over-allotment option for the Global Offering is exercised in full.

We intend to use the net proceeds from the Global Offering (after deduction of fees and expenses in relation to the Global Offering) to strengthen our capital base to support the ongoing growth of our business.

HONG KONG UNDERWRITERS

The Hong Kong Public Offering shall be fully underwritten by the Hong Kong underwriters. The Hong Kong underwriters are:

Joint Lead Managers

China International Capital Corporation Hong Kong Securities Limited
Goldman Sachs (Asia) L.L.C.
Morgan Stanley Asia Limited
Deutsche Bank AG, Hong Kong Branch
J.P. Morgan Securities (Asia Pacific) Limited
Macquarie Capital Securities Limited
ABCI Securities Company Limited

Co-Lead Managers

BOCI Asia Limited
The Hongkong and Shanghai Banking Corporation Limited

Co-Managers

China Everbright Securities (HK) Limited
BOCOM International Securities Limited
Taifook Securities Company Limited
Oriental Patron Securities Limited
Guangdong Securities Limited

UNDERWRITING ARRANGEMENTS AND EXPENSES

Hong Kong Public Offering

Hong Kong Underwriting Agreement

The Hong Kong underwriting agreement was entered into on June 29, 2010. Subject to the Listing Committee of the Hong Kong Stock Exchange granting listing of, and permission to deal in, the H shares to be issued pursuant to the Global Offering, and to certain other conditions set out in the Hong Kong underwriting agreement, the Hong Kong underwriters have agreed severally to subscribe or procure subscribers for the Hong Kong Offer Shares which are being offered but are not taken up under the Hong Kong Public Offering on the terms and subject to the conditions of this prospectus and the Application Forms.

The Hong Kong underwriting agreement is conditional upon and subject to the international purchase agreement having been signed and becoming unconditional.

Grounds for Termination

The Joint Bookrunners (for themselves and on behalf of the Hong Kong underwriters) may jointly give notice in writing to our Company on or prior to 8:00 a.m. on the Listing Date to terminate the Hong Kong underwriting agreement if:

(a) there develops, occurs, exists or comes into force:

  (i) any change or development involving a prospective change or development, or any event or series of events resulting in or representing a change or development or

prospective change or development, in local, national, regional or international financial, political, military, industrial, economic, currency market, fiscal or regulatory or market conditions (including, without limitation, conditions in stock and bond markets, money and foreign exchange markets and inter-bank markets, a change in the system under which the value of the Hong Kong currency is linked to that of the currency of the United States or a devaluation of the Renminbi against any foreign currencies) in or affecting Hong Kong, China, the United States, United Kingdom or Japan; or

(ii) any new law or regulation or any change in existing law or regulation, or any change in the interpretation or application thereof by any court or other competent authority in or affecting Hong Kong, China, the United States, United Kingdom or Japan; or

(iii) any event or series of events in the nature of force majeure (including, without limitation, acts of government, strikes, lock-outs, flooding, civil commotion, acts of war, acts of terrorism (whether or not responsibility has been claimed), acts of God, accident or interruption in transportation) in or affecting Hong Kong, China, the United States, United Kingdom or Japan; or

(iv) any local, national, regional or international outbreak or escalation of hostilities (whether or not war is or has been declared) or other state of emergency or calamity or crisis in or affecting Hong Kong, China, the United States, United Kingdom or Japan; or

(v) (A) any suspension or limitation on trading in shares or securities generally on the Hong Kong Stock Exchange, the New York Stock Exchange, the London Stock Exchange, the Shanghai Stock Exchange or the Tokyo Stock Exchange or (B) a general moratorium on commercial banking activities in New York, London, Hong Kong, Japan or China declared by the relevant authorities, or a material disruption in commercial banking activities or foreign exchange trading or securities settlement or clearance services in or affecting Hong Kong, China, the United States, United Kingdom or Japan; or

(vi) any (A) material change or prospective material change in exchange controls, currency exchange rates or foreign investment regulations, or (B) any change or prospective change in taxation, in Hong Kong, China, the United States, United Kingdom or Japan adversely affecting an investment in the H Shares; or

(vii) any material litigation or claim being threatened or instigated against the Company or any of its subsidiaries; or

and which, in any such case and in the sole opinion of the Joint Bookrunners (for themselves and on behalf of the other Hong Kong underwriters),

(A) is or will be materially adverse to, or materially and prejudicially affect, the business or financial or trading position or prospects of the Company and its subsidiaries as a whole; or

(B) has or will have a material adverse effect on the success of the Global Offering and/or make it impracticable for any material part of the Hong Kong underwriting agreement, the Hong Kong Public Offering or the Global Offering to be performed or implemented as envisaged; or

(b) there has come to the notice of the Joint Bookrunners or any of the Hong Kong underwriters after the date of the Hong Kong underwriting agreement:

(i) that any statement contained in the prospectus, the Application Forms, the formal notice and any announcements in the agreed form issued by the Company in connection with the Hong Kong Public Offering (including any supplement or amendment thereto) was or has become untrue, incorrect or misleading in any material respect unless such untrue, incorrect or misleading statement is immaterial in the context of the Global Offering and has been properly rectified by the Company in a timely manner; or

(ii) any matter has arisen or has been discovered which would, had it arisen immediately before the date of this prospectus, not having been disclosed in this prospectus, constitutes an omission therefrom unless such omission is immaterial in the context of the Global Offering and has been properly rectified by the Company in a timely manner; or

(iii) any of the warranties given by the Company in the Hong Kong underwriting agreement is (or would when repeated be) untrue or misleading in any material respect; or

(iv) any event, act or omission which gives or is likely to give rise to any liability of the Company pursuant to the indemnities given by the Company under the Hong Kong underwriting agreement which liability has a material adverse effect on the business or financial or trading position of the Company and its subsidiaries, as a whole; or

(v) any material breach of any of the obligations of the Company under the Hong Kong underwriting agreement; or

(vi) any material adverse change or prospective material adverse change in the business, results of operations, in the financial or trading position or prospects of the Company and its subsidiaries as a whole,

and if any five or more of the Joint Bookrunners agree, then such Joint Bookrunners may in their sole discretion (on behalf of all the Hong Kong underwriters and the other Joint Bookrunners), upon giving notice in writing to the Company and the Hong Kong underwriters, terminate the Hong Kong underwriting agreement with immediate effect.

Undertakings to the Hong Kong Stock Exchange pursuant to the Listing Rules

By Us

We have undertaken to the Hong Kong Stock Exchange that no further shares or securities convertible into our equity securities (whether or not a class already listed) may be issued by us or form the subject of any agreement to such an issue by us within six months from the Listing Date (whether or not such issue of shares or our securities will be completed within six months from the commencement of dealing), except:

(a) in certain circumstances prescribed by Rule 10.08 of the Listing Rules; or

(b) pursuant to the A Share Offering (see "A Share Offering"), the Global Offering and the over-allotment options.

By Huijin and the MOF

Each of Huijin and the MOF has undertaken to the Hong Kong Stock Exchange that, it shall not and shall procure that the relevant registered holder shall not:

(a) in the period commencing on the date by reference to which disclosure of its shareholding is made in this prospectus and ending on the date which is six months from the Listing Date (the "First Six-month Period"), dispose of, or enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of those shares or securities of the Company in respect of which it is shown by this prospectus to be the beneficial owner; or

(b) in the period of six months commencing on the date on which the First Six-month Period expires, dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of the shares or securities referred to in (a) above if, immediately following such disposal or upon the exercise or enforcement of such options, it would cease to be our controlling shareholder.

Each of Huijin and the MOF has also undertaken to the Hong Kong Stock Exchange and us that, within the period commencing on the date by reference to which disclosure of its shareholding is made in this prospectus and ending on the date which is 12 months from the Listing Date, it will:

(a) when it pledges or charges any of shares or of other share capital beneficially owned by it in favor of an authorized institution (as defined in the Banking Ordinance (Chapter 155 of the Laws of Hong Kong)) for a bona fide commercial loan, immediately inform us of such pledge or charge together with the number of such shares or other securities so pledged or charged; and

(b) when it receives any indications, either verbal or written, from any pledgee or chargee of any of shares or of other securities pledged or charged that such shares or securities will be disposed of, immediately inform us of any such indications.

We will inform the Hong Kong Stock Exchange as soon as we have been informed of the above matters (if any) by Huijin or the MOF and disclose such matters by way of a press notice which is published in the newspapers as soon as possible after being so informed by Huijin or the MOF.

Undertakings to the Underwriters

By Us

We have, pursuant to the Hong Kong underwriting agreement, undertaken to each of the Joint Global Coordinators, the Joint Bookrunners, the Joint Sponsors and the Hong Kong underwriters that, at any time after the date of the Hong Kong underwriting agreement up to and including the date falling 180 days after date of the final offering circular in respect of the International Offering, the Company will not without the Joint Bookrunners' prior written consents (subject to the requirements set out in the Listing Rules):

(a) offer, pledge, issue, sell, contract to issue or sell, sell any option or contract to purchase, purchase any option or contract to sell, grant or agree to grant any option, right or warrant to purchase or subscribe for, lend or otherwise transfer or dispose of, either directly or indirectly, or repurchase, any of its share capital or any securities convertible into or exercisable or exchangeable for or that represent the right to receive such share capital; or

(b) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of such share capital,

whether any of the foregoing transactions described in paragraph (a) or (b) above is to be settled by delivery of share capital or such other securities, in cash or otherwise, provided that the foregoing restrictions shall not apply to the issue of H shares by the Company pursuant to the Global Offering (including pursuant to an over-allotment option) or to the issue of A shares by the Company pursuant to the A Share Offering (including pursuant to an over-allotment option), and the Company further agrees that, in the event of an issue or disposal of any H shares or any interest therein after the date falling 180 days after the date of the final offering circular in respect of the International Offering, it will take all reasonable steps to ensure that such an issue or disposal will not create a disorderly or false market for the H shares.

International Offering

In connection with the International Offering, it is expected that we will enter into an international purchase agreement with the international underwriters. Under the international purchase agreement, the international underwriters would, subject to certain conditions set out therein, severally agree to purchase the International Offering Shares being offered pursuant to the International Offering or procure purchasers for such International Offering Shares.

We will grant to the international underwriters an over-allotment option, exercisable by the Joint Bookrunners on behalf of the international underwriters during the 30-day period from the last day for the lodging of applications under the Hong Kong Public Offering, to require us to issue up to an aggregate of 3,811,764,000 additional H shares, representing approximately 15% of the H shares initially available under the Global Offering, at the Offer Price, among other things, to cover over-allocations in the International Offering, if any.

Commission and Expenses

According to the Hong Kong underwriting agreement, the Hong Kong underwriters will receive a gross underwriting commission of 1.96% of the Offer Price payable for the Hong Kong Offer Shares initially offered under the Hong Kong Public Offering. For unsubscribed Hong Kong Offer Shares reallocated to the International Offering, we will pay an underwriting commission at the rate applicable to the International Offering and such commission will be paid to the international underwriters.

The aggregate commissions and fees, together with the listing fees, SFC transaction levy, the Hong Kong Stock Exchange trading fee, legal and other professional fees, printing and other expenses of us relating to the Global Offering are estimated to amount to approximately HK$1.3 billion (assuming an Offer Price of HK$3.18 per Offer Share, which is the mid-point of our indicative price range for the Global Offering, and the over-allotment option for the Global Offering is not exercised) in total. The underwriters have agreed to reimburse us for certain expenses we incur in connection with the Global Offering.

We have agreed to indemnify the underwriters for certain losses which they may suffer, including losses incurred arising from their performance of their obligations under the Hong Kong underwriting agreement or the international purchase agreement and any breach by us of the Hong Kong underwriting agreement or the international purchase agreement.

Underwriters' Interests in Our Company

Save as disclosed in this prospectus, none of the underwriters is interested legally or beneficially in any shares of any of our members or has any right or option (whether legally enforceable or not) to subscribe for or purchase or to nominate persons to subscribe for or purchase securities in any of our members in the Global Offering.

ACTIVITIES BY SYNDICATE MEMBERS

We describe below a variety of activities that the Hong Kong underwriters and the international underwriters, together referred to as "Syndicate Members," or underwriters, may each individually undertake, and which do not form part of the underwriting or the stabilizing process. When engaging in any of these activities, it should be noted that the Syndicate Members are subject to restrictions, including the following:

(a) under the intersyndicate agreement entered into among the Syndicate Members, all of them (except for Goldman Sachs (Asia) L.L.C. or its designated affiliate as the stabilizing manager (as defined in "Structure of the Global Offering—Stabilization")) must not, in connection with the distribution of the Offer Shares, effect any transactions (including issuing or entering into any option or other derivative transactions relating to the Offer Shares), whether in the open market or otherwise, with a view to stabilizing or maintaining the market price of any of the Offer Shares at levels other than those which might otherwise prevail in the open market; and

(b) all of them must comply with all applicable laws, including the market misconduct provisions of the SFO, including the provisions prohibiting insider dealing, false trading, price rigging and stock market manipulation.

The Syndicate Members and their affiliates are diversified financial institutions with relationships in multiple countries around the world. These entities engage in a wide range of commercial and investment banking, brokerage, funds management, trading, hedging, investing and other activities for their own account and for the account of others. In relation to our H shares, those activities could include acting as agent for buyers and sellers of the H shares, entering into transactions with those buyers and sellers in a principal capacity, proprietary trading in the H shares, and entering into over-the-counter or listed derivative transactions or listed and unlisted securities transactions (including issuing securities such as derivative warrants listed on a stock exchange) which have as their underlying assets including our H shares. Those activities may require hedging activity by those entities involving, directly or indirectly, buying and selling our H shares. All such activity could occur in Hong Kong and elsewhere in the world and may result in the Syndicate Members and their affiliates' holding long and/or short positions in our H shares, in baskets of securities or indices including our H shares, in units of funds that may purchase our H shares, or in derivatives related to any of the foregoing.

In relation to issues by Syndicate Members or their affiliates of any listed securities having our H shares as their underlying assets, whether on the Hong Kong Stock Exchange or on any other stock exchange, the rules of the exchange may require the issuer of those securities (or one of its affiliates or agents) to act as a market maker or liquidity provider in the security, and this will also result in hedging activity in the H shares in most cases.

All of this activity may occur both during and after the end of the stabilizing period described under "Structure of the Global Offering—Stabilization." This activity may affect the market price or value of our H shares, the liquidity or trading volume in our H shares, and the volatility of the prices of our H shares, and the extent to which this occurs from day to day cannot be estimated.

THE GLOBAL OFFERING

The Global Offering comprises:

(a) the Hong Kong Public Offering of 1,270,590,000 H shares (subject to adjustment) in Hong Kong; and

(b) the International Offering of 24,141,175,000 H shares (subject to adjustment and the over-allotment option) outside the United States (including to professional and institutional investors within Hong Kong and pursuant to a public offer without listing in Japan) in offshore transactions in reliance on Regulation S, and in the United States to QIBs in reliance on Rule 144A or another exemption from the registration requirements under the US Securities Act.

Investors may apply for H shares under the Hong Kong Public Offering or apply for or indicate an interest for H shares under the International Offering, but may not do both.

References in this prospectus to applications, Application Forms, application monies or the procedure for application relate solely to the Hong Kong Public Offering.

THE HONG KONG PUBLIC OFFERING

Number of H Shares Initially Offered

We are initially offering 1,270,590,000 H shares for subscription by the public in Hong Kong at the Offer Price, representing approximately 5% of the total number of H shares initially available under the Global Offering. Subject to the reallocation of H shares between (i) the International Offering and (ii) the Hong Kong Public Offering, the Hong Kong Offer Shares will represent approximately 0.4% of our Company's enlarged issued share capital immediately after the completion of the A Share Offering and the Global Offering, assuming that neither of the over-allotment options for the A Share Offering and the Global Offering is exercised.

The completion of the Hong Kong Public Offering is subject to the conditions as set out in the paragraph headed "Conditions of the Hong Kong Public Offering."

Allocation

Allocation of H shares to investors under the Hong Kong Public Offering will be based solely on the level of valid applications received under the Hong Kong Public Offering. The basis of allocation may vary, depending on the number of Hong Kong Offer Shares validly applied for by applicants. Such allocation could, where appropriate, consist of balloting, which would mean that some applicants may receive a higher allocation than others who have applied for the same number of Hong Kong Offer Shares, and those applicants who are not successful in the ballot may not receive any Hong Kong Offer Shares.

The total number of Offer Shares available under the Hong Kong Public Offering (after taking account of any reallocation referred to below) is to be divided into two pools for allocation purposes as follows:

- Pool A: The Offer Shares in pool A will consist of 635,295,000 Offer Shares and will be allocated on an equitable basis to applicants who have applied for Offer Shares with an

aggregate price payable on application of HK$5 million (excluding brokerage, SFC transaction levy and the Hong Kong Stock Exchange trading fee) or less.

- Pool B: The Offer Shares in pool B will consist of 635,295,000 Offer Shares and will be allocated on an equitable basis to applicants who have applied for Offer Shares with an aggregate price payable on application of more than HK$5 million (excluding brokerage, SFC transaction levy and the Hong Kong Stock Exchange trading fee).

Investors should be aware that applications in pool A and applications in pool B may receive different allocation ratios. If Offer Shares in one (but not both) of the pools are undersubscribed, the surplus Offer Shares will be transferred to the other pool to satisfy demand in that pool and be allocated accordingly. Applicants can only receive an allocation of Offer Shares from either pool A or pool B, but not from both pools.

Multiple or suspected multiple applications and any application for more than 635,295,000 Offer Shares, being the number of Offer Shares initially allocated to each pool, are to be rejected.

Applications

Applicants under the Hong Kong Public Offering are required to pay, on application, the maximum price of HK$3.48 per Offer Share in addition to the brokerage, SFC transaction levy and the Hong Kong Stock Exchange trading fee payable on each Offer Share. If the Offer Price, as finally determined in the manner described in the paragraph headed "Pricing and Allocation" below, is less than the maximum price of HK$3.48 per Offer Share, appropriate refund payments (including brokerage, SFC transaction levy and the Hong Kong Stock Exchange trading fee attributable to the surplus application monies) will be made to successful applicants, without interest.

Each applicant under the Hong Kong Public Offering will be required to give an undertaking and confirmation in the Application Form submitted by him that he and any person(s) for whose benefit he is making the application has not applied for or taken up, or indicated an interest for, and will not apply for or take up, or indicate an interest for, any Offer Shares under the International Offering, and such applicant's application is liable to be rejected if the said undertaking and/or confirmation is breached and/or untrue (as the case may be) or it has been or will be placed or allocated Offer Shares under the International Offering.

Conditions of the Hong Kong Public Offering

Acceptance of all applications for Offer Shares pursuant to the Hong Kong Public Offering will be conditional on:

(a) the Listing Committee of the Hong Kong Stock Exchange granting the listing of, and permission to deal in, the H shares to be issued pursuant to the Global Offering (including the additional H shares which may be issued pursuant to the exercise of the over-allotment option for the Global Offering) and the shares held by the MOF, Huijin and the SSF;

(b) the execution and delivery of the international purchase agreement on or around the Price Determination Date; and

(c) the obligations of the Hong Kong underwriters under the Hong Kong underwriting agreement and the obligations of the international underwriters under the international

purchase agreement having become unconditional and not having been terminated in accordance with the terms of the respective agreements,

in each case on or before the dates and times specified in the Hong Kong underwriting agreement or the international purchase agreement (unless and to the extent such conditions are validly waived on or before such dates and times) and in any event not later than July 30, 2010.

If, for any reason, the Offer Price is not agreed between our Company and the Joint Bookrunners (on behalf of the underwriters) on or before July 14, 2010, the Global Offering will not proceed and will lapse.

The consummation of each of the Hong Kong Public Offering and the International Offering is conditional upon, among other things, the other offering becoming unconditional and not having been terminated in accordance with their respective terms.

If the above conditions are not fulfilled or waived prior to the times and dates specified, the Global Offering will lapse. In such eventuality, notice of the lapse of the Hong Kong Public Offering will be published by our Company in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) on the day following such lapse, and all application monies will be returned, without interest, on the terms set out in "How to Apply for Hong Kong Offer Shares—Dispatch/Collection of Share Certificates and Refund Monies." In the meantime, all application monies will be held in separate bank account(s) with the receiving bankers or other bank(s) in Hong Kong licensed under the Banking Ordinance (Chapter 155 of the Laws of Hong Kong).

Share certificates for the Offer Shares will only become valid certificates of title at 8:00 a.m. on Friday, July 16, 2010 provided that (i) the Global Offering has become unconditional in all respects and (ii) the right of termination as described in "Underwriting—Hong Kong Public Offering—Grounds for Termination" has not been exercised.

THE INTERNATIONAL OFFERING

Number of Offer Shares Offered

The International Offering will consist of an offering of initially 24,141,175,000 H shares, representing approximately 95% of the total number of Offer Shares initially available under the Global Offering.

Allocation

The International Offering will include selective marketing of Offer Shares to institutional and professional investors and other investors anticipated to have a sizeable demand for such Offer Shares. Professional investors generally include brokers, dealers, companies (including fund managers) whose ordinary business involves dealing in shares and other securities and corporate entities which regularly invest in shares and other securities. The International Offering will also include a public offer without listing of Offer Shares in Japan. Allocation of Offer Shares pursuant to the International Offering will be effected in accordance with the "book-building" process described in the paragraph headed "Pricing and Allocation" below and based on a number of factors, including the level and timing of demand, the total size of the relevant investor's invested assets or equity assets in the relevant sector and whether or not it is expected that the relevant investor is likely to buy further shares, and/or hold or sell H shares,

after the listing of our H shares on the Hong Kong Stock Exchange. Such allocation is intended to result in a distribution of the H shares on a basis which would lead to the establishment of a solid professional and institutional shareholder base to the benefit of our Company and our shareholders as a whole.

The Joint Bookrunners (on behalf of the underwriters) may require any investor who has been offered Offer Shares under the International Offering and who has made an application under the Hong Kong Public Offering, to provide sufficient information to the Joint Bookrunners so as to allow them to identify the relevant applications under the Hong Kong Public Offering and to ensure that they are excluded from any application of Offer Shares under the Hong Kong Public Offering.

REALLOCATION

Paragraph 4.2 of Practice Note 18 of the Listing Rules requires a clawback mechanism to be put in place which would have the effect of increasing the number of Hong Kong Offer Shares to certain percentages of the total number of Offer Shares offered in the Global Offering if certain prescribed total demand levels are reached. An application has been made for, and the Hong Kong Stock Exchange has granted, a waiver from strict compliance with paragraph 4.2 of Practice Note 18 of the Hong Kong Listing Rules such that, in the event of over-applications, the Joint Bookrunners, after consultation with us, shall apply a clawback mechanism following the closing of the application lists on the following basis:

- if the number of Offer Shares validly applied for under the Hong Kong Public Offering represents 15 times or more but less than 50 times the number of Offer Shares initially available for subscription under the Hong Kong Public Offering, then H shares will be reallocated to the Hong Kong Public Offering from the International Offering, so that the total number of Offer Shares available under the Hong Kong Public Offering will be 1,905,884,000 Offer Shares, representing approximately 7.5% of the Offer Shares initially available under the Global Offering;
- if the number of Offer Shares validly applied for under the Hong Kong Public Offering represents 50 times or more but less than 100 times the number of Offer Shares initially available for subscription under the Hong Kong Public Offering, then H shares will be reallocated to the Hong Kong Public Offering from the International Offering, so that the total number of Offer Shares available under the Hong Kong Public Offering will be 2,541,178,000 Offer Shares, representing approximately 10% of the Offer Shares initially available under the Global Offering; and
- if the number of Offer Shares validly applied for under the Hong Kong Public Offering represents more than 100 times the number of Offer Shares initially available for subscription under the Hong Kong Public Offering, then H shares will be reallocated to the Hong Kong Public Offering from the International Offering, so that the total number of Offer Shares available under the Hong Kong Public Offering will be 5,082,354,000 Offer Shares, representing approximately 20% of the Offer Shares initially available under the Global Offering.

In each case, the additional Offer Shares reallocated to the Hong Kong Public Offering will be allocated between pool A and pool B and the number of Offer Shares allocated to the International Offering will be correspondingly reduced in such manner as the Joint Bookrunners deem appropriate.

In addition, the Joint Bookrunners may reallocate Offer Shares from the International Offering to the Hong Kong Public Offering to satisfy valid applications under the Hong Kong Public Offering.

If the Hong Kong Public Offering is not fully subscribed, the Joint Bookrunners have the authority to reallocate all or any unsubscribed Hong Kong Offer Shares to the International Offering, in such proportions as the Joint Bookrunners deem appropriate.

PRICING AND ALLOCATION

The international underwriters will be soliciting from prospective investors indications of interest in acquiring Offer Shares in the International Offering. Prospective professional and institutional investors will be required to specify the number of Offer Shares under the International Offering they would be prepared to acquire either at different prices or at a particular price. This process, known as "book-building," is expected to continue up to, and to cease on or around, the last day for lodging applications under the Hong Kong Public Offering.

Pricing for the Offer Shares will be fixed on the Price Determination Date, which is expected to be on or around July 7, 2010 and in any event on or before July 14, 2010, by agreement between the Joint Bookrunners (on behalf of the underwriters) and us, when market demand for the Offer Shares will be determined.

The Offer Price will not be more than HK$3.48 per Offer Share and is expected to be not less than HK$2.88 per Offer Share unless otherwise announced, as further explained below, not later than the morning of the last day for lodging applications under the Hong Kong Public Offering. Prospective investors should be aware that the Offer Price to be determined on the Price Determination Date may be, but is not expected to be, lower than the indicative offer price range stated in this prospectus.

The Joint Bookrunners, on behalf of the underwriters, may, where considered appropriate, based on the level of interest expressed by prospective professional and institutional investors during the book-building process, and with the consent of our Company, reduce the number of Offer Shares and/or the indicative offer price range below that stated in this prospectus at any time on or prior to the morning of the last day for lodging applications under the Hong Kong Public Offering. In such a case, we will, as soon as practicable following the decision to make such reduction, and in any event not later than the morning of the day which is the last day for lodging applications under the Hong Kong Public Offering, cause to be published in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) and posted on the websites of the Hong Kong Stock Exchange (www.hkexnews.hk) and on the website of our Company (www.abchina.com) (the contents of the website do not form part of the prospectus) notices of the reduction. Upon issue of such a notice, the revised offer price range will be final and conclusive and the Offer Price, if agreed upon by the Joint Bookrunners, on behalf of the underwriters, and our Company, will be fixed within such revised offer price range. Applicants should have regard to the possibility that any announcement of a reduction in the number of Offer Shares and/or the indicative offer price range may not be made until the day which is the last day for lodging applications under the Hong Kong Public Offering. Such notice will also include confirmation or revision, as appropriate, of the Global Offering statistics as currently set out in this prospectus, and any other information which may change as a result of any such reduction. Applicants under the Hong Kong Public Offering should note that in no circumstances can applications be withdrawn once submitted, even if the number of Offer Shares and/or the offer price range is so

reduced. In the absence of any such notice so published, the number of Offer Shares will not be reduced and/or the Offer Price, if agreed upon between our Company and the Joint Bookrunners (on behalf of the underwriters), will under no circumstances be set outside the offer price range as stated in this prospectus.

In the event of a reduction in the number of Offer Shares, the Joint Bookrunners may, at their discretion, reallocate the number of Offer Shares to be offered in the Hong Kong Public Offering and the International Offering, provided that the number of Offer Shares comprised in the Hong Kong Public Offering shall not be less than 5% of the total number of Offer Shares available under the Global Offering (assuming the over-allotment option is not exercised). The Offer Shares to be offered in the Hong Kong Public Offering and the Offer Shares to be offered in the International Offering may, in certain circumstances, be reallocated between these offerings at the discretion of the Joint Bookrunners.

The final Offer Price is expected to be announced on July 9, 2010. The level of indications of interest in the Global Offering and the basis of allotment of Offer Shares available under the Hong Kong Public Offering are expected to be announced on July 15, 2010 in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) and to be posted on the websites of the Hong Kong Stock Exchange (www.hkexnews.hk) and our Company (www.abchina.com) (the contents of the website do not form part of the prospectus).

OVER-ALLOTMENT OPTION

In connection with the Global Offering, it is expected that we will grant an over-allotment option to the international underwriters, exercisable by the Joint Bookrunners on behalf of the international underwriters during the 30-day period from the last day for lodging applications under the Hong Kong Public Offering, to require us to issue up to 3,811,764,000 H shares, representing approximately 15% of the Offer Shares initially available under the Global Offering, at the same price per H share under the International Offering, to, among other things, cover over-allocations in the International Offering, if any. In the event that the over-allotment option for the Global Offering is exercised, a press announcement will be made.

STABILIZATION

Stabilization is a practice used by underwriters in some markets to facilitate the distribution of securities. To stabilize, the underwriters may bid for, or purchase, the newly issued securities in the secondary market, during a specified period of time, to retard and, if possible, prevent any decline in the market price of the securities below the offer price. In Hong Kong and a number of other jurisdictions, activity aimed at reducing the market price is prohibited, and the price at which stabilization is effected is not permitted to exceed the offer price.

In connection with the Global Offering, Goldman Sachs (Asia) L.L.C., its affiliates or any person acting for them, (the "Stabilizing Manager"), as stabilizing manager, on behalf of the underwriters, may effect transactions with a view to stabilizing or supporting the market price of our H shares at a level higher than that which might otherwise prevail for a limited period after the Listing Date. However, there is no obligation on the Stabilizing Manager, their affiliates or any persons acting for them, to conduct any such stabilizing action. Such stabilization action, if commenced, may be discontinued at any time, and is required to be brought to an end after a limited period. Should

stabilizing transactions be effected in connection with the Global Offering, this will be at the absolute discretion of the Joint Bookrunners, their affiliates or any person acting for them.

Stabilization action permitted in Hong Kong pursuant to the Securities and Futures (Price Stabilizing) Rules, as amended, includes:

(a) over-allocating for the purpose of preventing or minimizing any reduction in the market price of the shares;

(b) selling or agreeing to sell the shares so as to establish a short position in them for the purpose of preventing or minimizing any reduction in the market price of the shares;

(c) purchasing or subscribing for, or agreeing to purchase or subscribe for, the shares pursuant to an over-allotment option in order to close out any position established under (a) or (b) above;

(d) purchasing, or agreeing to purchase, any of the shares for the sole purpose of preventing or minimizing any reduction in the market price of the Shares;

(e) selling or agreeing to sell any shares in order to liquidate any position established as a result of those purchases; and

(f) offering or attempting to do anything as described in (b), (c), (d) or (e) above.

Specifically, prospective applicants for and investors in the Offer Shares should note that:

- the Stabilizing Manager, their affiliates or any person acting for them, may, in connection with the stabilizing action, maintain a long position in the shares;
- there is no certainty regarding the extent to which and the time or period for which the Stabilizing Manager, their affiliates or any person acting for them, will maintain such a long position;
- liquidation of any such long position by the Stabilizing Manager, their affiliates or any person acting for them, may have an adverse impact on the market price of the shares;
- no stabilizing action can be taken to support the price of the shares for longer than the stabilizing period which will begin on the Listing Date, and is expected to expire on August 5, 2010, being the 30th day after the last date for lodging applications under the Hong Kong Public Offering. After this date, when no further stabilizing action may be taken, demand for the shares, and therefore the price of our shares, could fall;
- the price of the shares cannot be assured to stay at or above the Offer Price by the taking of any stabilizing action; and
- stabilizing bids may be made or transactions effected in the course of the stabilizing action at any price at or below the Offer Price, which means that stabilizing bids may be made or transactions effected at a price at or below the price paid by applicants for, or investors in, the shares.

Over-allocation

Following any over-allocation of H shares in connection with the Global Offering, the Joint Bookrunners, their affiliates or any person acting for them may cover such over-allocation by (among

other methods) using H shares purchased by the Stabilizing Manager, their affiliates or any person acting for them in the secondary market, exercising the over-allotment option in full or in part. Any such purchases will be made in accordance with the laws, rules and regulations in place in Hong Kong, including in relation to stabilization, the Securities and Futures (Price Stabilizing) Rules, as amended, made under the SFO. The number of H shares which can be over-allocated will not exceed the number of H shares which may be issued upon the exercise of the over-allotment option for the Global Offering, being 3,811,764,000 H shares, representing approximately 15% of the Offer Shares initially available under the Global Offering.

APPLICATION FOR LISTING ON THE HONG KONG STOCK EXCHANGE

We have applied to the Listing Committee of the Hong Kong Stock Exchange for the granting of listing of, and permission to deal in, our H shares to be issued pursuant to the Global Offering.

Other than the listing of our A shares on the Shanghai Stock Exchange pursuant to the A Share Offering, no part of the share capital of our Company is listed on or dealt in on any other stock exchange and no such listing or permission to list is being or proposed to be sought in the near future.

DEALING

Assuming that the Hong Kong Public Offering becomes unconditional at or before 8:00 a.m. in Hong Kong on Friday, July 16, 2010, it is expected that dealings in the H shares on the Hong Kong Stock Exchange will commence at 9:30 a.m. on Friday, July 16, 2010.

The H shares will be traded in board lots of 1,000 H shares each.

The stock code of our H shares is 1288.

H SHARES WILL BE ELIGIBLE FOR ADMISSION INTO CCASS

If the Hong Kong Stock Exchange grants the listing of, and permission to deal in, the H shares and we comply with the stock admission requirements of HKSCC, the H shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the H shares on the Stock Exchange or any other date HKSCC chooses. Settlement of transactions between participants of the Stock Exchange is required to take place in CCASS on the second Business Day after any trading day.

All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

Investors should seek the advice of their stockbroker or other professional advisers for details of the settlement arrangement as such arrangements may affect their rights and interests.

All necessary arrangements have been made to enable the H shares to be admitted into CCASS.

Concurrently with the Global Offering, we are offering A shares in the PRC by means of an A share prospectus. The A share prospectus, which is issued in the Chinese language only, is prepared pursuant to the regulatory requirements of the PRC. However, you should rely only on the information contained in this prospectus and the related application forms to make your investment decision in purchasing or trading in our H shares.

Our Proposed A Share Offering

Concurrently with the Global Offering, we are undertaking a public offering of our A shares in the PRC.

The A Share Offering comprises an offering of initially 22,235,294,000 A shares for subscription, representing approximately 7.00% of our total outstanding shares following the completion of the A Share Offering and the Global Offering, assuming that neither of the over-allotment options for the A Share Offering and the Global Offering is exercised. The information set forth in this prospectus related to our A Share Offering has been prepared based on the assumption that our A Share Offering will comprise an offering of initially 22,235,294,000 A shares for subscription.

We have granted the A Share Offering underwriters an over-allotment option exercisable by China International Capital Corporation Limited on behalf of the A Share Offering underwriters within 30 days following the listing of our A shares on the Shanghai Stock Exchange, to require us to issue and allot up to an aggregate of 3,335,294,000 A shares representing approximately 15% of the A shares initially offered in the A Share Offering. We expect to make public announcements in the PRC and Hong Kong with respect to any exercise of the over-allotment option for the A Share Offering.

Our A shares will be listed and traded on the Shanghai Stock Exchange and may only be held by legal or natural persons or other entities in the PRC, QFIIs or foreign strategic investors, subject to applicable PRC laws and regulations. Our A shares and H shares will rank *pari passu* with each other in all material respects other than the exceptions described in "Share Capital." Dividends on our A shares will be paid in Renminbi. Our H shares and A shares will not be fungible. However, our A shares held by the MOF, Huijin and the SSF may be re-registered as H shares. See "Share Capital."

Pricing of A Share Offering

The offer price for A shares in the A Share Offering is expected to be not more than RMB2.68 per share and not less than RMB2.52 per share. We expect to publish an announcement in Hong Kong following the determination of the offer price for the A Share Offering.

Offerings Not Inter-conditional

Neither our A Share Offering nor our Global Offering is conditional upon the other.

We cannot assure you that we will be able to complete our A Share Offering as proposed. If domestic market conditions within the PRC are such that it is not advisable or practicable for our A Share Offering to proceed concurrently with the Global Offering, our A Share Offering may take place after the completion of the Global Offering, and the size and other details in respect of the A Share Offering set out above may be subject to change.

Use of Proceeds of A Share Offering

After deducting the underwriting commission and our estimated offering expenses for the A Share Offering, we estimate that the net proceeds to us from the A Share Offering will be RMB57.01 billion (HK$65.31 billion) at the offer price of RMB2.60 (HK$2.98), being the midpoint of the price range of the A Share Offering, assuming that the over-allotment option for the A Share Offering is not exercised, or RMB65.57 billion (HK$75.12 billion) at the offer price of RMB2.60 (HK$2.98), being the midpoint of the price range of the A Share Offering, assuming that the over-allotment option for the A Share Offering is fully exercised.

We intend to use the net proceeds from the A Share Offering (after deduction of fees and expenses in relation to the A Share Offering) to strengthen our capital base to support the ongoing growth of our business. If we are not able to raise some or all of the net proceeds of the A Share Offering, we do not expect this to have any material adverse effect on our capital base.

Application for Listing of A Shares

Application is expected to be made for the listing and trading of our A shares on the Shanghai Stock Exchange.

Trading of our A shares is expected to commence on the Shanghai Stock Exchange on or about July 15, 2010 at 9:30 a.m.

Key Events in the A Share Offering

The key events in the A Share Offering are as follows:

Price consultation and marketing to institutional investors	June 18, 2010 – June 23, 2010
Book building period for A share institutional investors	July 1, 2010 – July 6, 2010
Public subscription for A share investors through the trading system of the Shanghai Stock Exchange	July 6, 2010
Announcement of the offer price for the A Share Offering	July 8, 2010
Expected listing date of A shares on the Shanghai Stock Exchange	July 15, 2010

In connection with our A Share Offering, we are required to make certain announcements in the PRC in accordance with applicable PRC laws and regulations. Such announcements in relation to our A Share Offering will be published on the website of the Hong Kong Stock Exchange. However, such information and the prospectus for the A Share Offering do not and will not form part of this prospectus. You should rely solely on the information contained in this prospectus and the related application forms in Hong Kong in making your investment decision regarding our H shares. See "Risk Factors—Risks Relating to the Global Offering—We strongly caution you not to place any reliance on any information contained in press articles or other media regarding our A Share Offering or Global Offering or information released by us in connection with the A Share Offering."

Publication of Quarterly Results

Upon listing of our A shares on the Shanghai Stock Exchange, we will be required to publish quarterly results of operations in the PRC prepared in accordance with PRC GAAP. We will simultaneously disclose these quarterly results prepared under PRC GAAP in Hong Kong in accordance with rule 13.09(2) of the Hong Kong Listing Rules.

WHO CAN APPLY FOR HONG KONG OFFER SHARES

You can apply for Hong Kong Offer Shares if you, or any person(s) for whose benefit you are applying, are an individual, and:

- are 18 years of age or older;
- have a Hong Kong address;
- are outside the United States;
- are not a United States Person (as defined in Regulation S);
- are not a legal or natural person of the PRC; and
- have not been allocated or have not applied for nor indicated an interest for any Offer Shares under the International Offering.

If you wish to apply for Hong Kong Offer Shares online through the designated website at www.eipo.com.hk referred to herein as the "**White Form eIPO**" service, in addition to the above you must also:

- have a valid Hong Kong identity card number; and
- be willing to provide a valid e-mail address and a contact telephone number.

You may only apply by means of the **White Form eIPO** service if you are an individual applicant. Corporations or joint applicants may not apply by means of **White Form eIPO** service.

If the applicant is a firm, the application must be in the names of the individual members, not the firm's name.

If the applicant is a body corporate, the Application Form must be signed by a duly authorized officer, who must state his or her representative capacity.

If your application is made through a duly authorized attorney, we and the Joint Bookrunners (or their respective agents and nominees) as our agents may accept your application at our and their discretion, and subject to any conditions we and they think fit, including production of evidence of the authority of your attorney.

The number of joint applicants may not exceed four.

We, the Joint Bookrunners (on behalf of the Hong Kong underwriters) or the designated **White Form eIPO** Service Provider or our or their respective agents have full discretion to reject or accept any application, in full or in part, without assigning any reason.

Save under the circumstances permitted under the Listing Rules, the Hong Kong Offer Shares are not available to existing beneficial owners of shares in our Company, our directors, supervisors or chief executive officer, the directors, supervisors or chief executive officer of any of our subsidiaries, or their respective associates (as defined in the Listing Rules) or any other connected persons (as defined in the Listing Rules) of our Company or persons who will become our connected persons immediately upon completion of the Global Offering.

You and/or your joint applicant(s) may not make more than one application (whether individually or jointly), except you are a nominee and provide the required information in your application.

You may apply for H shares under the Hong Kong Public Offering or indicate an interest for International Offer Shares under the International Offering, but may not do both.

HOW DO I APPLY FOR HONG KONG OFFER SHARES

There are four channels to apply for Hong Kong Offer Shares:

- You may apply using a **white** application form. Use a **white** application form if you want the H shares issued in your own name;
- Instead of using a **white** application form, you may apply for the Hong Kong Offer Shares by means of **White Form eIPO** by submitting applications online through the designated website of the **White Form eIPO** Service Provider at **www.eipo.com.hk**. Use **White Form eIPO** if you want the H shares issued in your own name;
- You may apply for the Hong Kong Offer Shares using a **yellow** application form. Use a **yellow** application form if you want the H shares issued in the name of HKSCC Nominees and deposited directly into CCASS for credit to your CCASS Investor Participant stock account or your designated CCASS Participant's stock account; or
- Instead of using a **yellow** application form, you may give **electronic application instructions** to HKSCC to cause HKSCC Nominees to apply for the Hong Kong Offer Shares on your behalf.

WHERE CAN I COLLECT A PROSPECTUS AND APPLICATION FORM

You can collect a prospectus together with a **white** application form during normal business hours from 9:00 a.m. on Wednesday, June 30, 2010 to 12:00 noon on Tuesday, July 6, 2010 from:

(1) any of the following offices of the Hong Kong underwriters:

China International Capital Corporation Hong Kong Securities Limited	29/F, One International Finance Centre 1 Harbour View Street Central, Hong Kong
Goldman Sachs (Asia) L.L.C.	68/F, Cheung Kong Center 2 Queen's Road Central Hong Kong
Morgan Stanley Asia Limited	46/F, International Commerce Centre 1 Austin Road West Kowloon, Hong Kong
Deutsche Bank AG, Hong Kong Branch	48/F, Cheung Kong Center 2 Queen's Road Central Hong Kong
J.P. Morgan Securities (Asia Pacific) Limited	28/F Chater House 8 Connaught Road Central Hong Kong
Macquarie Capital Securities Limited	Level 18, One International Finance Centre 1 Harbour View Street Central, Hong Kong
ABCI Securities Company Limited	13th Floor, Fairmont House 8 Cotton Tree Drive Central, Hong Kong
BOCI Asia Limited	26th Floor, Bank of China Tower 1 Garden Road Hong Kong
The Hongkong and Shanghai Banking Corporation Limited	HSBC Main Building 1 Queen's Road Central Hong Kong
China Everbright Securities (HK) Limited	36/F Far East Finance Center 16 Harcourt Road Hong Kong
BOCOM International Securities Limited	9/F., Man Yee Building 68 Des Voeux Road Central Hong Kong
Taifook Securities Company Limited	25/F New World Tower 16-18 Queen's Road Central Central, Hong Kong
Oriental Patron Securities Limited	Suite 2701-3 & 2705-8 27/F, Two Exchange Square 8 Connaught Place Central, Hong Kong
Guangdong Securities Limited	Units 2505-06, 25/F, Low Block, Grand Millennium Plaza 181 Queen's Road Central Hong Kong

(2) any of the following branches of The Hongkong and Shanghai Banking Corporation Limited:

	Branch	Address
Hong Kong Island:	Hong Kong Office	Level 3, 1 Queen's Road Central
	North Point Branch	G/F, Winner House, 306-316 King's Road, North Point
	Des Voeux Road Central Branch	China Insurance Group Bldg, 141 Des Voeux Road Central
	Hay Wah Building Branch	G/F, Hay Wah Bldg, 71-85B Hennessy Road, Wan Chai
Kowloon:	Kwun Tong Branch	No. 1, Yue Man Square, Kwun Tong
	Mei Foo Sun Chuen Branch	79, Broadway Stage 4, Mei Foo Sun Chuen
	Mong Kok Branch	L/G & U/G, 673 Nathan Road, Mong Kok
	Hung Hom Branch	G/F, Hung Hom Commercial Centre, 37-39 Ma Tau Wai Road, Hung Hom
	Tsim Sha Tsui Branch	Basement, UG/F & 1/F, 82-84 Nathan Road, Tsim Sha Tsui
	Telford Gardens Branch	Shop Unit P16, Blk G, Telford Plaza I, Kowloon Bay
New Territories:	Kwai Hing Branch	Shop 2, 3/F, Sun Kwai Hing Plaza, 166-174 Hing Fong Road, Kwai Chung
	Tuen Mun Town Plaza Branch	Shop 1, UG/F, Shopping Arcade Phase II, Tuen Mun Town Plaza, Tuen Mun
	Shatin Branch	Shop No. 30D, Level 3, Shatin Centre Shopping Arcade, Sha Tin

(3) any of the following branches of Bank of China (Hong Kong) Limited:

	Branch	Address
Hong Kong Island:	Bank of China Tower Branch	3/F, 1 Garden Road
	Taikoo Shing Branch	Shop G1006, Hoi Sing Mansion, Taikoo Shing
	Aberdeen Branch	25 Wu Pak Street, Aberdeen
	Quarry Bay Branch	Parkvale, 1060 King's Road, Quarry Bay
Kowloon:	Kwun Tong Branch	20-24 Yue Man Square, Kwun Tong
New Territories:	Castle Peak Road (Tsuen Wan) Branch	201-207 Castle Peak Road, Tsuen Wan
	East Point City Branch	Shop 101, East Point City, Tseung Kwan O
	Kau Yuk Road Branch	18-24 Kau Yuk Road, Yuen Long

(4) any of the following branches of Standard Chartered Bank (Hong Kong) Limited:

	Branch	Address
Hong Kong Island:	Central Branch	Shop no. 16, G/F and Lower G/F, New World Tower, 16-18 Queen's Road Central, Central
	Causeway Bay Branch	G/F, Yee Wah Mansion, 38-40A Yee Wo Street, Causeway Bay
Kowloon:	Mongkok Branch	Shop B, G/F, 1/F & 2/F, 617-623 Nathan Road, Mongkok
	San Po Kong Branch	Shop A, G/F, Perfect Industrial Building, 31 Tai Yau Street, San Po Kong
New Territories:	Tseung Kwan O Branch	Shop G37-40, G/F, Hau Tak Shopping Centre East Wing, Hau Tak Estate, Tseung Kwan O
	Yuen Long Branch	140, Yuen Long Main Road, Yuen Long

(5) any of the following branches of Industrial and Commercial Bank of China (Asia) Limited:

	Branch	Address
Hong Kong Island:	Central Branch	1/F, 9 Queen's Road Central
Kowloon:	Tsimshatsui East Branch	Shop B, G/F, Railway Plaza, 39 Chatham Road South, Tsimshatsui
	Mongkok Branch	G/F, Belgian Bank Building, 721-725 Nathan Road, Mongkok
New Territories:	Tai Po Branch	Shop F, G/F, Mee Fat Building, No 34-38 Tai Wing Lane, Tai Po

(6) any of the following branches of China Construction Bank (Asia) Corporation Limited:

	Branch	Address
Hong Kong Island:	Central Branch	6 Des Voeux Road Central
	Causeway Bay Plaza Branch	G/F, Causeway Bay Plaza 1
Kowloon:	Jordan Branch	316 Nathan Road, Jordan

(7) any of the following branches of Bank of Communications Co., Ltd. Hong Kong Branch:

	Branch	Address
Hong Kong Island:	Hong Kong Branch	20 Pedder Street, Central
	Quarry Bay Sub-Branch	G/F., 981 C, King's Road, Quarry Bay
New Territories:	Tsuen Wan Sub-Branch	G/F., Shop G9B-11, Pacific Commercial Plaza, Bo Shek Mansion, 328 Sha Tsui Road, Tsuen Wan

(8) any of the following branches of Wing Lung Bank Limited:

	Branch	Address
Hong Kong Island:	Head Office	45 Des Voeux Road Central
Kowloon:	Sham Shui Po Branch	111 Tai Po Road
New Territories:	Sheung Shui Branch	128 San Fung Avenue

You can collect a **yellow** application form and a prospectus during normal business hours from 9:00 a.m. on Wednesday, June 30, 2010 until 12:00 noon on Tuesday, July 6, 2010 from the Depository Counter of HKSCC at 2nd Floor, Vicwood Plaza, 199 Des Voeux Road Central, Hong Kong.

Your stockbroker may also have Application Forms and this prospectus available.

HOW DO I COMPLETE THE APPLICATION FORM

- Obtain an Application Form as described in "Where can I collect a prospectus and application form," above.
- Complete the Application Form in English using blue or black ink, and sign it. There are detailed instructions on each Application Form. You should read these instructions carefully, If you do not follow the instructions, your application may be rejected and returned by ordinary post together with the accompanying check(s) or banker's cashier

order(s) to you (or the first named applicant in the case of joint applicants) at your own risk at the address stated in the Application Form.

- Your Application Form must be accompanied by payment, in the form of either one check or one banker's cashier order. You should read the detailed instructions set out on the Application Form carefully, as an application is liable to be rejected if the check or banker's cashier order does not meet the requirements set out on the Application Form.
- Lodge the Application Form in one of the collection boxes by the time and at one of the locations as described in "When May Applications Be Made," below.

In order for an application made on a **yellow** application form to be valid:

(a) **If the application is made through a designated CCASS Participant (other than a CCASS Investor Participant):**

the designated CCASS Participant must endorse the form with its company chop (bearing its company name) and insert its participant I.D. in the appropriate box in the Application Form.

(b) **If the application is made by an individual CCASS Investor Participant:**

(i) the Application Form must contain the CCASS Investor Participant's name and Hong Kong identity card number; and

(ii) the CCASS Investor Participant must insert its participant I.D. in the appropriate box in the Application Form.

(c) **If the application is made by a joint individual CCASS Investor Participant:**

(i) the Application Form must contain the names and Hong Kong identity card number of all joint CCASS Investor Participants; and

(ii) the CCASS Investor Participant's participant I.D. must be inserted in the appropriate box on the Application Form.

(d) **If the application is made by a corporate CCASS Investor Participant:**

(i) the Application Form must contain the CCASS Investor Participant's company name and Hong Kong Business Registration number; and

(ii) the CCASS Investor Participant's participant I.D. and company chop (bearing its company name) must be inserted in the appropriate box in the Application Form.

Incorrect or incomplete details of the CCASS Participant or the omission or inadequacy of participant I.D. and/or company chop bearing its company name or other similar matters may render the application invalid.

You should note that by completing and submitting the **white** application form, you, among other things,

- **instruct** and **authorize** the Company and/or the Joint Bookrunners (or their respective agents or nominees) to execute any transfer forms, contract notes or other documents on your behalf and to do on your behalf all other things necessary to effect registration of any Hong Kong Offer Shares allocated to you in your name(s) as required by the Articles of Association and otherwise to give effect to the arrangements described in the prospectus and this Application Form;

- **undertake** to sign all documents and to do all things necessary to enable you to be registered as the holder of the Hong Kong Offer Shares allocated to you, and as required by the Articles of Association;
- **confirm** that you have received a copy of the prospectus and have only relied on the information and representations contained in the prospectus in making your application, and will not rely on any other information and representations save as set out in any supplement to the prospectus;
- **agree** that the Company, the Joint Global Coordinators, the Joint Sponsors, the Joint Bookrunners, the Joint Lead Managers, the underwriters and any of their respective directors, officers, employees, agents or advisers and any other parties involved in the Global Offering are liable only for the information and representations contained in this prospectus, the Application Forms and any supplement to the prospectus;
- **agree** (without prejudice to any other rights which you may have) that once your application has been accepted, you may not rescind it because of an innocent misrepresentation and you may not revoke it other than as provided in the prospectus;
- (if the application is made for your own benefit) **warrant** that the application is the only application which will be made for your benefit on a **white** or **yellow** application form or by giving **electronic application instructions** to HKSCC via CCASS or to the **White Form eIPO** Service Provider via the **White Form eIPO** service;
- (if the application is made by an agent on your behalf) **warrant** that you have validly and irrevocably conferred on your agent all necessary power and authority to make this application;
- (if you are an agent for another person) **warrant** that this is the only application which will be or has been made for the benefit of that other person on a **white** or **yellow** application form or by giving **electronic application instructions** to HKSCC via CCASS, and that you are duly authorized to sign this Application Form as that other person's agent;
- **undertake** and **confirm** that you (if the application is made for your benefit) or the person(s) for whose benefit you have made the application have not applied for or taken up, or indicated an interest in, and will not apply for or take up or indicate any interest in any Offer Shares under the International Offering, nor otherwise have participated or will participate in the International Offering;
- **warrant** the truth and accuracy of the information contained in your application;
- **agree** to disclose to the Company, the H share registrar, the receiving bankers, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers and their respective advisers and agents any personal data or other information which they require about you or the person(s) for whose benefit you have made this application;
- **agree** that your application, any acceptance of it and the resulting contract will be governed by and construed in accordance with the laws of Hong Kong;
- **undertake** and **agree** to accept the Hong Kong Offer Shares applied for, or any lesser number allocated to you under this application;
- **authorize** the Company to place your name(s) on the register of members of the Company as the holder(s) of any Hong Kong Offer Shares allocated to you, and the Company and/or

its agents to send any H share certificate(s) and/or any refund check(s) (where applicable) to you or (in case of joint applicants) the first-named applicant in the Application Form by ordinary post at your own risk to the address stated on your Application Form (except that if you have applied for 1,000,000 Hong Kong Offer Shares or more and have indicated in your Application Form that you will collect your H share certificate(s) and refund check(s) (where applicable) in person, you can collect your H share certificate(s) and/or refund check(s) (where applicable) in person between Thursday, July 15, 2010 (for H share certificates) or Thursday, July 15, 2010 (for refund checks) or such other date as notified by our company in the newspapers as the date of dispatch/collection of H share certificates/refund checks from Computershare Hong Kong Investor Services Limited);

- **understand** that these declarations and representations will be relied upon by the Company and the Joint Bookrunners in deciding whether or not to allocate any Hong Kong Offer Shares in response to your application and that you may be prosecuted for making a false declaration;
- if the laws of any place outside Hong Kong are applicable to your application, you **agree** and **warrant** that you have complied with all such laws and none of the Company, the Joint Global Coordinators, the Joint Sponsors, the Joint Bookrunners, the Joint Lead Managers, the underwriters and the other parties involved in the Global Offering nor any of their respective officers or advisers will infringe any laws outside Hong Kong as a result of the acceptance of your offer to purchase, or any actions arising from your rights and obligations under the terms and conditions contained in the prospectus;
- **agree** with the Company, for itself and for the benefit of each shareholder of the Company, and so that the Company will be deemed by its acceptance in whole or in part of the application, including applications made by HKSCC Nominees, to have agreed for itself and on behalf of each shareholder of the Company, to observe and comply with the PRC Company Law, the Special Regulations, and the Articles of Association;
- **agree** with the Company, each shareholder, director, supervisor, manager and officer of the Company, and the Company (acting for itself and for each director, supervisor, manager and officer) agrees with each shareholder of the Company, to refer all differences and claims arising from the Articles of Association or any rights or obligations conferred or imposed by the PRC Company Law or other relevant laws and administrative regulations concerning its affairs to arbitration in accordance with the Articles of Association, and any reference to arbitration shall be deemed to authorize the arbitration tribunal to conduct hearings in open session and to publish its award, which arbitration shall be final and conclusive;
- **agree** with the Company and each shareholder of the Company that H shares in the Company are freely transferable by the holders thereof; and
- **authorize** the Company to enter into a contract on behalf of you with each of the directors, supervisors and officers of the Company whereby such directors, supervisors and officers undertake to observe and comply with his obligations to shareholders as stipulated in the Articles of Association.

HOW TO APPLY THROUGH WHITE FORM eIPO

General

If you are an individual and meet the criteria set out in paragraph above entitled "Who can apply for the Hong Kong Offer Shares" under this section, you may apply through **White Form eIPO** by submitting an application through the designated website at **www.eipo.com.hk**. If you apply through **White Form eIPO** service, the H shares will be issued in your own name.

Detailed instructions for application through the **White Form eIPO** service are set out on the designated website at **www.eipo.com.hk**. You should read these instructions carefully. If you do not follow the instructions, your application may be rejected by the designated **White Form eIPO** Service Provider and may not be submitted to our Company.

If you give **electronic application instructions** through the designated website at **www.eipo.com.hk**, you will have authorized the designated **White Form eIPO** Service Provider to apply on the terms and conditions set out in this prospectus, as supplemented and amended by the terms and conditions applicable to the **White Form eIPO** service.

In addition to the terms and conditions set out in this prospectus, the designated **White Form eIPO** Service Provider may impose additional terms and conditions upon you for the use of the **White Form eIPO** service. Such terms and conditions are set out on the designated website at **www.eipo.com.hk**. You will be required to read, understand and agree to such terms and conditions in full prior to making any application.

By submitting an application to the designated **White Form eIPO** Service Provider through the **White Form eIPO** service, you are deemed to have authorized the designated **White Form eIPO** Service Provider to transfer the details of your application to our Company and our H share registrar.

You may submit an application through the **White Form eIPO** service in respect of a minimum of 1,000 Hong Kong Offer Shares. Each **electronic application instruction** in respect of more than 1,000 Hong Kong Offer Shares must be in one of the numbers set out in the table in the Application Forms, or as otherwise specified on the designated website at **www.eipo.com.hk**.

You may submit your application to the designated **White Form eIPO** Service Provider through the designated website at **www.eipo.com.hk** from 9:00 a.m. on Wednesday, June 30, 2010 until 11:30 a.m. on Tuesday, July 6, 2010 or such later time as described under the paragraph headed "Effects of Bad Weather on the Opening of the Applications Lists" under this section below (24 hours daily, except on the last application day). The latest time for completing full payment of application monies in respect of such applications will be 12:00 noon on Tuesday, July 6, 2010, the last application day, or, if the application lists are not open on that day, then by the time and date stated in "Effects of Bad Weather on the Opening of the Applications Lists" under this section below.

You will not be permitted to submit your application to the designated **White Form eIPO** Service Provider through the designated website at **www.eipo.com.hk** after 11:30 a.m. on the last day for submitting applications. If you have already submitted your application and obtained an application reference number from the website prior to 11:30 a.m., you will be permitted to continue the application process (by completing payment of application monies) until 12:00 noon on the last day for submitting applications, when the application lists close. If you do not make complete payment of the application monies (including any related fees) on or before 12:00 noon on Tuesday, July 6, 2010, or

such later time as described under the paragraph headed "Effect of Bad Weather on the Opening of the Application Lists" under this section, the designated **White Form eIPO** Service Provider will reject your application and your application monies will be returned to you in the manner described in the designated website at **www.eipo.com.hk**.

Warning: The application for Hong Kong Offer Shares through the **White Form eIPO** service is only a facility provided by the designated **White Form eIPO** Service Provider to public investors. Our Company, our directors, the Joint Bookrunners, the Joint Sponsors, the Joint Lead Managers and the underwriters take no responsibility for such applications, and provide no assurance that applications through the **White Form eIPO** service will be submitted to our Company or that you will be allotted any Hong Kong Offer Shares.

Please note that Internet services may have capacity limitations and/or be subject to service interruptions from time to time. To ensure that you can submit your application through the **White Form eIPO** service, you are advised not to wait until the last day for submitting applications in the Hong Kong Public Offering to submit your **electronic application instructions**. In the event that you have problems connecting to the designated website for the **White Form eIPO** service, you should submit a **white** application form. However, once you have submitted **electronic application instructions** and completed payment in full using the application reference number provided to you on the designated website, you will be deemed to have made an actual application and should not submit a **white** application form. See the paragraph entitled "How Many Applications You may Make by means of White Form eIPO" under this section.

Additional Information

For the purposes of allocating Hong Kong Offer Shares, each applicant giving **electronic application instructions** through **White Form eIPO** service to the **White Form eIPO** Service Provider through the designated website at **www.eipo.com.hk** will be treated as an applicant.

If your payment of application monies is insufficient, or in excess of the required amount, having regard to the number of Offer Shares for which you have applied, or if your application is otherwise rejected by the designated **White Form eIPO** Service Provider, the designated **White Form eIPO** service provider may adopt alternative arrangements for the refund of monies to you. Please refer to the additional information provided by the designated **White Form eIPO** Service Provider on the designated website at **www.eipo.com.hk**.

Otherwise, any monies payable to you due to a refund for any of the reasons set out below in the paragraph entitled "Refund of Application Monies."

How Many Applications You may Make by means of White Form eIPO

If you apply by means of **White Form eIPO**, once you complete payment in respect of any electronic application instruction given by you or for your benefit to the designated **White Form eIPO** Service Provider to make an application for Hong Kong Offer Shares, an actual application shall be deemed to have been made. For the avoidance of doubt, giving an electronic application instruction under **White Form eIPO** more than once and obtaining different application reference numbers without effecting full payment in respect of a particular reference number will not constitute an actual application.

If you are suspected of submitting more than one application through the **White Form eIPO** service by giving **electronic application instructions** through the designated website at **www.eipo.com.hk** and completing payment in respect of such **electronic application instructions**, or of submitting one application through the **White Form eIPO** service and one or more applications by any other means, all of your applications are liable to be rejected.

APPLYING BY GIVING ELECTRONIC APPLICATION INSTRUCTIONS TO HKSCC VIA CCASS

General

CCASS Participants may give **electronic application instructions** to HKSCC to apply for the Hong Kong Offer Shares and to arrange payment of the monies due on application and payment of refunds. This will be in accordance with their participant agreements with HKSCC and the General Rules of CCASS and the CCASS Operational Procedures.

If you are a CCASS Investor Participant, you may give **electronic application instructions** through the CCASS Phone System by calling 2979 7888 or through the CCASS Internet System (https://ip.ccass.com) (using the procedures contained in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time).

HKSCC can also input **electronic application instructions** for you if you go to:

Hong Kong Securities Clearing Company Limited
Customer Service Center
2/F Vicwood Plaza
199 Des Voeux Road Central
Hong Kong

and complete an input request form.

Prospectuses are available for collection from the above address.

If you are not a CCASS Investor Participant, you may instruct your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** via CCASS terminals to apply for the Hong Kong Offer Shares on your behalf.

You are deemed to have authorized HKSCC and/or HKSCC Nominees to transfer the details of your application, whether submitted by you or through your broker or custodian, to our Company and our H share registrar.

Giving Electronic Application Instructions to HKSCC to Apply for Hong Kong Offer Shares by HKSCC Nominees On Your Behalf

Where a **white** application form is signed by HKSCC Nominees on behalf of persons who have given **electronic application instructions** to apply for the Hong Kong Offer Shares:

(a) HKSCC Nominees is only acting as a nominee for those persons and shall not be liable for any breach of the terms and conditions of the **white** application form or this prospectus;

(b) HKSCC Nominees does the following things on behalf of each such person:

- **instruct** and **authorize** the Company and/or the Joint Bookrunners (or their respective agents or nominees) to execute any transfer forms, contract notes or other documents on your behalf and to do on your behalf all other things necessary to effect registration of any Hong Kong Offer Shares allocated to you in the name of HKSCC Nominees as required by the Articles of Association and otherwise to give effect to the arrangements described in the Prospectus and this Application Form;
- **undertake** to sign all documents and to do all things necessary to enable HKSCC Nominees to be registered as the holder of the Hong Kong Offer Shares allocated to you, and as required by the Articles of Association;
- **confirm** that you have received a copy of the prospectus and have only relied on the information and representations contained in the prospectus in making your application, and will not rely on any other information and representations save as set out in any supplement to the prospectus;
- **agree** that the Company, the Joint Global Coordinators, the Joint Sponsors, the Joint Bookrunners, the Joint Lead Managers, the underwriters and any of their respective directors, officers, employees, agents or advisers and any other parties involved in the Global Offering are liable only for the information and representations contained in the prospectus, the Application Forms and any supplement to the prospectus;
- **agree** (without prejudice to any other rights which you may have) that once your application has been accepted, you may not rescind it because of an innocent misrepresentation and you may not revoke it other than as provided in the prospectus;
- (if the application is made for your own benefit) **warrant** that the application is the only application which will be made for your benefit on a **white** or **yellow** application form or by giving **electronic application instructions** to HKSCC via CCASS or to the **White Form eIPO** Service Provider via the **White Form eIPO** service;
- (if the application is made by an agent on your behalf) **warrant** that you have validly and irrevocably conferred on your agent all necessary power and authority to make this application;
- (if you are an agent for another person) **warrant** that this is the only application which will be or has been made for the benefit of that other person on a **white** or **yellow** application form or by giving **electronic application instructions** to HKSCC via CCASS, and that you are duly authorized to sign this Application Form as that other person's agent;
- **undertake** and **confirm** that you (if the application is made for your benefit) or the person(s) for whose benefit you have made the application have not applied for or taken up, or indicated an interest in, and will not apply for or take up or indicate any interest in any Offer Shares under the International Offering, nor otherwise have participated or will participate in the International Offering;
- **warrant** the truth and accuracy of the information contained in your application;
- **agree** to disclose to the Company, the H share registrar, the receiving bankers, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers and their

respective advisers and agents any personal data or other information which they require about you or the person(s) for whose benefit you have made this application;

- **agree** that your application, any acceptance of it and the resulting contract will be governed by and construed in accordance with the laws of Hong Kong;
- **undertake** and **agree** to accept the Hong Kong Offer Shares applied for, or any lesser number allocated to you under this application;
- **authorize** the Company to place the name of HKSCC Nominees on the register of members of the Company as the holder of any Hong Kong Offer Shares allocated to you, and the Company and/or its agents to deposit any H share certificate(s) directly into CCASS and to send any refund check(s) (where applicable) to you or (in case of joint applicants) the first-named applicant in the Application Form by ordinary post at your own risk to the address stated on your Application Form (except that if you have applied for 1,000,000 Hong Kong Offer Shares or more and have indicated in your Application Form that you will collect your refund check(s) (where applicable) in person, you can collect your refund check(s) (where applicable) in person between 9:00 a.m. and 1:00 p.m. on Thursday, 15 July 2010 from Computershare Hong Kong Investor Services Limited);
- **understand** that these declarations and representations will be relied upon by the Company and the Joint Bookrunners in deciding whether or not to allocate any Hong Kong Offer Shares in response to your application and that you may be prosecuted for making a false declaration;
- if the laws of any place outside Hong Kong are applicable to your application, you **agree** and **warrant** that you have complied with all such laws and none of the Company, the Joint Global Coordinators, the Joint Sponsors, the Joint Bookrunners, the Joint Lead Managers, the underwriters and the other parties involved in the Global Offering nor any of their respective officers or advisers will infringe any laws outside Hong Kong as a result of the acceptance of your offer to purchase, or any actions arising from your rights and obligations under the terms and conditions contained in the prospectus;
- **agree** with the Company, for itself and for the benefit of each shareholder of the Company, and so that the Company will be deemed by its acceptance in whole or in part of the application, including applications made by HKSCC Nominees, to have agreed for itself and on behalf of each shareholder of the Company, to observe and comply with the PRC Company Law, the Special Regulations, and the Articles of Association;
- **agree** with the Company, each shareholder, director, supervisor, manager and officer of the Company, and the Company (acting for itself and for each director, supervisor, manager and officer) agrees with each shareholder of the Company, to refer all differences and claims arising from the Articles of Association or any rights or obligations conferred or imposed by the PRC Company Law or other relevant laws and administrative regulations concerning its affairs to arbitration in accordance with the Articles of Association, and any reference to arbitration shall be deemed to authorize the arbitration tribunal to conduct hearings in open session and to publish its award, which arbitration shall be final and conclusive;

- **agree** with the Company and each shareholder of the Company that H shares in the Company are freely transferable by the holders thereof;
- **authorize** the Company to enter into a contract on behalf of you with each of the directors, supervisors and officers of the Company whereby such directors, supervisors and officers undertake to observe and comply with his obligations to shareholders as stipulated in the Articles of Association;
- **agree** that any Hong Kong Offer Shares allocated to you shall be registered in the name of HKSCC Nominees and deposited directly into CCASS operated by HKSCC for credit to your CCASS Investor Participant stock account or the stock account of your designated CCASS Participant, in accordance with your election on this Application Form;
- **agree** that each of HKSCC and HKSCC Nominees reserves the right at its absolute discretion (i) not to accept any or part of the Hong Kong Offer Shares allocated to you in the name of HKSCC Nominees or not to accept such Hong Kong Offer Shares for deposit into CCASS; (ii) to cause such Hong Kong Offer Shares to be withdrawn from CCASS and transferred into your name (or, if you are joint applicants, to the name of the first-named applicant) at your own risk and costs; (iii) to cause such allotted Hong Kong Offer Shares to be issued in your name (or, if you are a joint applicant, in the name of the first-named applicant) and in such a case, to post the certificates for such allotted Hong Kong Offer Shares at your own risk to the address on the Application Form by ordinary post or to make available the same for your collection;
- **agree** that each of HKSCC and HKSCC Nominees may adjust the number of Hong Kong Offer Shares allotted to you and issued in the name of HKSCC Nominees;
- **agree** that neither HKSCC nor HKSCC Nominees shall have any liability for the information and representations not so contained in the prospectus and this Application Form; and
- **agree** that neither HKSCC nor HKSCC Nominees shall be liable to you in any way.

Effect of Giving Electronic Application Instructions to HKSCC via CCASS

By giving **electronic application instructions** to HKSCC or instructing your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give such instructions to HKSCC, you (and, if you are joint applicants, each of you jointly and severally) are deemed to have done the following things. Neither HKSCC nor HKSCC Nominees shall be liable to our Company or any other person in respect of the things mentioned below:

I. instructed and authorized HKSCC to cause HKSCC Nominees (acting as nominee for the relevant CCASS Participants) to apply for the Hong Kong Offer Shares on your behalf;

II. instructed and authorized HKSCC to arrange payment of the maximum offer price, brokerage, SFC transaction levy and the Hong Kong Stock Exchange trading fee by debiting your designated bank account and, in the case of a wholly or partially unsuccessful application and/or if the Offer Price is less than the offer price per H share initially paid on application, refund of the application monies, in each case including brokerage, SFC transaction levy and the Hong Kong Stock Exchange trading fee, by crediting your designated bank account; and

III. instructed and authorized HKSCC to cause HKSCC Nominees to do on your behalf all the things which it is stated to do on your behalf in the **white** application form.

Multiple Applications

If you are suspected of having made multiple applications or if more than one application is made for your benefit, the number of Hong Kong Offer Shares applied for by HKSCC Nominees will be automatically reduced by the number of Hong Kong Offer Shares in respect of which you have given such instructions and/or in respect of which such instructions have been given for your benefit. Any **electronic application instructions** to make an application for the Hong Kong Offer Shares given by you or for your benefit to HKSCC shall be deemed to be an actual application for the purposes of considering whether multiple applications have been made.

Minimum Subscription Amount and Permitted Numbers

You may give or cause your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** in respect of a minimum of 1,000 Hong Kong Offer Shares. Such instructions in respect of more than 1,000 Hong Kong Offer Shares must be in one of the numbers set out in the table in the **white** and **yellow** application forms. No application for any other number of Hong Kong Offer Shares will be considered and any such application is liable to be rejected.

Time for Inputting Electronic Application Instructions

Those who are not CCASS Investor Participants can instruct their brokers or custodians who are CCASS Clearing Participants or CCASS Custodian Participants to give electronic applications to HKSCC via CCASS terminals to apply for Hong Kong Offer Shares on their behalf.

CCASS Clearing/Custodian Participants can input **electronic application instructions** at the following times on the following dates:

- Wednesday, June 30, 2010—9:00 a.m. to 8:30 p.m.(1)
- Friday, July 2, 2010—8:00 a.m. to 8:30 p.m.(1)
- Saturday, July 3, 2010—8:00 a.m. to 1:00 p.m.(1)
- Monday, July 5, 2010—8:00 a.m. to 8:30 p.m.(1)
- Tuesday, July 6, 2010—8:00 a.m.(1) to 12:00 noon

(1) These times are subject to change as HKSCC may determine from time to time with prior notification to CCASS Clearing/Custodian Participants.

CCASS Investor Participants can input **electronic application instructions** from 9:00 a.m. on Wednesday, June 30, 2010 until 12:00 noon on Tuesday, July 6, 2010 (24 hours daily, except the last application day).

Effect of Bad Weather on the Opening of the Application Lists

The latest time for inputting your **electronic application instructions** will be 12:00 noon on Tuesday, July 6, 2010, the last application day. If:

- a tropical cyclone warning signal number 8 or above; or

- a "black" rainstorm warning signal

is in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Tuesday, July 6, 2010, the last application day will be postponed to the next business day which does not have either of those warning signals in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on such day.

If the application lists of the Hong Kong Public Offering do not open and close on Tuesday, July 6, 2010 or if there is a tropical cyclone warning signal number 8 or above or a "black" rainstorm warning signal in force in Hong Kong on the other dates mentioned in "Expected Timetable," such dates mentioned in "Expected Timetable" may be affected. A press announcement will be made in such event.

Section 40 of the Companies Ordinance

For the avoidance of doubt, our Company and all other parties involved in the preparation of this prospectus acknowledge that each CCASS Participant who gives or causes to give electronic application instructions is a person who may be entitled to compensation under Section 40 of the Companies Ordinance (as applied by Section 342E of the Companies Ordinance).

Personal Data

The section of the Application Form entitled "Personal Data" applies to any personal data held by our Company and the H share registrar about you in the same way as it applies to personal data about applicants other than HKSCC Nominees.

Warning

The subscription of the Hong Kong Offer Shares by giving **electronic application instructions** to HKSCC is only a facility provided to CCASS Participants. Our Company, our directors, the Joint Global Coordinators and the Hong Kong underwriters take no responsibility for the application and provide no assurance that any CCASS Participant will be allotted any Hong Kong Offer Shares.

To ensure that CCASS Investor Participants can give their **electronic application instructions** to HKSCC through the CCASS Phone System or the CCASS Internet System, CCASS Investor Participants are advised not to wait until the last minute to input their **electronic application instructions** to the systems. In the event that CCASS Investor Participants have problems connecting to the CCASS Phone System or the CCASS Internet System to submit their **electronic application instructions**, they should either: (i) submit a **white** or **yellow** Application Form; or (ii) go to HKSCC's Customer Service Center to complete an input request form for **electronic application instructions** before 12:00 noon on Tuesday, July 6, 2010 or such other time as described in—"Effect of Bad Weather on the Opening of the Application Lists" above.

HOW MANY APPLICATIONS YOU MAY MAKE

You may make more than one application for the Hong Kong Offer Shares if and only if:

You are a **nominee**, in which case you may give **electronic application instructions** to HKSCC (if you are a CCASS Participant) and lodge more than one **white** and **yellow** Application

Form in your own name if each application is made on behalf of different beneficial owners. In the box on the Application Form marked "For nominees" you must include:

- an account number; or
- some other identification code,

for each beneficial owner or, in the case of joint beneficial owners, for each such beneficial owner. If you do not include this information, the application will be treated as being made for your benefit.

Otherwise, multiple applications are not allowed.

It will be a term and condition of all applications that by completing and delivering an Application Form or submitting an electronic application instruction you:

- (if the application is made for your own benefit) warrant that this is the only application which has been or will be made for your benefit on a **white** or **yellow** Application Form or by giving **electronic application instructions** to HKSCC or to the designated **White Form eIPO** Service Provider through **White Form eIPO** service (**www.eipo.com.hk**); or
- (if you are an agent for another person) warrant that reasonable enquiries have been made of that other person that this is the only application which has been or will be made for the benefit of that other person on a **white** or **yellow** application form or by giving **electronic application instructions** to HKSCC or to the designated **White Form eIPO** Service Provider through **White Form eIPO** service (**www.eipo.com.hk**) and that you are duly authorized to sign the Application Form as that other person's agent.

Except where you are a nominee and provide the information required to be provided in your application, all of your applications will be rejected as multiple applications if you, or you and your joint applicant(s) together:

- make more than one application (whether individually or jointly) on a **white** or **yellow** Application Form or by giving **electronic application instructions** to HKSCC via CCASS or to the designated **White Form eIPO** Service Provider through **White Form eIPO** service (**www.eipo.com.hk**); or
- apply both (whether individually or jointly) on one **white** Application Form and one **yellow** application form or on one **white** or **yellow** application form and give **electronic application instructions** to HKSCC or to the designated **White Form eIPO** Service Provider through **White Form eIPO** service (**www.eipo.com.hk**); or
- apply (whether individually or jointly) on one **white** or **yellow** application form or by giving **electronic application instructions** to HKSCC via CCASS or to the designated **White Form eIPO** Service Provider through **White Form eIPO** service (**www.eipo.com.hk**) for more than 635,295,000 H shares, being 50% of the H shares initially being offered for public subscription under the Hong Kong Public Offering, as more particularly described in the section entitled "Structure of the Global Offering—The Hong Kong Public Offering"; or
- have applied for or taken up, or indicated an interest for, or have been or will be placed or allocated (including conditionally and/or provisionally) Offer Shares under the International Offering.

All of your applications will also be rejected as multiple applications if more than one application on a **white** or **yellow** application form or by giving **electronic application instructions** to HKSCC or to the designated **White Form eIPO** Service Provider through **White Form eIPO** service (**www.eipo.com.hk**) is made for your benefit (including the part of the application made by HKSCC Nominees acting on **electronic application instructions**). If an application is made by an unlisted company and:

- the principal business of that company is dealing in securities; and
- you exercise statutory control over that company,

then the application will be treated as being made for your benefit.

Unlisted company means a company with no equity securities listed on the Hong Kong Stock Exchange.

Statutory control means you:

- control the composition of the board of directors of a company; or
- control more than half of the voting power of a company; or
- hold more than half of the issued share capital of the company (not counting any part of it which carries no right to participate beyond a specified amount in a distribution of either profits or capital).

HOW MUCH ARE THE HONG KONG OFFER SHARES

The maximum offer price is HK$3.48 per Hong Kong Offer Share. You must also pay brokerage of 1%, SFC transaction levy of 0.004% and the Hong Kong Stock Exchange trading fee of 0.005% in full. This means that for one board lot of 1,000 Hong Kong Offer Shares you will pay HK$3,515.11. The **white** and **yellow** Application Forms have tables showing the exact amount payable for numbers of Hong Kong Offer Shares up to 635,295,000 H shares.

You must pay the maximum Offer Price, brokerage, SFC transaction levy and the Stock Exchange trading fee in full upon application for H shares by a check or a banker's cashier order in accordance with the terms set out in the Application Forms (if you apply by an Application Form).

If your application is successful, brokerage is paid to participants of the Hong Kong Stock Exchange, the SFC transaction levy and the Hong Kong Stock Exchange trading fee are paid to the Hong Kong Stock Exchange (in the case of the SFC transaction levy, collected by the Hong Kong Stock Exchange on behalf of the SFC).

REFUND OF APPLICATION MONIES

If you do not receive any Hong Kong Offer Shares for any reason, we will refund your application monies, including brokerage of 1%, SFC transaction levy of 0.004% and the Hong Kong Stock Exchange trading fee of 0.005%. No interest will be paid thereon. All interest accrued on such monies prior to the date of dispatch of refund checks will be retained for our benefit.

If your application is accepted only in part, we will refund the appropriate portion of your application monies, including the related brokerage of 1%, SFC transaction levy of 0.004% and the Hong Kong Stock Exchange trading fee of 0.005%, without interest.

If the Offer Price as finally determined is less than HK$3.48 per Hong Kong Offer Share, the Company will refund to you the surplus application monies together with the related brokerage of 1%, SFC transaction levy of 0.004% and the Hong Kong Stock Exchange trading fee of 0.005% attributable to the surplus application monies, without interest. Details of the procedure for refund are set out below in the paragraph headed "Dispatch/Collection of Share Certificates and Refund Monies."

In a contingency situation involving a substantial over-subscription, at the discretion of our Company and the Joint Global Coordinators, checks for applications for certain small denominations of Hong Kong Offer Shares (apart from successful applications) may not be cleared.

Refund of your application monies (if any) will be made on Thursday, July 15, 2010 in accordance with the various arrangements as described in this section.

WHEN MAY APPLICATIONS BE MADE

Completed **white** or **yellow** application forms, together with a check attached for the payment, must be lodged by 12:00 noon on Tuesday, July 6, 2010, or, if the application lists are not open on that day, then by the time and date stated in the paragraph headed "Effect of Bad Weather on the Opening of the Application Lists" below.

Your completed Application Form, together with a check attached for the payment, should be deposited in the special collection boxes provided at any of the branches of the receiving banks listed under "Where Can I Collect A Prospectus And Application Form" above at the following times:

- Wednesday, June 30, 2010—9:00 a.m. to 4:30 p.m.
- Friday, July 2, 2010—9:00 a.m. to 4:30 p.m.
- Saturday, July 3, 2010—9:00 a.m. to 1:00 p.m.
- Monday, July 5, 2010—9:00 a.m. to 4:30 p.m.
- Tuesday, July 6, 2010—9:00 a.m. to 12:00 noon

The application lists will be open from 11:45 a.m. to 12:00 noon on Tuesday, July 6, 2010.

No proceedings will be taken on applications for the H shares and no allotment of any such H shares will be made until the closing of the application lists. No allotment of any of the H shares will be made later than Friday, July 30, 2010.

EFFECT OF BAD WEATHER ON THE OPENING OF THE APPLICATION LISTS

The application lists will not open if there is:

- a tropical cyclone warning signal number 8 or above; or
- a "black" rainstorm warning

in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Tuesday, July 6, 2010. Instead they will open between 11:45 a.m. and 12:00 noon on the next business day which does not have either of those warnings in Hong Kong in force at any time between 9:00 a.m. and 12:00 noon.

If the application lists of the Hong Kong Public Offering do not open and close on Tuesday, July 6, 2010 or if there is a tropical cyclone warning signal number 8 or above or a "black" rainstorm warning signal in force in Hong Kong on the other dates mentioned in "Expected Timetable," such dates mentioned in "Expected Timetable" may be affected. A press announcement will be made in such event.

PUBLICATION OF RESULTS

We expect to announce the indication of the level of interest in the International Offering, the level of applications under the Hong Kong Public Offering and the basis of allocation of the Hong Kong Offer Shares on Thursday, July 15, 2010 in the South China Morning Post (in English), the Hong Kong Economic Times (in Chinese) on our Company's website at **www.abchina.com** and the website of the Hong Kong Stock Exchange at **www.hkexnews.hk**.

The results of allocations and the Hong Kong identity card/passport/Hong Kong business registration numbers of successful applicants (where applicable) under the Hong Kong Public Offering will be made available at the times and date and in the manner specified below:

- Results of allocations for the Hong Kong Public Offering can be found in our announcement to be posted on our Company's website at **www.abchina.com** and the website of the Hong Kong Stock Exchange at **www.hkexnews.hk** by no later than 9:00 a.m. on Thursday, July 15, 2010.
- Results of allocations for the Hong Kong Public Offering will be available from our designated results of allocations website at **www.iporesults.com.hk** on a 24-hour basis from 8:00 a.m. on Thursday, July 15, 2010 to 12:00 midnight on Wednesday, July 21, 2010. Search by ID function will be available on our Hong Kong Public Offering results of allocations website at **www.iporesults.com.hk**, or via a hyperlink from our website at **www.abchina.com** to our Hong Kong Public Offering results of allocations website at **www.iporesults.com.hk**. The user will be required to key in the Hong Kong identity card/passport/Hong Kong business registration number provided in his/her/its application to search for his/her/its own allocation result;
- Results of allocations will be available from our Hong Kong Public Offering allocation results telephone enquiry line. Applicants may find out whether or not their applications have been successful and the number of Hong Kong Offer Shares allocated to them, if any, by calling 2862 8669 between 9:00 a.m. and 10:00 p.m. from Thursday, July 15, 2010 to Sunday, July 18, 2010;
- Special allocation results booklets setting out the results of allocations will be available for inspection during opening hours of individual branches and sub-branches from Thursday, July 15, 2010 to Saturday, July 17, 2010 at all the receiving bank branches and sub-branches at the addresses set out in "Where to Collect the Application Forms."

CIRCUMSTANCES IN WHICH YOU WILL NOT BE ALLOTTED HONG KONG OFFER SHARES

Full details of the circumstances in which you will not be allotted the Hong Kong Offer Shares are set out in the notes attached to the relevant Application Forms (whether you are making your application by an Application Form or electronically instructing HKSCC to cause HKSCC Nominees to apply on your behalf or to the designated **White Form eIPO** Service Provider via **White Form eIPO** services), and you should read them carefully. You should note in particular the following situations in which the Hong Kong Offer Shares will not be allotted to you:

(a) If your application is revoked:

By completing and submitting an Application Form or giving **electronic application instructions** to HKSCC, you agree that your application or the application made by HKSCC Nominees on your behalf cannot be revoked on or before Friday, July 30, 2010. This agreement will take effect as a collateral contract with the Company, and will become binding when you lodge your Application Form or give your **electronic application instruction** to HKSCC and an application has been made by HKSCC Nominees on your behalf accordingly. This collateral contract will be in consideration of the Company agreeing that it will not offer any Hong Kong Offer Shares to any person on or before Tuesday, July 6, 2010 except by means of one of the procedures referred to in this prospectus.

Your application or the application made by HKSCC Nominees on your behalf may only be revoked on or before Friday, July 30, 2010 if a person responsible for this prospectus under section 40 of the Hong Kong Companies Ordinance (as applied by section 342E of the Hong Kong Companies Ordinance) gives a public notice under that section which excludes or limits the responsibility of that person for this prospectus.

If any supplement to this prospectus is issued, applicant(s) who have already submitted an application may or may not (depending on the information contained in the supplement) be notified that they can withdraw their applications. If applicant(s) have not been so notified, or if applicant(s) have been notified but have not withdrawn their applications in accordance with the procedure to be notified, all applications that have been submitted remain valid and may be accepted. Subject to the above, an application once made is irrevocable and applicants shall be deemed to have applied on the basis of this prospectus as supplemented.

If your application or the application made by HKSCC Nominees on your behalf has been accepted, it cannot be revoked or withdrawn. For this purpose, acceptance of applications which are not rejected will be constituted by notification in the announcement of the results of allocation, and where such basis of allocation is subject to certain conditions or provides for allocation by ballot, such acceptance will be subject to the satisfaction of such conditions or results of such ballot respectively.

(b) **Full discretion of our Company or our agents to reject or accept your application:**

Our Company and the Joint Bookrunners (as our agent), the **White Form eIPO** Service Provider, or our respective agents and nominees, have full discretion to reject or accept any application, or to accept only part of any application.

Our Company, the Joint Bookrunners and the Hong Kong underwriter(s), in their capacity as our agents, the **White Form eIPO** Service Provider, and our agents and nominees do not have to give any reason for any rejection or acceptance.

(c) **If the allotment of Hong Kong Offer Shares is void:**

The allotment of Hong Kong Offer Shares to you or to HKSCC Nominees (if you give **electronic application instructions** or apply by a **yellow** application form) will be void if the Listing Committee of the Hong Kong Stock Exchange does not grant permission to list the Hong Kong Offer Shares either:

- within three weeks from the closing date of the application lists; or
- within a longer period of up to six weeks if the Listing Committee of the Hong Kong Stock Exchange notifies our Company of that longer period within three weeks of the closing date of the application lists.

(d) **You will not receive any allotment if:**

- you make multiple applications or suspected multiple applications;
- you or the person for whose benefit you are applying have applied for or taken up, or indicated an interest for, or have been or will be placed or allocated (including conditionally and/or provisionally) International Offer Shares in the International Offering. By filling in any of the **white** or **yellow** application forms or applying by giving **electronic application instructions** to HKSCC or to the designated **White Form eIPO** Service Provider through **White Form eIPO** service (**www.eipo.com.hk**), you agree not to apply for Hong Kong Offer Shares as well as International Offer Shares in the International Offering. Reasonable steps will be taken to identify and reject applications in the Hong Kong Public Offering from investors who have received International Offer Shares in the International Offering, and to identify and reject indications of interest in the International Offering from investors who have received Hong Kong Offer Shares in the Hong Kong Public Offering;
- your Application Form is not completed in accordance with the instructions as stated in the Application Form (if you apply by an Application Form);
- your payment is not made correctly or you pay by check or banker's cashier order and the check or banker's cashier order is dishonored upon its first presentation;
- the Hong Kong underwriting agreement and the international purchase agreement do not become unconditional;
- the Hong Kong underwriting agreement and the international purchase agreement are terminated in accordance with their respective terms;
- the Company or the Joint Global Coordinators believe that by accepting your application, it would violate the applicable securities or other laws, rules or regulations; or
- your application is for more than 50% of the Hong Kong Offer Shares initially offered for public subscription under the Hong Kong Public Offering.

DISPATCH/COLLECTION OF SHARE CERTIFICATES AND REFUND MONIES

If an application is rejected, not accepted or accepted in part only, or if the Offer Price as finally determined is less than the Offer Price of HK$3.48 per Hong Kong Public Offering (excluding brokerage, SFC transaction levy and the Hong Kong Stock Exchange trading fee thereon) initially paid on application, or if the conditions of the Hong Kong Public Offering are not fulfilled in accordance with "Structure of the Global Offering—Conditions of the Hong Kong Public Offering" or if any application is revoked or any allotment pursuant thereto has become void, the application monies, or the appropriate portion thereof, together with the related brokerage, SFC transaction levy and the Hong Kong Stock Exchange trading fee, will be refunded, without interest. It is intended that special efforts will be made to avoid any undue delay in refunding application monies where appropriate.

You will receive one share certificate for all the Hong Kong Offer Shares issued to you under the Hong Kong Public Offering (except pursuant to applications made on **yellow** Application Forms or by **electronic application instructions** to HKSCC via CCASS where the share certificates will be deposited into CCASS as described below).

No temporary document of title will be issued in respect of the H shares. No receipt will be issued for sums paid on application but, subject to personal collection as mentioned below, in due course there will be sent to you (or, in the case of joint applicants, to the first-named applicant) by ordinary post, at your own risk, to the address specified on the Application Form:

(a) for applications on **white** Application Forms:

  (i) share certificate(s) for all the Hong Kong Offer Shares applied for, if the application is wholly successful; or

  (ii) share certificate(s) for the number of Hong Kong Offer Shares successfully applied for, if the application is partially successful (for wholly successful and partially successful applications on **yellow** Application Forms: share certificates for the H shares successfully applied for will be deposited into CCASS as described below); and/or

(b) for applications on **white** or **yellow** Application Forms, refund check(s) crossed "Account Payee Only" in favor of the applicant (or, in the case of joint applicants, the first-named applicant) for (i) the surplus application monies for the Hong Kong Offer Shares unsuccessfully applied for, if the application is partially unsuccessful; or (ii) all the application monies, if the application is wholly unsuccessful; and/or (iii) the difference between the Offer Price and the maximum offer price per H share paid on application in the event that the Offer Price is less than the offer price per H share initially paid on application, in each case including brokerage of 1%, SFC transaction levy of 0.004% and the Hong Kong Stock Exchange trading fee of 0.005%, attributable to such refund/surplus monies but without interest. Part of your Hong Kong identity card number/passport number, or, if you are joint applicants, part of the Hong Kong identity card number/passport number of the first-named applicant, provided by you may be printed on your refund check, if any. Such data would also be transferred to a third-party for refund purpose. Your banker may require verification of your Hong Kong identity card number/passport number before encashment of your refund check. Inaccurate completion of your Hong Kong identity card number/passport number may lead to delay in encashment of, or may invalidate, your refund check.

Subject to personal collection as mentioned below, refund checks for surplus application monies (if any) in respect of wholly and partially unsuccessful applications and the difference between the Offer Price and the offer price per H share initially paid on application (if any) under **white** or **yellow** Application Forms; and share certificates for wholly and partially successful applicants under **white** Application Forms are expected to be posted on or around Thursday, July 15, 2010. The right is reserved to retain any share certificate(s) and any surplus application monies pending clearance of check(s).

Share certificates will only become valid certificates of title at 8:00 a.m. on Friday, July 16, 2010 provided that the Hong Kong Public Offering has become unconditional in all respects and the right of termination described in the section entitled "Underwriting—Grounds for Termination" has not been exercised.

(a) **If you apply using a white application form**

If you apply for 1,000,000 or more Hong Kong Offer Shares and have indicated your intention in your **white** application form to collect your refund check(s) (where applicable) and/or share certificate(s) (where applicable) in person and have provided all information required by your Application Form, you may collect your refund check(s) (where applicable) and share certificate(s) (where applicable) from Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Center, 183 Queen's Road East, Wanchai, Hong Kong, from 9:00 a.m. to 1:00 p.m. on Thursday, July 15, 2010 or such other date as notified by us in the newspapers as the date of collection/dispatch of refund checks/e-Refund payment instructions/share certificates. If you are an individual who opts for personal collection, you must not authorize any other person to make collection on your behalf. If you are a corporate applicant which opts for personal collection, you must attend by your authorized representative bearing a letter of authorization from your corporation stamped with your corporation's chop. Both individuals and authorized representatives (if applicable) must produce, at the time of collection, evidence of identity acceptable to Computershare Hong Kong Investor Services Limited. If you do not collect your refund check(s) (where applicable) and/or share certificate(s) (where applicable) personally within the time specified for collection, they will be sent to the address as specified in your Application Form promptly thereafter by ordinary post and at your own risk.

If you apply for less than 1,000,000 Hong Kong Offer Shares or you apply for 1,000,000 Hong Kong Offer Shares or more but have not indicated on your Application Form that you will collect your refund check(s) (where applicable) and/or share certificate(s) (where applicable) in person, your refund check(s) (where applicable) and/or share certificate(s) (where applicable) will be sent to the address on your Application Form on Thursday, July 15, 2010, by ordinary post and at your own risk.

(b) **If you apply using a yellow application form**

If you apply for 1,000,000 Hong Kong Offer Shares or more and you have elected on your **yellow** Application Form to collect your refund check (where applicable) in person, please follow the same instructions as those for **white** Application Form applicants as described above. If you have applied for 1,000,000 Hong Kong Offer Shares or above and have not

indicated on your Application Form that you will collect your refund check (if any) in person, or if you have applied for less than 1,000,000 Hong Kong Offer Shares, your refund check (if any) will be sent to the address on your Application Form on the date of dispatch, which is expected to be on Thursday, July 15, 2010, by ordinary post and at your own risk.

If you apply for Hong Kong Offer Shares using a **yellow** Application Form and your application is wholly or partially successful, your share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for credit to your CCASS Investor Participant stock account or the stock account of your designated CCASS Participant as instructed by you in your Application Form at the close of business on Thursday, July 15, 2010, or under contingent situation, on any other date as shall be determined by HKSCC or HKSCC Nominees.

If you are applying through a designated CCASS Participant (other than a CCASS Investor Participant):

- for Hong Kong Offer Shares credited to the stock account of your designated CCASS Participant (other than a CCASS Investor Participant), you can check the number of Hong Kong Offer Shares allocated to you with that CCASS Participant.

If you are applying as a CCASS Investor Participant:

- our Company expects to publish the results of CCASS Investor Participants' applications together with the results of the Hong Kong Public Offering on Thursday, July 15, 2010 in the manner described in "How to apply for Hong Kong Offer Shares—Publication of Results." You should check such results and report any discrepancies to HKSCC before 5:00 p.m. on Thursday, July 15, 2010 or such other date as shall be determined by HKSCC or HKSCC Nominees. Immediately after the credit of the Hong Kong Offer Shares to your stock account, you can check your new account balance via the CCASS Phone System and the CCASS Internet System (under the procedures contained in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time). HKSCC will also make available to you an activity statement showing the number of Hong Kong Offer Shares credited to your stock account.

(c) **If you are applying through White Form eIPO**

If you apply for 1,000,000 Hong Kong Offer Shares or more through the **White Form eIPO** service by submitting an electronic application to the designated **White Form eIPO** Service Provider through the designated website **www.eipo.com.hk** and your application is wholly or partially successful, you may collect your share certificate(s) (where applicable) in person from Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Center, 183 Queen's Road East, Wanchai, Hong Kong, from 9:00 a.m. to 1:00 p.m. on Thursday, July 15, 2010, or such other date as notified by our Company in the newspapers as the date of dispatch/collection of share certificates/e-Refund payment instructions/refund checks.

If you pay the application monies from a single bank account, e-Refund payment instructions (if any) will be dispatched to your application payment bank account on Thursday, July 15, 2010.

If you use multi-bank accounts to pay the application monies, refund check (if any) will be dispatched to the address specified in your application instructions to the designated **White Form eIPO** Service Provider on Thursday, July 15, 2010, by ordinary post and at your own risk.

If you do not collect your share certificate(s)/refund check(s) personally within the time specified for collection, they will be sent to the address specified in your application instructions to the designated **White Form eIPO** Service Provider promptly thereafter by ordinary post and at your own risk.

If you apply for less than 1,000,000 Hong Kong Offer Shares, your share certificate(s) (where applicable) will be sent to the address specified in your application instructions to the designated **White Form eIPO** Service Provider through the designated website at **www.eipo.com.hk** on Thursday, July 15, 2010 by ordinary post and at your own risk.

Please also note the additional information relating to refund of application monies overpaid, application money underpaid or applications rejected by the designated **White Form eIPO** Service Provider set out above in the sub-paragraph entitled "Additional Information."

(d) **If you apply by giving electronic application instructions to HKSCC**

Allocation of Hong Kong Offer Shares

For the purposes of allocating Hong Kong Offer Shares, HKSCC Nominees will not be treated as an applicant. Instead, each CCASS Participant who gives **electronic application instructions** or each person for whose benefit each such instructions is given will be treated as an applicant.

Deposit of Share Certificates into CCASS and Refund of application monies

- No temporary document of title will be issued. No receipt will be issued for application monies received.
- If your application is wholly or partially successful, your share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for the credit of the stock account of the CCASS Participant which you have instructed to give **electronic application instructions** on your behalf or your CCASS Investor Participant stock account at the close of business on Thursday, July 15, 2010, or, in the event of a contingency, on any other date as shall be determined by HKSCC or HKSCC Nominees.
- We expect to publish the application results of CCASS Participants (and where the CCASS Participant is a broker or custodian, we will include information relating to the relevant beneficial owner), your Hong Kong identity card number/passport number or other identification code (Hong Kong business registration number for corporations) and the basis of allotment of the Hong Kong Public Offering in the newspapers on Thursday, July 15, 2010. You should check the announcement published by us and report any discrepancies to HKSCC before 5:00 p.m. on Thursday, July 15, 2010 or such other date as shall be determined by HKSCC or HKSCC Nominees.
- If you have instructed your broker or custodian to give **electronic application instructions** on your behalf, you can also check the number of Hong Kong Offer Shares

allotted to you and the amount of refund monies (if any) payable to you with that broker or custodian.

- If you have applied as a CCASS Investor Participant, you can also check the number of Hong Kong Offer Shares allotted to you and the amount of refund monies (if any) payable to you via the CCASS Phone System and the CCASS Internet System (under the procedures contained in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time) on Thursday, July 15, 2010. HKSCC will also make available to you an activity statement showing the number of Hong Kong Offer Shares credited to your CCASS Investor Participant stock account and the amount of refund monies (if any) credited to your designated bank account.
- Refund of your application monies (if any) in respect of wholly and partially unsuccessful applications and/or difference between the Offer Price and the offer price per H share initially paid on application, in each case including brokerage of 1%, SFC transaction levy of 0.004% and the Hong Kong Stock Exchange trading fee of 0.005%, will be credited to your designated bank account or the designated bank account of your broker or custodian on Thursday, July 15, 2010. No interest will be paid thereon.

Shares will be eligible for CCASS

Subject to the granting of listing of, and permission to deal in, the H shares on the Stock Exchange as well as the compliance with the stock admission requirements of HKSCC, the H shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the H shares on the Stock Exchange or on any other date HKSCC chooses. Settlement of transactions between participants of the Stock Exchange is required to take place in CCASS on the second business day after any trading day.

All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

All necessary arrangements have been made for the H shares to be admitted into CCASS.

The following is the text of a report received from our reporting accountants, Deloitte Touche Tohmatsu, Certified Public Accountants, for the purpose of incorporation in this prospectus.

Deloitte.
德勤

30 June 2010

The Directors
Agricultural Bank of China Limited
China International Capital Corporation Hong Kong Securities Limited
Goldman Sachs (Asia) L.L.C.
Morgan Stanley Asia Limited
Deutsche Bank AG, Hong Kong Branch
J.P. Morgan Securities (Asia Pacific) Limited
Macquarie Capital Securities Limited
ABCI Securities Company Limited

Dear Sirs,

We set out below our report on the financial information (the "Financial Information") relating to Agricultural Bank of China Limited (the "Bank") and its subsidiaries (hereinafter collectively referred to as the "Group") for each of the three years ended 31 December 2007, 2008 and 2009 (the "Relevant Periods") for inclusion in the prospectus of the Bank dated 30 June 2010 (the "Prospectus"), in connection with the initial listing of the shares of the Bank on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The Bank was transformed from the former Agricultural Bank of China (the "Former Entity") which was a state-owned commercial bank founded on 23 February 1979. Its establishment was authorised by the People's Bank of China (the "PBOC"). Pursuant to the Joint Stock Restructuring Plan of the Agricultural Bank of China (the "Restructuring Plan") as subsequently endorsed by the State Council (the "State Council'') of the People's Republic of China (the "PRC") on 21 October 2008, the Former Entity underwent its financial restructuring in accordance with the Restructuring Plan, details of which are set out in Note II. "Financial Restructuring and Incorporation of Joint Stock Company" of section A below.

All subsidiaries have adopted 31 December as their financial year end dates. As at the date of this report, the Bank has direct interests in the principal subsidiaries as set out in Note VI. 22 of section A below.

The consolidated financial statements of the Group prepared in accordance with the relevant accounting rules and financial regulations applicable to PRC enterprises for the years ended 31 December 2007, 2008 and 2009 were audited by Deloitte Touche Tohmatsu CPA Ltd. (德勤華永會計師事務所有限公司), certified public accountants registered in the PRC. The financial statements of the subsidiaries of the Bank were audited by independent auditors as set out in Note VI. 22 of section A below.

For the purpose of this report, the directors of the Bank have prepared consolidated financial statements of the Group for the Relevant Periods, in accordance with International Financial Reporting Standards ("IFRS") issued by International Accounting Standards Board (the "Underlying Financial Statements"). The Underlying Financial Statements for the years ended 31 December 2007, 2008 and 2009 were audited by Deloitte Touche Tohmatsu CPA Ltd. (德勤華永會計師事務所有限公司), in accordance with International Standards on Auditing issued by International Auditing and Assurance Standards Board.

The Financial Information of the Group for the Relevant Periods set out in this report has been prepared in accordance with the Underlying Financial Statements. No adjustments were deemed necessary by us to the Underlying Financial Statements in preparing our report for inclusion in the Prospectus.

For the purpose of this report, we have examined the Underlying Financial Statements and carried out such additional procedures as necessary in accordance with the Auditing Guideline 3.340 "Prospectuses and the Reporting Accountant" issued by the Hong Kong Institute of Certified Public Accountants.

The directors of the Bank are responsible for the preparation of the Underlying Financial Statements and the contents of the Prospectus in which this report is included. It is our responsibility to compile the Financial Information set out in this report from the Underlying Financial Statements, to form an independent opinion on the Financial Information, and to report our opinion to you.

In our opinion, the Financial Information together with the notes thereon, for the purpose of this report, gives a true and fair view of the state of affairs of the Group and of the Bank as at 31 December 2007, 2008 and 2009, and of the consolidated results and consolidated cash flows of the Group for each of the three years ended 31 December 2007, 2008 and 2009.

A. FINANCIAL INFORMATION

Consolidated Income Statements

(Amounts in millions of Renminbi, unless otherwise stated)

	Notes	Year ended 31 December 2007	2008	2009
Interest income	VI. 1	250,035	321,855	296,147
Interest expense	VI. 1	(85,852)	(121,852)	(114,508)
Net interest income		164,183	200,003	181,639
Fee and commission income	VI. 2	23,921	24,794	37,285
Fee and commission expense	VI. 2	(926)	(996)	(1,645)
Net fee and commission income		22,995	23,798	35,640
Net trading gain/(loss)	VI. 3	2,968	(895)	444
Net (loss)/gain on financial instruments designated as at fair value through profit or loss	VI. 4	(1,244)	(3,603)	2,052
Net gain/(loss) on investment securities		33	324	(173)
Other operating (expense)/income, net	VI. 5	(5,484)	(5,611)	4,035
Operating income		183,451	214,016	223,637
Operating expenses	VI. 6	(74,620)	(110,175)	(109,567)
Impairment losses on assets	VI. 8	(30,574)	(51,478)	(40,142)
Operating profit		78,257	52,363	73,928
Share of losses of an associate		—	(14)	—
Profit before tax		78,257	52,349	73,928
Income tax expense	VI. 9	(34,470)	(896)	(8,926)
Profit for the year		43,787	51,453	65,002
Attributable to:				
Equity holders of the Bank		43,787	51,474	64,992
Non-controlling interests		—	(21)	10
		43,787	51,453	65,002
Earnings per share (Expressed in RMB per share)				
—Basic	VI. 10	N/A	N/A	0.25

A. FINANCIAL INFORMATION (continued)

Consolidated Statements of Comprehensive Income

(Amounts in millions of Renminbi, unless otherwise stated)

	Notes	Year ended 31 December 2007	2008	2009
Profit for the year		43,787	51,453	65,002
Other comprehensive income:				
Fair value (loss)/gain on available-for-sale financial assets				
—fair value (loss)/gain arising during the year		(11,820)	33,490	(13,146)
—amount reclassified to the profit or loss upon disposal/impairment of available-for-sale financial assets		209	(4)	(3,804)
Exchange difference arising on translating foreign operations		48	(132)	50
Others		38	—	—
Income tax relating to available-for-sale financial assets		2,884	(8,428)	4,282
Other comprehensive income for the year (net of tax)		(8,641)	24,926	(12,618)
Total comprehensive income for the year		35,146	76,379	52,384
Total comprehensive income attributable to:				
Equity holders of the Bank		35,146	76,400	52,374
Non-controlling interests		—	(21)	10
		35,146	76,379	52,384

A. FINANCIAL INFORMATION (continued)

Consolidated Statements of Financial Position

At 31 December 2007, 2008 and 2009

(Amounts in millions of Renminbi, unless otherwise stated)

	Notes	At 31 December 2007	2008	2009
Assets				
Cash and balances with central banks	VI. 11	937,014	1,145,884	1,517,806
Deposits with banks and other financial institutions	VI. 12	16,432	62,668	61,693
Placements with banks and other financial institutions	VI. 13	52,498	44,479	49,435
Financial assets held for trading	VI. 14	8,340	19,688	15,346
Financial assets designated as at fair value through profit or loss	VI. 15	8,865	20,329	96,830
Financial assets held under resale agreements	VI. 16	144,848	246,370	421,093
Derivative financial assets	VI. 17	10,207	7,151	4,678
Loans and advances to customers	VI. 18	2,709,192	3,014,984	4,011,495
Available-for-sale financial assets	VI. 19	529,343	800,205	730,382
Held-to-maturity investments	VI. 20	532,816	576,323	883,915
Debt securities classified as receivables	VI. 21	229,743	892,532	890,199
Interest in an associate	VI. 23	223	155	141
Property and equipment	VI. 24	76,450	103,883	111,973
Deferred tax assets	VI. 35	11,524	17,107	19,659
Other assets	VI. 25	38,011	62,593	67,943
Total assets		5,305,506	7,014,351	8,882,588
Liabilities				
Borrowings from central bank	VI. 26	150,867	314	58
Deposits from banks and other financial institutions	VI. 27	296,618	289,772	573,949
Placements from banks and other financial institutions	VI. 28	30,375	34,131	26,312
Financial liabilities held for trading	VI. 29	—	—	56
Financial liabilities designated as at fair value through profit or loss	VI. 30	10,488	22,677	113,843
Financial assets sold under repurchase agreements	VI. 31	73,391	35,090	100,812
Derivative financial liabilities	VI. 17	7,294	11,534	7,690
Due to customers	VI. 32	5,287,194	6,097,428	7,497,618
Accrued staff costs	VI. 33	58,349	68,144	29,938
Tax liabilities		27,385	21,234	5,163
Debt securities issued	VI. 34	4,154	5,150	55,179
Other liabilities	VI. 36	86,996	138,336	129,045
Total liabilities		6,033,111	6,723,810	8,539,663
Equity				
Paid in/share capital	VI. 37	121,612	260,000	260,000
Capital reserve		3,100	—	—
Investment revaluation reserve	VI. 38	(7,766)	17,292	4,624
Surplus reserve	VI. 39	—	1,187	7,676
General and regulatory reserve	VI. 40	57	64	10,772
(Accumulated losses)/retained earnings		(844,620)	12,022	59,817
Currency translation reserve		12	(120)	(70)
Equity attributable to equity holders of the Bank		(727,605)	290,445	342,819
Non-controlling interests		—	96	106
Total equity		(727,605)	290,541	342,925
Total equity and liabilities		5,305,506	7,014,351	8,882,588

A. FINANCIAL INFORMATION (continued)

Statements of Financial Position

At 31 December 2007, 2008 and 2009

(Amounts in millions of Renminbi, unless otherwise stated)

	Notes	At 31 December 2007	2008	2009
Assets				
Cash and balances with central banks	VI. 11	936,921	1,145,726	1,517,762
Deposits with banks and other financial institutions	VI. 12	16,098	61,853	61,285
Placements with banks and other financial institutions	VI. 13	52,498	44,700	49,435
Financial assets held for trading	VI. 14	8,340	19,688	15,346
Financial assets designated as at fair value through profit or loss	VI. 15	8,865	20,264	96,830
Financial assets held under resale agreements	VI. 16	144,848	246,370	421,093
Derivative financial assets	VI. 17	10,207	7,151	4,678
Loans and advances to customers	VI. 18	2,709,192	3,014,951	4,011,386
Available-for-sale financial assets	VI. 19	529,343	800,205	730,382
Held-to-maturity investments	VI. 20	532,816	576,323	883,915
Debt securities classified as receivables	VI. 21	229,743	892,532	890,199
Interest in an associate	VI. 23	223	155	141
Investments in subsidiaries	VI. 22	187	432	1,136
Property and equipment	VI. 24	76,311	103,715	111,776
Deferred tax assets	VI. 35	11,524	17,093	19,654
Other assets	VI. 25	36,364	61,283	66,137
Total assets		5,303,480	7,012,441	8,881,155
Liabilities				
Borrowings from central bank	VI. 26	150,867	314	58
Deposits from banks and other financial institutions	VI. 27	296,619	289,772	574,794
Placements from banks and other financial institutions	VI. 28	30,375	34,131	26,312
Financial liabilities held for trading	VI. 29	—	—	56
Financial liabilities designated as at fair value through profit or loss	VI. 30	10,488	22,677	113,843
Financial assets sold under repurchase agreements	VI. 31	73,391	35,090	100,812
Derivative financial liabilities	VI. 17	7,294	11,534	7,690
Due to customers	VI. 32	5,287,194	6,097,373	7,497,442
Accrued staff costs	VI. 33	58,347	68,130	29,911
Tax liabilities		27,385	21,233	5,162
Debt securities issued	VI. 34	4,154	5,150	55,179
Other liabilities	VI. 36	86,452	138,016	128,647
Total liabilities		6,032,566	6,723,420	8,539,906
Equity				
Paid in/share capital	VI. 37	121,612	260,000	260,000
Capital reserve		3,100	—	—
Investment revaluation reserve	VI. 38	(7,766)	17,292	4,624
Surplus reserve	VI. 39	—	1,187	7,676
General and regulatory reserve	VI. 40	57	60	10,755
(Accumulated losses)/retained earnings	VI.39	(846,086)	10,677	58,385
Currency translation reserve		(3)	(195)	(191)
Total equity		(729,086)	289,021	341,249
Total equity and liabilities		5,303,480	7,012,441	8,881,155

A. FINANCIAL INFORMATION (continued)

Consolidated Statements of Changes in Equity

(Amounts in millions of Renminbi, unless otherwise stated)

		Total equity attributable to equity holders of the Bank										
	Notes	Paid in capital	Share capital	Capital reserve	Surplus reserve	General and regulatory reserve	(Accumulated losses)/ retained earnings	Investment revaluation reserve	Currency translation reserve	Subtotal	Non-controlling interests	Total
As at 1 January 2007		121,944	—	3,062	—	51	(888,401)	961	(36)	(762,419)	—	(762,419)
Profit for the year		—	—	—	—	—	43,787	—	—	43,787	—	43,787
Other comprehensive income		—	—	38	—	—	—	(8,727)	48	(8,641)	—	(8,641)
Total comprehensive income for the year		—	—	38	—	—	43,787	(8,727)	48	35,146	—	35,146
Appropriation to general and regulatory reserve	VI. 40	—	—	—	—	6	(6)	—	—	—	—	—
Transfer to China Great Wall Asset Management Corporation	VI. 37	(332)	—	—	—	—	—	—	—	(332)	—	(332)
As at 31 December 2007		121,612	—	3,100	—	57	(844,620)	(7,766)	12	(727,605)	—	(727,605)
Profit for the year		—	—	—	—	—	51,474	—	—	51,474	(21)	51,453
Other comprehensive income		—	—	—	—	—	—	25,058	(132)	24,926	—	24,926
Total comprehensive income for the year		—	—	—	—	—	51,474	25,058	(132)	76,400	(21)	76,379
Capital contribution												
—Disposal of non-performing assets to the MOF	II. 1	—	—	760,665	—	—	—	—	—	760,665	—	760,665
—Revaluation of assets	II. 2	—	—	50,992	—	—	—	—	—	50,992	—	50,992
Capitalisation of reserves	II. 3	—	—	34,497	—	—	(34,497)	—	—	—	—	—
Capital restructuring	II. 3	8,395	—	(849,254)	—	—	840,859	—	—	—	—	—
Capital injection by Huijin	II. 4	—	130,000	—	—	—	—	—	—	130,000	—	130,000
Contribution from non-controlling shareholders		—	—	—	—	—	—	—	—	—	117	117
Appropriation to surplus reserve	VI. 39	—	—	—	1,187	—	(1,187)	—	—	—	—	—
Appropriation to general and regulatory reserve	VI. 40	—	—	—	—	7	(7)	—	—	—	—	—
Transfer to China Great Wall Asset Management Corporation	VI. 37	(7)	—	—	—	—	—	—	—	(7)	—	(7)
Transfer to Share Capital		(130,000)	130,000	—	—	—	—	—	—	—	—	—
As at 31 December 2008		—	260,000	—	1,187	64	12,022	17,292	(120)	290,445	96	290,541
Profit for the year		—	—	—	—	—	64,992	—	—	64,992	10	65,002
Other comprehensive income		—	—	—	—	—	—	(12,668)	50	(12,618)	—	(12,618)
Total comprehensive income for the year		—	—	—	—	—	64,992	(12,668)	50	52,374	10	52,384
Appropriation to surplus reserve	VI. 39	—	—	—	6,489	—	(6,489)	—	—	—	—	—
Appropriation to general and regulatory reserve	VI. 40	—	—	—	—	10,708	(10,708)	—	—	—	—	—
As at 31 December 2009		—	260,000	—	7,676	10,772	59,817	4,624	(70)	342,819	106	342,925

A. FINANCIAL INFORMATION (continued)

Consolidated Statements of Cash Flows

(Amounts in millions of Renminbi, unless otherwise stated)

	Note	Year ended 31 December 2007	2008	2009
Cash flows from operating activities				
Profit before tax		78,257	52,349	73,928
Adjustments for:				
Amortisation of intangible assets and other assets		930	1,602	1,624
Depreciation of property and equipment		6,885	9,821	9,151
Impairment losses on assets		30,574	51,478	40,142
Interest income arising from investment securities		(46,540)	(78,148)	(74,658)
Interest income arising from impaired financial assets		(5,957)	(2,171)	(1,788)
Interest expense on subordinated bonds issued		—	—	1,105
Net (gain)/ loss on investment securities		(33)	(324)	173
Net gain on disposal of property and equipment and other assets		(2,062)	(664)	(279)
Other operating expense		6,718	6,158	—
Net foreign exchange loss		806	1,247	44
Operating cash flows before movements in working capital		69,578	41,348	49,442
Net increase in balances with central banks, deposits with banks and other financial institutions		(262,229)	(183,117)	(389,037)
Net decrease/(increase) in placements with banks and other financial institutions		5,481	4,752	(12,233)
Net increase in loans and advances to customers		(333,335)	(392,847)	(1,039,072)
Net decrease/(increase) in borrowings from central bank		—	49	(256)
Net increase in due to customers and deposits from banks and other financial institutions		592,258	803,705	1,684,598
Decrease/(increase) in other operating assets		17,603	(4,814)	(392,699)
Increase in other operating liabilities		63,572	36,763	101,499
Cash generated by operations		152,928	305,839	2,242
Income tax paid		(8,213)	(21,058)	(23,267)
Net cash generated by/(used in) operating activities		144,715	284,781	(21,025)
Cash flows from investing activities				
Cash received from disposal/redemption of investment securities		780,605	496,066	1,410,865
Cash received from returns on investment securities		34,186	65,563	74,566
Cash received from other investing activities		6,628	1,830	1,917
Cash paid for purchase of investment securities		(913,942)	(783,606)	(1,655,801)
Cash paid for purchase of property and equipment and other assets		(11,739)	(14,909)	(19,885)
Net cash used in investing activities		(104,262)	(235,056)	(188,338)
Cash flows from financing activities				
Cash received from debt securities issued		—	—	49,950
Shareholder's contribution		—	130,000	—
Contribution from non-controlling shareholders		—	117	—
Net cash generated by financing activities		—	130,117	49,950
Net increase/(decrease) in cash and cash equivalents		40,453	179,842	(159,413)
Opening balances of cash and cash equivalents		276,848	314,190	488,564
Effect of exchange rate changes on cash and cash equivalents		(3,111)	(5,468)	149
Closing balances of cash and cash equivalents	VI.41	314,190	488,564	329,300

A. FINANCIAL INFORMATION (continued)

(Amounts in millions of Renminbi, unless otherwise stated)

I. GENERAL INFORMATION

The Bank was transformed from the Former Entity which was a state-owned commercial bank founded on 23 February 1979. The Bank's establishment was authorised by the PBOC. Pursuant to the Restructuring Plan as subsequently endorsed by the State Council of the PRC on 21 October 2008, the Former Entity underwent its financial restructuring in accordance with the Restructuring Plan. On this basis, the Financial Information of the Group for the Relevant Periods is prepared as a continuation of the Former Entity.

Upon the incorporation as a joint stock company, the registered capital of the Bank is Renminbi (RMB) 260,000 million. The Ministry of Finance of the PRC (the "MOF") and Central Huijin Investment Ltd. ("Huijin") each owns 50% of the share capital of the Bank.

The Bank has financial services certificate No. B0002H111000001 issued by the China Banking Regulatory Commission (the "CBRC"), and business license No. 100000000005472 issued by the State Administration of Industry and Commerce of the PRC.

The principal activities of the Group comprise the provision of banking services, which includes RMB and foreign currency deposits, loans, payment and settlement services, and other services as approved by the CBRC, and the provision of related services by its overseas establishments as approved by the respective local regulators.

The head office and domestic branches of the Bank and subsidiaries operating in the PRC are referred to as "Domestic Institutions". Hong Kong and Singapore branches of the Bank and the subsidiaries registered outside the PRC are referred to as "Overseas Institutions".

II. FINANCIAL RESTRUCTURING AND INCORPORATION OF JOINT STOCK COMPANY

Pursuant to the Restructuring Plan, the Former Entity completed the following financial restructuring and joint stock reformation measures:

1. Disposal of non-performing assets to the MOF

The Former Entity disposed of certain non-performing assets with total principal amounts of RMB815,695 million, which comprised non-performing loans of RMB766,768 million and other impaired assets of RMB48,927 million, for a total consideration of RMB815,695 million. The consideration was paid partially by setting off borrowings from the PBOC of RMB150,602 million with the remaining balance of RMB665,093 million to be settled by the MOF in 15 years starting from 1 January 2008 at an interest of 3.3% per annum.

A. FINANCIAL INFORMATION (continued)

(Amounts in millions of Renminbi, unless otherwise stated)

II. FINANCIAL RESTRUCTURING AND INCORPORATION OF JOINT STOCK COMPANY (continued)

1. Disposal of non-performing assets to the MOF (continued)

As a result of the disposal of these non-performing assets, the allowances for the impairment losses of the non-performing loans and other assets were reversed and credited to the capital reserve at RMB717,531 million and RMB43,134 million, respectively.

2. Revaluation of the Former Entity's assets

In accordance with the related requirements for state-owned enterprises restructuring, the Former Entity engaged China Enterprise Appraisals Co. Ltd. ("CEA"), a certified asset appraiser in the PRC to carry out an independent valuation on its assets and liabilities as at 31 December 2007. CEA issued a valuation report *(Zhongqihua Pingbaozi [2008] No. 414)* (the "Valuation Report") on 16 December 2008 which was subsequently approved by the MOF pursuant to the *Approval of Valuation Report on Assets of Agricultural Bank of China (Caijin [2008] No. 179)*. The valuation of certain of the Former Entity's assets amounted to RMB50,992 million (including revaluation surplus of certain property, plant and equipment and the valuation of certain land use rights transferred to the Group) were recognised in the Financial Information on 1 January 2008 by reference to the valuation of such assets as at 31 December 2007 set out in the Valuation Report and credited to capital reserve accordingly.

3. Capitalisation of reserves and capital restructuring

Pursuant to the Restructuring Plan and the *MOF's Approval of Agricultural Bank of China State Shares Administration Plan (Caijin [2008] No. 181)* issued on 23 December 2008, RMB130,000 million of the Former Entity's reserves was capitalised by way of equity transfer including (i) capitalisation of distributable profit of RMB34,497 million for the year ended 31 December 2008, (ii) elimination of accumulated losses of RMB840,859 million and (iii) transfer of capital reserve of RMB8,395 million to paid-in capital.

4. Capital injection by Huijin

On 29 October 2008, Huijin injected USD19,029 million, equivalent to RMB130,000 million, for the share subscription of the Bank pursuant to the Restructuring Plan.

5. Incorporation of joint stock company

Pursuant to the MOF's *Approval of Agricultural Bank of China State Shares Administration Plan (Caijin [2008] No.181)* issued by the MOF on 23 December 2008, the MOF and Huijin established Agricultural Bank of China Limited by subscribing for 260,000 million promoters' shares at par value of RMB1 each and at a total subscription price of RMB260,000 million. The MOF and Huijin each subscribed for 130,000 million shares representing 50% of share capital of the Bank.

A. FINANCIAL INFORMATION (continued)

(Amounts in millions of Renminbi, unless otherwise stated)

III. ADOPTION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs")

For the purpose of preparing and presenting the Financial Information, the Group has consistently applied a number of new and revised International Accounting Standards ("IASs"), International Financial Reporting Standards ("IFRSs"), amendments and the related Interpretations ("IFRICs") issued by the International Accounting Standards Board ("IASB") which are effective for the Group's financial year beginning on 1 January 2009 during the Relevant Periods.

The Group prepared its first set of IFRS financial statements for the year ended 31 December 2008. The date of transition to IFRSs was 1 January 2007.

In addition, the Group has early applied the following amendment and revised standard.

Amendment to IFRS 1 First-time Adoption of IFRSs

The Group has early adopted the amendment to IFRS 1 issued by the IASB in May 2010 in advance of its effective date, 1 January 2011. The amendment to IFRS 1 allows an entity to establish a deemed cost in accordance with previous GAAP for some or all of its assets and liabilities by measuring them at their fair values at one particular date because of an event. If the measurement date is after the date of transition to IFRSs but during the period covered by the first IFRS financial statements, the event-driven fair value measurements may be used as a deemed cost when the event occurs.

IAS 24 (Revised) Related Party Disclosures

The Group has early adopted IAS 24 (Revised) in advance of its effective date 1 January 2011. The revised standard provides partial disclosure exemption for transactions between the Group and government/government-related entities and revised the definition of related parties. The early adoption does not have any effect on the Group's operating results, financial positions or comprehensive income.

A. FINANCIAL INFORMATION (continued)

(Amounts in millions of Renminbi, unless otherwise stated)

III. ADOPTION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs") (continued)

The Group has not early applied the following new and revised standards, amendments or interpretations that have been issued but are not yet effective.

IFRSs (Amendments)	Amendment to IFRS 5 as part of Improvements to IFRSs May 2008[1]
IFRSs (Amendments)	Improvements to IFRSs April 2009[2]
IFRSs (Amendments)	Improvements to IFRSs May 2010[6] (Except for Amendment to IFRS 1)
IAS 27 (Revised)	Consolidated and Separate Financial Statements[1]
IAS 32 (Amendment)	Classification of Rights Issues[4]
IAS 39 (Amendment)	Eligible Hedged Items[1]
IFRS 1 (Amendment)	Additional Exemptions for First-time Adopters[3]
IFRS 2 (Amendment)	Group Cash-settled Share-based Payment Transactions[3]
IFRS 3 (Revised)	Business Combinations[1]
IFRS 9	Financial Instruments[7]
IFRIC 14 (Amendment)	Prepayments of a Minimum Funding Requirement[6]
IFRIC 17	Distributions of Non-cash Assets to Owners[1]
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments[5]

1 Effective for annual periods beginning on or after 1 July 2009
2 Amendments that are effective for annual periods beginning on or after 1 July 2009 and 1 January 2010, as appropriate
3 Effective for annual periods beginning on or after 1 January 2010
4 Effective for annual periods beginning on or after 1 February 2010
5 Effective for annual periods beginning on or after 1 July 2010
6 Effective for annual periods beginning on or after 1 July 2010 and 1 January 2011, as appropriate
7 Effective for annual periods beginning on or after 1 January 2011
8 Effective for annual periods beginning on or after 1 January 2013

The application of IFRS 3 (Revised) may affect the accounting of the Group's business combination for which the acquisition date is on or after I January 2010. IAS 27 (Revised) will affect the accounting treatment for changes in the Group's ownership interest in a subsidiary.

IFRS 9 Financial Instruments introduces new requirements for the classification and measurement of financial assets and will be effective from 1 January 2013, with earlier application permitted. The Standard requires all recognised financial assets that are within the scope of IAS 39 Financial Instruments: Recognition and Measurement to be measured at either amortised cost or fair value. Specifically, debt investments that (i) are held within a business model whose objective is to collect the contractual cash flows and (ii) have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost. All other debt investments and equity investments are measured at fair value. In the opinion of management, the application of IFRS 9 will have a material effect on the classification and measurement of the Group's financial assets.

IV. SIGNIFICANT ACCOUNTING POLICIES

1. Statement of compliance

The Financial Information has been prepared in accordance with the following accounting policies which conform to IFRSs. These policies have been consistently applied throughout the Relevant Periods. In addition, the Financial Information includes applicable disclosures required by the Rules Governing the Listing of Securities in the Stock Exchange and the Hong Kong Companies Ordinance.

A. FINANCIAL INFORMATION (continued)

(Amounts in millions of Renminbi, unless otherwise stated)

IV. SIGNIFICANT ACCOUNTING POLICIES (continued)

2. Basis of preparation

The Financial Information has been prepared on the historical cost or deemed cost basis except for certain financial instruments which are measured at fair values, as explained in the accounting policies set out below.

3. Basis of consolidation

The Financial Information incorporates the financial statements of the Bank and the subsidiaries controlled by the Bank. Control is achieved where the Bank has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statements from the effective date of acquisition and up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

All intra-group transactions, balances, income and expenses are eliminated on consolidation.

Non-controlling interests of consolidated subsidiaries are presented separately from the Group's equity therein. Non-controlling interests consist of the amount of those interests at the date of the original business combination and their share of changes in equity since the date of the combination. Losses applicable to the non-controlling interests in excess of their interests in the subsidiary's equity are allocated against the interests of the Group except to the extent that the non-controlling shareholder has a binding obligation and is able to make an additional investment to cover the losses.

In the Bank's statements of financial position, its investment in subsidiaries is stated at cost, less impairment losses, if any.

4. Investment in an associate

An associate is an entity over which the investor has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The results and assets and liabilities of an associate are incorporated in this Financial Information using the equity method of accounting. Under the equity method, investment in an associate is carried in the consolidated statements of financial position at cost as adjusted for post-acquisition changes in the Group's share of the net assets of the associate, less any impairment loss. When the Group's share of losses of an associate equals or exceeds its interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognising its share of further losses. An additional share of losses

A. FINANCIAL INFORMATION (continued)

(Amounts in millions of Renminbi, unless otherwise stated)

IV. SIGNIFICANT ACCOUNTING POLICIES (continued)

4. Investment in an associate (continued)

is provided for and a liability is recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of that associate.

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of the associate recognised at the date of acquisition is recognised as goodwill. The goodwill is included within the carrying amount of the investment and is not tested for impairment separately. Instead, the entire carrying amount of the investment is tested for impairment as a single asset. Any impairment loss recognised is not allocated to any asset, including goodwill, that forms part of the carrying amount of the investment in the associate. Any reversal of impairment loss is recognised to the extent that the recoverable amount of the investment subsequently increases.

Where a group entity transacts with an associate of the Group, profits and losses are eliminated to the extent of the Group's interest in the relevant associate.

In the Bank's statements of financial position, its investment in an associate is stated at cost, less impairment losses, if any.

5. Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for services provided in the normal course of business, net of sales related taxes. Specific recognition criteria for different nature of revenue are disclosed below.

Interest income and expense for all interest-bearing financial instruments are recognised within 'interest income' and 'interest expense' in profit or loss using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial asset or liability and of allocating the interest income or expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts or payments through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or liability. When calculating the effective interest rate, the Group estimates cash flows considering all contractual terms of the financial instrument but does not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts.

Once a financial asset or a group of similar financial assets has been written down as a result of an impairment loss, interest income is recognised using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

A. FINANCIAL INFORMATION (continued)

(Amounts in millions of Renminbi, unless otherwise stated)

IV. SIGNIFICANT ACCOUNTING POLICIES (continued)

6. Fee and commission income

The Group earns fee and commission income from a range of services it provides to its customers. For those services that are over a period of time, fee and commission income are accrued over that period when the services are rendered. For other services, fee and commission income are recognised when the transactions are completed.

7. Foreign currency transactions

The functional currency of the Bank and the Domestic Institutions is Renminbi ("RMB"). The presentation currency of the Group and the Bank is RMB.

In preparing the financial statements of Overseas Institutions, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in the respective functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise, except for (i) exchange differences arising on a monetary item that forms part of the Bank's net investment in a foreign operation, in which case, such exchange differences are recognised in other comprehensive income and accumulated in equity and will be reclassified from equity to profit or loss on disposal of the foreign operation; (ii) exchange differences arising from the changes of the fair value of monetary assets classified as available-for-sale financial assets (other than the changes relating to the amortised cost of the monetary assets) which are recognised in other comprehensive income and accumulated in equity.

Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except for exchange differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised directly in other comprehensive income, in which cases, the exchange differences are also recognised directly in other comprehensive income.

For the purposes of presenting the Financial Information, the assets and liabilities of the Group's Foreign operations (i.e. Overseas Institutions) are translated into the presentation currency of the Group at the rate of exchange prevailing at the end of the reporting period, and their income and expenses are translated at the average exchange rates for the year. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in the currency translation reserve in equity.

A. FINANCIAL INFORMATION (continued)

(Amounts in millions of Renminbi, unless otherwise stated)

IV. SIGNIFICANT ACCOUNTING POLICIES (continued)

8. Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the consolidated income statements because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the Financial Information and the corresponding tax base used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary difference to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associate, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of the reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities. Deferred tax is recognised in profit or loss, except when it relates to items that are recognised in other comprehensive income, in which case the deferred tax is also recognised in other comprehensive income respectively.

A. FINANCIAL INFORMATION (continued)

(Amounts in millions of Renminbi, unless otherwise stated)

IV. SIGNIFICANT ACCOUNTING POLICIES (continued)

8. Taxation (continued)

Deferred tax (continued)

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

9. Employee benefits

In the relevant period in which an employee has rendered services, the Group recognises the employee benefits payable for those services as a liability.

Social welfare

Social welfare expenditure refers to payments for employees' social welfare system established by the Government, including social insurance, housing funds and other social welfare contributions. The Group contributes on a monthly basis to these funds based on certain percentage of the salaries of the employees and the contributions are recognised in profit or loss for the period in which they are incurred. The Group's liabilities in respect of these funds are limited to the contribution payable in the relevant period.

Annuity scheme

The employees of Domestic Institutions participate in annuity scheme set up by the Group (the "Scheme"). The Group made annuity contributions with reference to employees' salaries, and the contributions are expensed in profit or loss when incurred. The Group has no further obligation if the Scheme does not have sufficient assets for payment of supplementary retirement benefits to employees.

Retirement benefits

The Group pays supplementary retirement benefits to employees of Domestic Institutions who retired on or before 31 December 2008, and early retirement benefits to employees of Domestic Institutions who accept the early retirement arrangement.

Obligations of retirement benefits are calculated by an independent actuary using the projected unit credit actuarial cost method at the end of the reporting period. Actuarial gains and losses arising from changes in actuarial assumptions are recognised in profit or loss for the period in which they are incurred.

10. Financial instruments

Financial assets and financial liabilities are recognised in the consolidated statements of financial position when a group entity becomes a party to the contractual provisions of the instrument.

A. FINANCIAL INFORMATION (continued)

(Amounts in millions of Renminbi, unless otherwise stated)

IV. SIGNIFICANT ACCOUNTING POLICIES (continued)

10. Financial instruments (continued)

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets or financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

(1) Financial assets

The Group's financial assets are classified into one of the four categories, including financial assets at fair value through profit or loss ("FVTPL"), held-to-maturity investments, available-for-sale financial assets and loans and receivables. Investment securities comprise held-to-maturity investments, available-for-sale financial assets and debt securities classified as receivables. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the market-place.

Financial assets at fair value through profit or loss

Financial assets at FVTPL have two subcategories, including financial assets held for trading and those designated as at FVTPL on initial recognition.

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling it in the near future; or
- it is a part of an identified portfolio of financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

A financial asset other than a financial asset held for trading may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and IAS 39 permits the entire combined contract (asset or liability) to be designated as at FVTPL.

A. FINANCIAL INFORMATION (continued)

(Amounts in millions of Renminbi, unless otherwise stated)

IV. SIGNIFICANT ACCOUNTING POLICIES (continued)

10. Financial instruments (continued)

(1) Financial assets (continued)

Financial assets at fair value through profit or loss (continued)

Financial assets at FVTPL are stated at fair value, with changes in fair value arising from re-measurement recognised directly in profit or loss in the period in which they arise. The net gain or loss recognised in profit or loss excludes any dividends or interest earned on financial assets.

Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group has the positive intention and ability to hold to maturity. Subsequent to initial recognition, held-to-maturity investments are measured at amortised cost using the effective interest method, less any identified impairment losses.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are not either designated or classified as financial assets at FVTPL, loans and receivables or held-to-maturity investments.

Available-for-sale financial assets are measured at fair value at the end of the reporting period. Changes in fair value are recognised in other comprehensive income and accumulated in the investment revaluation reserve, until the financial asset is disposed of or is determined to be impaired, at which time, the cumulative gain or loss previously accumulated in the investment revaluation reserve is reclassified to profit or loss.

For available-for-sale equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured, they are measured at cost less any identified impairment losses at the end of the reporting period.

Dividends on available-for-sale equity instruments are recognised in profit or loss when the Group's right to receive the dividends is established.

Loans and receivables

Loans and receivables are non-derivatives financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables are carried at amortised cost using the effective interest method, less any impairment losses.

Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of the reporting period. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial assets, the estimated future cash flows of the financial assets have been affected.

A. FINANCIAL INFORMATION (continued)

(Amounts in millions of Renminbi, unless otherwise stated)

IV. SIGNIFICANT ACCOUNTING POLICIES (continued)

10. Financial instruments (continued)

(1) Financial assets (continued)

Impairment of financial assets (continued)

For an available-for-sale equity investment, a significant or prolonged decline in the fair value of that investment below its cost is considered to be objective evidence of impairment.

For all other financial assets, the objective evidence of impairment could include:

(1) significant financial difficulty of the issuer or obligor;

(2) a breach of contract, such as a default or delinquency in interest or principal payments;

(3) the lender, for economic or legal reasons relating to the borrower's financial difficulty, granting to the borrower a concession that the lender would not otherwise consider;

(4) it becomes probable that the borrower will enter bankruptcy or other financial reorganisation;

(5) the disappearance of an active market for that financial asset because of financial difficulties; or

(6) observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the portfolio, including:

(i) adverse changes in the payment status of borrowers in the portfolio; and

(ii) national or local economic conditions that correlate with defaults on the assets in the portfolio.

The Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Financial assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment.

Impairment of financial assets carried at amortised cost

For financial assets carried at amortised cost, an impairment loss is recognised in profit or loss when there is objective evidence that the assets are impaired, and is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. For financial assets with variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

A. FINANCIAL INFORMATION (continued)

(Amounts in millions of Renminbi, unless otherwise stated)

IV. SIGNIFICANT ACCOUNTING POLICIES (continued)

10. Financial instruments (continued)

(1) Financial assets (continued)

Impairment of financial assets carried at amortised cost (continued)

The calculation of present value of the estimated future cash flows of a collateralised financial asset reflects the cash flows that may result from foreclosure less costs for obtaining and selling the collateral.

The carrying amount of a financial asset is reduced through the use of an allowance account. Changes in carrying amount of the allowance account are recognised in the profit or loss. When a financial asset is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Impairment of available-for-sale financial assets

When a decline in the fair value of an available-for-sale financial asset has been recognised directly in other comprehensive income and accumulated in the investment revaluation reserve and there is objective evidence that asset is impaired, the cumulative loss that had been recognised directly in the investment revaluation reserve is removed and recognised in profit or loss.

Impairment loss on available-for-sale equity investments at fair value is not reversed in profit or loss in subsequent periods. Any increase in fair value subsequent to impairment loss is recognised directly in other comprehensive income and accumulated in the investment revaluation reserve. For available-for-sale debt investments, impairment losses are subsequently reversed if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss.

Impairment loss on available-for-sale equity investments at cost is not reversed.

(2) Financial liabilities and equity

Financial liabilities and equity instruments issued by a group entity are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

An equity instrument is any contract that evidences a residual interest in the assets of the group after deducting all of its liabilities. The Group's financial liabilities are generally classified into financial liabilities at FVTPL and other financial liabilities.

A. FINANCIAL INFORMATION (continued)

(Amounts in millions of Renminbi, unless otherwise stated)

IV. SIGNIFICANT ACCOUNTING POLICIES (continued)

10. Financial instruments (continued)

(2) Financial liabilities and equity (continued)

Financial liabilities at FVTPL

Financial liabilities at FVTPL has two subcategories, including financial liabilities held for trading and those designated at FVTPL on initial recognition.

The criteria for a financial liability to be classified as held for trading and designated as at FVTPL are the same as those for a financial asset to be classified as held for trading and designated as at FVTPL.

Financial liabilities at FVTPL are stated at fair value, with changes in fair value arising from re-measurement recognised directly in profit or loss in the period in which they arise. The net gain or loss recognised in profit or loss excludes any interest paid on the financial liabilities.

Other financial liabilities

Other financial liabilities are subsequently measured at amortised cost, using the effective interest method.

Equity instruments

Equity instruments issued by the Bank are recorded at the proceeds received, net of direct issue costs.

(3) Derivative financial instruments

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently re-measured at their fair value at the end of the reporting period. The resulting gain or loss is recognised in profit or loss immediately.

Derivatives embedded in non-derivative host contracts are treated as separate derivatives when their characteristics and risks are not closely related to those of the host contracts and the host contracts are not measured with changes in fair value recognised in profit or loss. These embedded derivatives are separately accounted for at fair value, with changes in fair value recognised in profit or loss.

(4) Determination of fair value

For financial instruments traded in active markets, the determination of fair values of financial assets and financial liabilities is based on quoted market prices or dealer price quotations. This includes listed equity securities and quoted debt instruments on major exchanges and broker quotes.

A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's

A. FINANCIAL INFORMATION (continued)

(Amounts in millions of Renminbi, unless otherwise stated)

IV. SIGNIFICANT ACCOUNTING POLICIES (continued)

10. Financial instruments (continued)

(4) Determination of fair value (continued)

length basis. If the above criteria are not met, the market is regarded as being inactive. Indications that a market is inactive are when there is a wide bid-offer spread or significant increase in the bid-offer spread or there are few recent transactions.

For all other financial instruments, fair value is determined using appropriate valuation techniques. Valuation techniques include the use of recent transaction prices, discounted cash flow analysis, option pricing models and other valuation techniques commonly used by market participants.

(5) Derecognition

Financial assets are derecognised when the rights to receive cash flows from the assets expire or, the financial assets are transferred and the Group has transferred substantially all the risks and rewards of ownership of the financial assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income is recognised in profit or loss. If the Group retains substantially all the risks and rewards of ownership of a transferred asset, the Group continues to recognise the financial asset and recognise a collateralised borrowing for proceeds received.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

(6) Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument. A financial guarantee contract issued by the Group and not designated as at fair value through profit or loss is recognised initially at its fair value less transaction costs that are directly attributable to the issue of the financial guarantee contract. Subsequent to initial recognition, the Group measures the financial guarantee contract at the higher of: (i) the amount determined in accordance with IAS 37 Provisions, Contingent Liabilities and Contingent Assets; and (ii) the amount initially recognised less, when appropriate, cumulative amortisation recognised in accordance with IAS 18 Revenue.

(7) Offsetting financial assets and financial liabilities

Financial assets and financial liabilities are offset and the net amount presented in the statements of financial position when both of the following conditions are satisfied: (1) the Group has a legal right to set off the recognised amounts and the legal right is currently enforceable; and (2) the Group intends either to settle on a net basis, or to realise the financial asset and settle the financial liability simultaneously.

A. FINANCIAL INFORMATION (continued)

(Amounts in millions of Renminbi, unless otherwise stated)

IV. SIGNIFICANT ACCOUNTING POLICIES (continued)

10. Financial instruments (continued)

(8) Repurchase agreements and agreements to resale

Financial assets sold subject to repurchase agreements continue to be recognised, and are recorded as "available-for-sale financial assets", "debt securities classified as receivables" or "loans and advances to customers" as appropriate. The corresponding liability is included in "financial assets sold under repurchase agreements". Financial assets held under agreements to resell are recorded as "financial assets held under resale agreements" as appropriate.

The difference between purchase and sale price is recognised as interest expense or income in profit or loss over the life of the agreements using the effective interest method.

11. Precious metals

Precious metals that are not related to the Group's trading activities are initially measured at acquisition cost and subsequently measured at lower of cost and net realisable value. Precious metals that are related to the Group's trading activities are initially recognised at fair value, with changes in fair value arising from re-measurement recognised directly in profit or loss in the period in which they arise.

12. Property and equipment

Property and equipment including buildings held for use in the supply of services, or for administrative (other than construction in progress) are stated at cost less subsequent accumulated depreciation and accumulated impairment losses.

Depreciation is provided to write off the cost of items of property and equipment (other than construction in progress) over their estimated useful lives and after taking into account of their estimated residual value, using the straight-line method.

The useful lives, estimated residual value rates and annual depreciation rates of each class of property and equipment are as follows:

Classes	Useful lives	Estimated residual value rates	Annual depreciation rates
Buildings	15-35 years	3%	2.77%-6.47%
Electronic equipment, furniture and fixtures	3-11 years	3%	8.82%-32.33%
Motor vehicles	5 years	3%	19.40%

Construction in progress includes property and equipment in the course of construction for production or its own use purposes. Cost of construction in progress is determined as the expenditure incurred for the construction, comprising all expenditures incurred for construction projects and other related expenses. Construction in progress is carried at cost less any recognised impairment loss. Construction in progress is classified to the appropriate category of property and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

A. FINANCIAL INFORMATION (continued)

(Amounts in millions of Renminbi, unless otherwise stated)

IV. SIGNIFICANT ACCOUNTING POLICIES (continued)

12. Property and equipment (continued)

An item of property and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in profit or loss in the period in which the item is derecognised.

13. Land use right

Land use right is classified in other assets and amortised over a straight-line basis over the lease term.

14. Foreclosed assets

Foreclosed assets are initially recognised at fair value and subsequently measured at lower of its carrying amount and fair value less costs to sell at the end of the reporting period. When the fair value less costs to sell is lower than the foreclosed asset's carrying amount, an impairment loss is recognised in profit or loss.

Any gain or loss arising from the disposal of the foreclosed asset is included in profit or loss in the period in which the item is disposed.

A foreclosed asset used by the Group is transferred to property and equipment at net carrying amount.

15. Cash and cash equivalents

Cash and cash equivalents refer to short term highly liquid assets, which are readily convertible into known amounts of cash and subject to an insignificant risk of changes in value.

16. Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessor

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised as an expense on a straight-line basis over the lease term.

A. FINANCIAL INFORMATION (continued)

(Amounts in millions of Renminbi, unless otherwise stated)

IV. SIGNIFICANT ACCOUNTING POLICIES (continued)

16. Leasing (continued)

The Group as lessee

Operating lease payments are recognised as an expense on a straight-line basis over the term of the relevant lease. Benefits received and receivable as an incentive to enter into an operating lease are recognised as a reduction of rental expense over the lease term on a straight-line basis.

Leasehold land and building

The land and building elements of a lease of land and building are considered separately for the purpose of lease classification, unless the lease payments cannot be allocated reliably between the land and building elements, in which case, the entire lease is generally treated as a finance lease and accounted for as property and equipment. To the extent the allocation of the lease payments can be made reliably, leasehold interests in land (i.e. land use rights) are accounted for as operating leases and amortised over the lease term on a straight-line basis.

17. Intangible assets

Intangible assets acquired separately and with finite useful lives are carried at costs less accumulated amortisation and any accumulated impairment loss. Amortisation for intangible assets with finite useful lives is provided on a straight-line basis over their estimated useful lives.

18. Impairment of tangible and intangible assets

At the end of the reporting period, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

A. FINANCIAL INFORMATION (continued)

(Amounts in millions of Renminbi, unless otherwise stated)

IV. SIGNIFICANT ACCOUNTING POLICIES (continued)

18. Impairment of tangible and intangible assets (continued)

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised as income immediately.

19. Provision

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle that obligation, and a reliable estimate can be made of the amount of the obligation.

Provisions are measured at the best estimate of the consideration required to settle the present obligation at the end of each reporting period, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

20. Fiduciary activities

The Group acts as a custodian, trustee or in other fiduciary capacities to manage assets for customers in accordance with custody agreements between the Group and securities investment funds, social security funds, insurance companies, qualified foreign institutional investors, annuity schemes and other institutions. The Group receives fees in return for its services provided under the custody agreements and does not take up any risks and rewards related to assets under custody. Therefore, assets under custody are not recognised in the Group's consolidated statements of financial position.

The Group conducts entrusted lending arrangements for its customers. Under the terms of entrusted loan arrangements, the Group grants loans to borrowers, as an intermediary, according to the instruction of its customers who are the lenders providing the entrusted loans. The Group is responsible for the arrangement and collection of the entrusted loans and receives a commission for the services rendered. As the Group does not assume the risks and rewards of the entrusted loans and the funding for the corresponding entrusted funds, they are not recognised as assets and liabilities of the Group.

V. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in Note IV, the management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

A. FINANCIAL INFORMATION (continued)

(Amounts in millions of Renminbi, unless otherwise stated)

V. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (continued)

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The following are the critical judgements and key estimation uncertainty that the management have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the Financial Information and/or in the next financial year.

Impairment losses on loans and advances to customers

The Group reviews its loan portfolio to assess impairment on a periodic basis. In determining whether an impairment loss should be recognised in profit or loss, the Group makes judgments as to whether there is any observable data indicating that there is an objective evidence of impairment which will have a measurable decrease in the estimated future cash flows from a portfolio of loans and advances. When the decrease may not have been identified individually or the individual loan is not significant, management uses estimates based on historical loss experience on a collective basis with similar credit risk characteristics to assess the impairment loss while estimating expected future cash flows. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

Fair value of derivatives and other financial instruments

The Group uses valuation technique for financial instruments which are not quoted in an active market. Valuation techniques include the use of discounted cash flows analysis, option pricing models or other valuation methods as appropriate. To the extent practical, models use only observable data, however areas such as credit risk of the Bank and the counterparty, volatilities and correlations require management to make estimates. Changes in assumptions about these factors could affect the estimated fair value of financial instruments.

Held-to-maturity investments

The Group classifies non-derivative financial assets with fixed or determinable payments and fixed maturity that the Group's management has the positive intention and ability to hold to maturity as held-to-maturity investments. This classification requires significant judgement. In making this judgement, the Group evaluates its intention and ability to hold such investments to maturity. If the Group fails to hold these investments to maturity other than for specific circumstances (such as selling an insignificant amount close to maturity), it will be required to reclassify the entire portfolio of held-to-maturity investments as available-for-sale financial assets.

A. FINANCIAL INFORMATION (continued)

(Amounts in millions of Renminbi, unless otherwise stated)

V. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (continued)

Impairment of held-to-maturity investments

The determination of whether a held-to-maturity financial asset is impaired requires significant judgement. Objective evidence that a financial asset or group of assets is impaired includes a breach of contract, such as a default or delinquency in interest or principal payments or the disappearance of an active market for that financial asset because of significant financial difficulty of the issuer, etc. In making such judgement, the impact of objective evidence for impairment on expected future cash flows of the investment is taken into account.

Impairment of available-for-sale financial assets

The determination of whether an available-for-sale financial asset is impaired requires significant judgement. In making this judgement, the Group evaluates the duration and extent to which the fair value of an investment is less than its cost; and the financial health of and near-term business outlook for the investee, including factors such as industry and sector performance, credit ratings, delinquency rates and counterparty risk.

Taxes

There are certain transactions and activities for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially estimated, such differences will impact the current income tax and deferred income tax in the period during which such a determination is made.

Employee early retirement benefits obligations

The Group recognises liabilities in connection with early retirement benefits of employees in Domestic Institutions using the projected unit credit actuarial cost method based on various assumptions, including the discount rate, average medical expense increase rate, cost of living adjustment for early retirements and other factors. Actual results may differ from the result of the projected amount. Any difference between the actual result or changes in assumptions may affect the amount of expense recognised in the consolidated statements of financial position and the corresponding liability.

Provision

The Group uses judgment to assess whether the Group has a present legal or constructive obligation as a result of past events at the end of each reporting period, and judgement is used to determine if it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and to determine a reliable estimate of the amount of the obligation. When making such judgement, the Group considers risks and uncertainty attached to the event and time value.

A. FINANCIAL INFORMATION (continued)

(Amounts in millions of Renminbi, unless otherwise stated)

VI. NOTES TO FINANCIAL INFORMATION

1. Net interest income

	Note	Year ended 31 December 2007	2008	2009
Interest income				
Loans and advances to customers		184,393	216,320	195,717
Including: Corporate loans and advances		148,723	172,407	154,836
Personal loans and advances		24,692	33,220	31,804
Discounted bills		10,978	10,693	9,077
Debt securities classified as receivables	(1)	10,251	33,509	28,457
Held-to-maturity investments		17,349	23,338	24,469
Available-for-sale financial assets		18,940	21,412	21,796
Balances with central banks		12,274	18,683	18,611
Financial assets held under resale agreements		3,447	5,366	5,877
Placements with banks and other financial institutions		2,312	1,928	576
Financial assets held for trading		211	520	447
Financial assets designated as at fair value through profit or loss		305	200	121
Deposits with banks and other financial institutions		553	579	76
Subtotal		250,035	321,855	296,147
Interest expense				
Due to customers		(77,564)	(111,815)	(103,251)
Deposits from banks and other financial institutions		(5,586)	(7,546)	(8,700)
Financial assets sold under repurchase agreements		(1,012)	(1,070)	(1,048)
Placements from banks and other financial institutions		(1,093)	(973)	(320)
Financial liabilities designated as at fair value through profit or loss		(528)	(395)	(29)
Debt securities issued		(64)	(51)	(1,159)
Borrowings from central bank		(5)	(2)	(1)
Subtotal		(85,852)	(121,852)	(114,508)
Net interest income		164,183	200,003	181,639
Included within interest income is interest income accrued on impaired financial assets		5,957	2,171	1,788

(1) Included in interest income on debt securities classified as receivables is interest on the special government bond amounted to RMB6,718 million and RMB6,158 million for the years ended 31 December 2007 and 2008, respectively (Note VI. 5).

A. FINANCIAL INFORMATION (continued)

(Amounts in millions of Renminbi, unless otherwise stated)

VI. NOTES TO FINANCIAL INFORMATION (continued)

2. Net fee and commission income

	Year ended 31 December		
	2007	2008	2009
Fee and commission income			
Settlement and clearing fees	8,997	10,757	12,207
Agency commissions	8,536	5,484	10,737
Bank card fees	3,083	3,824	4,821
Consultancy and advisory fees	396	1,573	6,566
Credit commitment fees	577	829	772
Electronic banking services fees	360	728	1,221
Custodian and other fiduciary service fees	690	632	761
Others	1,282	967	200
Subtotal	23,921	24,794	37,285
Fee and commission expense			
Bank card fees	(366)	(488)	(487)
Settlement and clearing fees	(116)	(243)	(566)
Other service fees	(444)	(265)	(592)
Subtotal	(926)	(996)	(1,645)
Total	22,995	23,798	35,640

3. Net trading gain/(loss)

	Year ended 31 December		
	2007	2008	2009
Net gain/(loss) on exchange rate derivatives	3,162	71	(463)
Net (loss)/gain on interest rate derivatives	(25)	(1,801)	1,253
Net (loss)/gain on held-for-trading debt securities	(153)	845	(466)
Others	(16)	(10)	120
Total	2,968	(895)	444

4. Net (loss)/gain on financial instruments designated as at fair value through profit or loss

	Year ended 31 December		
	2007	2008	2009
Net (loss)/gain on debt securities	(95)	(578)	147
Net (loss)/gain on financial guarantee contracts	(980)	(2,867)	1,858
Others	(169)	(158)	47
Total	(1,244)	(3,603)	2,052

A. FINANCIAL INFORMATION (continued)

(Amounts in millions of Renminbi, unless otherwise stated)

VI. NOTES TO FINANCIAL INFORMATION (continued)

5. Other operating (expense)/income, net

	Note	Year ended 31 December 2007	2008	2009
Net gain on disposal of property and equipment		3,044	1,147	555
Rental income		314	283	237
Net foreign exchange (loss)/gain		(3,786)	(2,913)	1,877
Special levy to the MOF	(1)	(6,718)	(6,158)	—
Others		1,662	2,030	1,366
Total		(5,484)	(5,611)	4,035

(1) On 18 August 1998, the MOF issued a special government bond with a par value of RMB93,300 million to the Bank (Note VI.21). This special government bond was issued with a tenor of 30 years and an annual coupon interest rate of 7.2%. Interest on the special government bond amounted to RMB6,718 million and RMB6,158 million for the years ended 31 December 2007 and 2008, respectively (Note VI.1) was accrued and offset by the amount payable under a levy to the MOF. Pursuant to *the MOF's Notice on Interest Payment of Special Government Bond Issued in 1998 to Agricultural Bank of China (Caijin [2009] No. 9)*, the special government bond was restructured, among other things, to reduce the annual coupon interest rate from 7.2% to 2.25%, the rate established by the PRC Government for large-scale policy directed financing transactions, and to reinstate cash interest payments from 1 December 2008. On the same date, the levy previously imposed by the MOF was ceased. This restructuring was accounted for as de-recognition of the original special government bond yielding 7.2% and recognition of a restructured special government bond yielding 2.25%, with a remaining maturity equal to that of the original special government bond.

6. Operating expenses

	Note	Year ended 31 December 2007	2008	2009
Staff costs	(1)	31,171	57,776	55,765
General operating and administrative expenses		21,090	25,218	29,283
Business tax and surcharges		11,140	13,223	12,567
Depreciation and amortisation		7,815	11,423	10,775
Others		3,404	2,535	1,177
Total		74,620	110,175	109,567

Included in general operating and administrative expenses is auditor's remuneration of RMB48 million, RMB109 million, and RMB119 million for each of the years ended 31 December 2007, 2008 and 2009 respectively.

A. FINANCIAL INFORMATION (continued)

(Amounts in millions of Renminbi, unless otherwise stated)

VI. NOTES TO FINANCIAL INFORMATION (continued)

6. Operating expenses (continued)

(1) Staff costs

	Year ended 31 December		
	2007	2008	2009
Salaries, bonuses and allowances	24,301	31,648	35,734
Social insurance	4,713	6,024	9,592
Housing funds	2,577	3,049	3,710
Labour union fee and staff education expenses	1,067	1,466	1,601
Supplementary retirement benefits	(4,300)	8,935	—
Early retirement benefits	(552)	2,685	780
Others	3,365	3,969	4,348
Total	31,171	57,776	55,765

7. Emoluments of directors, supervisors and senior management

(1) Details of the directors' and supervisors' emoluments are as follows (in thousands of RMB):

	Year ended 31 December 2009				
Item	Fees	Basic salaries, allowance and benefits in kind	Contribution to pension schemes	Bonus	Total
Executive directors					
Xiang Junbo	—	674	46	—	720
Zhang Yun	—	612	38	—	650
Yang Kun	—	576	38	—	614
Luo Xi (resigned on 21 December 2009)	—	576	38	—	614
Independent non-executive directors					
John Dexter Langlois	426	—	—	—	426
Anthony Wu Ting-yuk	368	—	—	—	368
Qiu Dong	426	—	—	—	426
Non-executive directors					
Zhang Guoming	—	—	—	—	—
Xin Baorong	—	—	—	—	—
Shen Bingxi	—	—	—	—	—
Lin Damao	—	—	—	—	—
Yuan Linjiang	—	—	—	—	—
Cheng Fengchao	—	—	—	—	—
Supervisors					
Che Yingxin	—	545	35	—	580
Pan Xiaojiang	—	377	26	—	403
Wang Yurui	—	377	26	—	403
Wang Xingchun	—	404	20	—	424
Jia Xiangsen	—	385	36	—	421
Total	1,220	4,526	303	—	6,049

The Bank first appointed directors and supervisors on 15 January, 2009. Accordingly, prior to that date, there were no directors' and supervisors' emoluments.

A. FINANCIAL INFORMATION (continued)

(Amounts in millions of Renminbi, unless otherwise stated)

VI. NOTES TO FINANCIAL INFORMATION (continued)

7. Emoluments of directors, supervisors and senior management (continued)

(2) Five highest paid individuals (in thousands of RMB)

The emoluments payable to the five individuals whose emoluments were the highest in the Group for the years ended 31 December 2007, 2008 and 2009 respectively are as follows:

	Year ended 31 December		
	2007	2008	2009
Basic salaries and allowances	6,305	5,836	3,014
Discretionary bonuses	—	—	—
Contributions to pension schemes	186	219	198
Total	6,491	6,055	3,212

Amongst the five highest paid individuals in 2009, four of them are directors.

(3) Emoluments of the individuals were within the following bands:

	Year ended 31 December		
	2007	2008	2009
HK$ nil to 1,000,000	—	—	5
HK$1,000,001 to 1,500,000	5	5	—

During the Relevant Periods, no emolument was paid by the Group to any of the directors, supervisors or the five highest paid individuals (including directors and employees) as an inducement to join or upon joining the Group or as compensation for loss of office. None of the directors or supervisors waived any emoluments during the Relevant Periods.

8. Impairment losses on assets

		Year ended 31 December		
	Note	2007	2008	2009
Loans and advances to customers		21,115	39,858	44,289
Available-for-sale financial assets	(1)	9,635	10,062	(4,427)
Held-to-maturity investments		364	(61)	(1)
Debt securities classified as receivables		(615)	(13)	—
Property and equipment		25	402	222
Deposits with banks and other financial institutions		—	3	(3)
Placements with banks and other financial institutions		—	4	4
Other assets		50	1,223	58
Total		30,574	51,478	40,142

(1) The impairment losses on available-for-sale financial assets are related to available-for-sale debt securities.

A. FINANCIAL INFORMATION (continued)

(Amounts in millions of Renminbi, unless otherwise stated)

VI. NOTES TO FINANCIAL INFORMATION (continued)

9. Income tax expense

	Note	Year ended 31 December 2007	2008	2009
Income tax expense comprises:				
Current income tax				
—PRC Enterprise Income Tax		24,819	14,876	7,136
—Hong Kong Profits Tax		32	31	60
Subtotal		24,851	14,907	7,196
Deferred tax (Note VI. 35)				
—Current year		6,762	(14,011)	1,730
—Attributable to a change in tax rate	(4)	2,857	—	—
Subtotal		9,619	(14,011)	1,730
Total		34,470	896	8,926

The tax charges for the year can be reconciled to the profit per the consolidated income statements as follows:

	Notes	Year ended 31 December 2007	2008	2009
Profit before tax		78,257	52,349	73,928
Tax calculated at applicable statutory tax rate of 33%, 25%, and 25%		25,825	13,087	18,482
Tax effect of expenses not deductible for tax purpose	(1)	10,179	636	(701)
Tax effect of income not taxable for the tax purpose	(2)	(4,360)	(4,187)	(4,220)
Effect of tax exemptions	(3)	—	(8,624)	(4,603)
Effect of different tax rates on Overseas Institutions		(31)	(16)	(32)
Effect of change in tax rate	(4)	2,857	—	—
Income tax expense		34,470	896	8,926

(1) Item represents tax effects of assets written off in relation to prior years which were subjected to approval by local tax authorities, were subsequently approved in 2009 amounted to RMB2,154 million, and non tax deductible expenses incurred in 2009 amounted to RMB1,453 million.

(2) Income not taxable for the tax purpose represents interest income from treasury bonds.

(3) Reduction and exemption of income tax arising from the Restructuring Plan

(i) Pursuant to the Restructuring Plan and the State Administration of Tax Notification ("SAT")'s *Notice With Respect to Issues Concerning Income Tax Arising from the Restructuring of Agriculture Bank of China (Guo Shui Han [2009]374)*, a special tax exemption was granted in 2009 taking into account the tax effect of interest payable which were not subject to any tax deduction in prior years.

(ii) Pursuant to the Restructuring Plan the MOF and the SAT's *Notice With Respect to Income Tax Issues Arising from Restructuring of Agricultural Bank of China (Cai Shui [2010]39)*, the distributable profit of RMB34,497 million in 2008, which was subsequently recapitalised in accordance with the Restructuring Plan, is exempted from income tax.

(4) According to the "Corporate Income Tax Law of the PRC" approved by the National People's Congress on 16 March 2007, starting from 1 January 2008, the domestic corporate income tax rate decreased from 33% to 25%. The deferred tax expense for the year 2007 increased by RMB2,857 million as a result of the change in tax rate.

(5) According to the SAT's *Notice With Respect to Income Tax Issues Concerning Revaluation Surplus Arising From the Restructuring of Agricultural Bank of China (Guo Shui Han [2009]301)*, no income tax will be levied on the revaluation of assets amounted to RMB50,992 million. The depreciation and amortisation relating to the revalued assets are tax deductible for income tax purpose.

A. FINANCIAL INFORMATION (continued)

(Amounts in millions of Renminbi, unless otherwise stated)

VI. NOTES TO FINANCIAL INFORMATION (continued)

10. Earnings per share

The calculation of basic earnings per share is as follows:

	Year ended 31 December		
	2007	2008	2009
Earnings:			
Profit for the year attributable to equity holders of the Bank	43,787	51,474	64,992
Numbers of shares:			
Weighted average number of shares in issue (million)	N/A	N/A	260,000
Basic earnings per share (RMB yuan)	N/A	N/A	0.25

There was no potential ordinary share outstanding during the Relevant Periods. Accordingly, no diluted earnings per share was presented.

11. Cash and balances with central banks

Group

	Notes	As at 31 December		
		2007	2008	2009
Cash		43,499	44,168	48,896
Mandatory reserve deposits with central banks	(1)	761,639	936,813	1,137,696
Surplus reserve deposits with central bank	(2)	90,677	120,131	103,893
Other deposits with central banks	(3)	41,199	44,772	227,321
Total		937,014	1,145,884	1,517,806

Bank

		As at 31 December		
		2007	2008	2009
Cash		43,406	44,010	48,895
Mandatory reserve deposits with central banks	(1)	761,639	936,813	1,137,653
Surplus reserve deposits with central bank	(2)	90,677	120,131	103,893
Other deposits with central banks	(3)	41,199	44,772	227,321
Total		936,921	1,145,726	1,517,762

(1) The Group places mandatory reserve deposits mainly with the PBOC. These include RMB reserve deposits and foreign currency reserve deposits. These mandatory reserve deposits are not available for the Group's daily operations. As at 31 December 2007, 2008, and 2009, mandatory reserve deposits with the PBOC were calculated at 15%, 15.5% and 15.5% of eligible RMB deposits, and 5% of foreign currency deposits from customers respectively. Mandatory reserve deposits placed with the central bank of other country are determined by the local regulator and are non-interest bearing. The foreign currency reserve deposits placed with the PBOC are non-interest bearing.

(2) The surplus reserve deposits are maintained with the PBOC mainly for the purpose of clearing.

(3) This mainly represents fixed deposit and fiscal deposits placed with the PBOC. The fiscal deposits placed with the PBOC are non-interest bearing.

(4) Except as specifically disclosed, all other deposits with the PBOC are interest bearing at prevailing PBOC rates.

A. FINANCIAL INFORMATION (continued)

(Amounts in millions of Renminbi, unless otherwise stated)

VI. NOTES TO FINANCIAL INFORMATION (continued)

12. Deposits with banks and other financial institutions

Group

	As at 31 December		
	2007	2008	2009
Deposits with:			
Domestic banks	11,086	42,537	22,476
Other domestic financial institutions	412	137	357
Overseas banks	4,934	18,736	38,860
Other overseas financial institutions	—	1,261	—
	16,432	62,671	61,693
Allowance for impairment losses	—	(3)	—
Total	16,432	62,668	61,693

Bank

	As at 31 December		
	2007	2008	2009
Deposits with:			
Domestic banks	11,086	42,461	22,307
Other domestic financial institutions	412	137	357
Overseas banks	4,600	17,997	38,621
Other overseas financial institutions	—	1,261	—
	16,098	61,856	61,285
Allowance for impairment losses	—	(3)	—
Total	16,098	61,853	61,285

As at 31 December 2007, the Group had no deposits of restricted use.

As at 31 December 2008, the Group pledged deposits with overseas banks amounting to RMB5,848 million for the purpose of carrying out financial derivative operations.

As at 31 December 2009, the Group pledged deposits with China Foreign Exchange Trade System (CFETS) amounting to RMB81 million as guarantee deposits.

A. FINANCIAL INFORMATION (continued)

(Amounts in millions of Renminbi, unless otherwise stated)

VI. NOTES TO FINANCIAL INFORMATION (continued)

13. Placements with banks and other financial institutions

Group

	As at 31 December		
	2007	2008	2009
Placements with:			
Domestic banks	17,394	18,777	11,991
Other domestic financial institutions	400	2,700	7,940
Overseas banks	34,712	23,014	29,520
Other overseas financial institutions	—	—	—
	52,506	44,491	49,451
Allowance for impairment losses	(8)	(12)	(16)
Total	52,498	44,479	49,435

Bank

	As at 31 December		
	2007	2008	2009
Placements with:			
Domestic banks	17,394	18,777	11,991
Other domestic financial institutions	400	2,700	7,940
Overseas banks	34,712	23,014	29,520
Other overseas financial institutions	—	221	—
	52,506	44,712	49,451
Allowance for impairment losses	(8)	(12)	(16)
Total	52,498	44,700	49,435

14. Financial assets held for trading

Group and Bank

	Note	As at 31 December		
		2007	2008	2009
Trading debt securities issued by:				
Governments		2,886	11,531	8,858
Public sector and quasi-governments		2,036	5,428	3,596
Financial institutions		713	511	311
Corporations		2,705	2,218	2,581
Total		8,340	19,688	15,346
Analysed as:				
Listed in Hong Kong		—	—	—
Listed outside Hong Kong	(1)	8,340	19,688	15,346
Unlisted		—	—	—
Total		8,340	19,688	15,346

(1) Debt securities traded on the China Domestic Interbank Bond Market are included in "Listed outside Hong Kong".

A. FINANCIAL INFORMATION (continued)

(Amounts in millions of Renminbi, unless otherwise stated)

VI. NOTES TO FINANCIAL INFORMATION (continued)

15. Financial assets designated as at fair value through profit or loss

Group

	Note	As at 31 December 2007	2008	2009
Designated debt securities issued by:				
Governments		891	8,275	9,531
Public sector and quasi-governments		114	105	21,024
Financial institutions		5,411	3,607	5,934
Corporations		230	632	6,216
Financial guarantee contracts		9	46	21
Credit notes issued by trust companies		2,210	7,664	53,784
Others		—	—	320
Total		8,865	20,329	96,830
Analysed as:				
Listed in Hong Kong		167	154	85
Listed outside Hong Kong	(1)	2,950	10,214	38,960
Unlisted		5,748	9,961	57,785
Total		8,865	20,329	96,830

Bank

	As at 31 December 2007	2008	2009
Designated debt securities issued by:			
Governments	891	8,275	9,531
Public sector and quasi-governments	114	105	21,024
Financial institutions	5,411	3,542	5,934
Corporations	230	632	6,216
Financial guarantee contracts	9	46	21
Credit notes issued by trust companies	2,210	7,664	53,784
Others	—	—	320
Total	8,865	20,264	96,830
Analysed as:			
Listed in Hong Kong	167	154	85
Listed outside Hong Kong (1)	2,950	10,214	38,960
Unlisted	5,748	9,896	57,785
Total	8,865	20,264	96,830

(1) Debt securities traded on the China Domestic Interbank Bond Market are included in "Listed outside Hong Kong".

A. FINANCIAL INFORMATION (continued)

(Amounts in millions of Renminbi, unless otherwise stated)

VI. NOTES TO FINANCIAL INFORMATION (continued)

16. Financial assets held under resale agreements

Group and Bank

	As at 31 December		
	2007	2008	2009
Analysed by collateral type:			
Bonds	104,029	210,477	298,321
Bills	37,689	32,700	117,113
Loans and advances to customers	3,130	3,193	5,659
Total	144,848	246,370	421,093

17. Derivative financial assets/(liabilities)

The Group enters into foreign currency exchange rate, interest rate and precious metals related derivative financial instruments for purposes of trading, asset and liability management and customer driven business.

The contractual/notional amounts and fair values of derivative instruments held by the Group are set out in the following tables. The contractual/notional amounts of financial instruments provide a basis for comparison with fair value of instruments recognised on the statements of financial position but do not necessarily indicate the amounts of future cash flows involved or the current fair value of the instruments and, therefore, do not indicate the Group's exposure to credit or market risks. The derivative instruments become favourable (assets) or unfavourable (liabilities) as a result of fluctuations in market interest rates or foreign exchange rates or commodity prices relative to their terms. The aggregate fair values of derivative financial assets and liabilities can fluctuate significantly from time to time.

Group and Bank

	As at 31 December 2007		
	Contractual/ notional amount	Fair value	
		Assets	Liabilities
Exchange rate derivatives			
Currency forwards	140,835	2,013	(3,696)
Currency swaps	95,212	1,768	(913)
Cross-currency interest rate swaps	64,668	5,207	(1,160)
Currency options	292	1	(1)
Subtotal		8,989	(5,770)
Interest rate derivatives			
Interest rate swaps	140,062	1,218	(1,422)
Other interest rate derivatives	730	—	(102)
Subtotal		1,218	(1,524)
Total derivatives financial assets/(liabilities)		10,207	(7,294)

A. FINANCIAL INFORMATION (continued)

(Amounts in millions of Renminbi, unless otherwise stated)

VI. NOTES TO FINANCIAL INFORMATION (continued)

17. Derivative financial assets/(liabilities) (continued)

Group and Bank (continued)

	As at 31 December 2008		
	Contractual/ notional amount	Fair value	
		Assets	Liabilities
Exchange rate derivatives			
Currency forwards	103,294	2,565	(2,872)
Currency swaps	98,730	777	(1,448)
Cross-currency interest rate swaps	13,429	1,384	(2,482)
Currency options	6	1	(1)
Subtotal		4,727	(6,803)
Interest rate derivatives			
Interest rate swaps	104,456	2,386	(4,599)
Other interest rate derivatives	1,094	38	(132)
Subtotal		2,424	(4,731)
Total derivatives financial assets/(liabilities)		7,151	(11,534)

	As at 31 December 2009		
	Contractual/ notional amount	Fair value	
		Assets	Liabilities
Exchange rate derivatives			
Currency forwards	110,467	1,546	(2,271)
Currency swaps	100,550	411	(374)
Cross-currency interest rate swaps	12,503	1,729	(3,140)
Currency options	81	2	(1)
Subtotal		3,688	(5,786)
Interest rate derivatives			
Interest rate swaps	113,644	932	(1,864)
Other interest rate derivatives	751	—	(15)
Subtotal		932	(1,879)
Other derivatives	1,008	58	(25)
Total derivatives financial assets/(liabilities)		4,678	(7,690)

A. FINANCIAL INFORMATION (continued)

(Amounts in millions of Renminbi, unless otherwise stated)

VI. NOTES TO FINANCIAL INFORMATION (continued)

18. Loans and advances to customers

(1) Analysis of loans and advances to customers

Group

	As at 31 December		
	2007	2008	2009
Corporate loans and advances			
Loans and advances	2,777,346	2,377,556	2,994,794
Discounted bills	205,631	258,098	353,937
Subtotal	2,982,977	2,635,654	3,348,731
Personal loans and advances			
Residential mortgages	298,858	319,505	497,950
Credit cards	4,417	7,901	14,118
Others	187,922	137,099	277,388
Subtotal	491,197	464,505	789,456
Gross loans and advances	3,474,174	3,100,159	4,138,187
Individually assessed	(668,130)	(43,141)	(55,596)
Collectively assessed	(96,852)	(42,034)	(71,096)
Allowance for impairment losses	(764,982)	(85,175)	(126,692)
Loans and advances to customers	2,709,192	3,014,984	4,011,495

Bank

	As at 31 December		
	2007	2008	2009
Corporate loans and advances			
Loans and advances	2,777,346	2,377,556	2,994,794
Discounted bills	205,631	258,098	353,937
Subtotal	2,982,977	2,635,654	3,348,731
Personal loans and advances			
Residential mortgages	298,858	319,505	497,950
Credit cards	4,417	7,901	14,118
Others	187,922	137,066	277,278
Subtotal	491,197	464,472	789,346
Gross loans and advances	3,474,174	3,100,126	4,138,077
Individually assessed	(668,130)	(43,141)	(55,596)
Collectively assessed	(96,852)	(42,034)	(71,095)
Allowance for impairment losses	(764,982)	(85,175)	(126,691)
Loans and advances to customers	2,709,192	3,014,951	4,011,386

A. FINANCIAL INFORMATION (continued)

(Amounts in millions of Renminbi, unless otherwise stated)

VI. NOTES TO FINANCIAL INFORMATION (continued)

18. Loans and advances to customers (continued)

(2) Analysis of loans and advances to customers by collective and individual assessments

Group

	Loans and advances for which allowance is collectively assessed (A)	Identified impaired loans and advances (B)			Total	Identified impaired gross loans and advances as a % of gross total loans and advances
		For which allowance is collectively assessed	For which allowance is individually assessed	Sub-total		
At 31 December 2007						
Gross loans and advances	2,655,321	68,864	749,989	818,853	3,474,174	23.57
Allowance for impairment losses	(33,503)	(63,349)	(668,130)	(731,479)	(764,982)	
Loans and advances to customers	2,621,818	5,515	81,859	87,374	2,709,192	
At 31 December 2008						
Gross loans and advances	2,966,092	10,323	123,744	134,067	3,100,159	4.32
Allowance for impairment losses	(37,815)	(4,219)	(43,141)	(47,360)	(85,175)	
Loans and advances to customers	2,928,277	6,104	80,603	86,707	3,014,984	
At 31 December 2009						
Gross loans and advances	4,017,946	11,072	109,169	120,241	4,138,187	2.91
Allowance for impairment losses	(66,057)	(5,039)	(55,596)	(60,635)	(126,692)	
Loans and advances to customers	3,951,889	6,033	53,573	59,606	4,011,495	

A. FINANCIAL INFORMATION (continued)

(Amounts in millions of Renminbi, unless otherwise stated)

VI. NOTES TO FINANCIAL INFORMATION (continued)

18. Loans and advances to customers (continued)

(2) Analysis of loans and advances to customers by collective and individual assessments (continued)

Bank

	Loans and advances for which allowance is collectively assessed (A)	Identified impaired loans and advances (B)			Total	Identified impaired gross loans and advances as a % of gross total loans and advances
		For which allowance is collectively assessed	For which allowance is individually assessed	Sub-total		
At 31 December 2007						
Gross loans and advances	2,655,321	68,864	749,989	818,853	3,474,174	23.57
Allowance for impairment losses	(33,503)	(63,349)	(668,130)	(731,479)	(764,982)	
Loans and advances to customers	2,621,818	5,515	81,859	87,374	2,709,192	
At 31 December 2008						
Gross loans and advances	2,966,059	10,323	123,744	134,067	3,100,126	4.32
Allowance for impairment losses	(37,815)	(4,219)	(43,141)	(47,360)	(85,175)	
Loans and advances to customers	2,928,244	6,104	80,603	86,707	3,014,951	
At 31 December 2009						
Gross loans and advances	4,017,836	11,072	109,169	120,241	4,138,077	2.91
Allowance for impairment losses	(66,056)	(5,039)	(55,596)	(60,635)	(126,691)	
Loans and advances to customers	3,951,780	6,033	53,573	59,606	4,011,386	

(A) Loans and advances for which allowance is collectively assessed consist of loans and advances which have not been specifically identified as impaired.

(B) Identified gross impaired loans and advances include loans for which objective evidence of impairment exists and which have been identified as bearing an impairment loss and assessed either individually or collectively.

A. FINANCIAL INFORMATION (continued)

(Amounts in millions of Renminbi, unless otherwise stated)

VI. NOTES TO FINANCIAL INFORMATION (continued)

18. Loans and advances to customers (continued)

(3) Movements of allowance for impairment losses on loans and advances to customers

Group and Bank

	2007		
	Individually assessed allowance	Collectively assessed allowance	Total
As at 1 January	662,318	92,358	754,676
Net additions	15,941	5,174	21,115
Written off	(3,327)	(137)	(3,464)
Recovery of loans and advances written off in previous years	7	14	21
Unwinding of discount on allowance	(5,403)	(554)	(5,957)
Transfer to foreclosed assets	(274)	—	(274)
Exchange difference	(1,132)	(3)	(1,135)
As at 31 December	668,130	96,852	764,982

		2008		
		Individually assessed allowance	Collectively assessed allowance	Total
As at 1 January		668,130	96,852	764,982
Net additions		32,783	7,075	39,858
Written off		(29)	—	(29)
Recovery of loans and advances written off in previous years		13	9	22
Unwinding of discount on allowance		(1,901)	(159)	(2,060)
Reversal upon disposal of non- performing loans and advances	II.1	(655,825)	(61,706)	(717,531)
Transfer to foreclosed assets		(4)	(3)	(7)
Exchange difference		(26)	(34)	(60)
As at 31 December		43,141	42,034	85,175

A. FINANCIAL INFORMATION (continued)

(Amounts in millions of Renminbi, unless otherwise stated)

VI. NOTES TO FINANCIAL INFORMATION (continued)

18. Loans and advances to customers (continued)

(3) Movements of allowance for impairment losses on loans and advances to customers (continued)

Group

	2009		
	Individually assessed allowance	Collectively assessed allowance	Total
As at 1 January	43,141	42,034	85,175
Net additions	15,025	29,264	44,289
Written off	(1,036)	(34)	(1,070)
Recovery of loans and advances written off in previous years	20	6	26
Unwinding of discount on allowance	(1,551)	(173)	(1,724)
Exchange difference	(3)	(1)	(4)
As at 31 December	55,596	71,096	126,692

Bank

	2009		
	Individually assessed allowance	Collectively assessed allowance	Total
As at 1 January	43,141	42,034	85,175
Net additions	15,025	29,263	44,288
Written off	(1,036)	(34)	(1,070)
Recovery of loans and advances written off in previous years	20	6	26
Unwinding of discount on allowance	(1,551)	(173)	(1,724)
Exchange difference	(3)	(1)	(4)
As at 31 December	55,596	71,095	126,691

A. FINANCIAL INFORMATION (continued)

(Amounts in millions of Renminbi, unless otherwise stated)

VI. NOTES TO FINANCIAL INFORMATION (continued)

19. Available-for-sale financial assets

Group and Bank

	Note	As at 31 December 2007	2008	2009
Debt securities issued by:				
Governments		354,270	588,386	476,700
Public sector and quasi-governments		116,386	155,153	159,215
Financial institutions		43,545	30,054	23,267
Corporations		13,885	26,054	70,713
Subtotal		528,086	799,647	729,895
Equity instruments		1,257	558	487
Total		529,343	800,205	730,382
Analysed as:				
Listed in Hong Kong		1,729	1,954	1,886
Listed outside Hong Kong	(1)	525,108	796,477	726,600
Unlisted		2,506	1,774	1,896
Total		529,343	800,205	730,382

20. Held-to-maturity investments

Group and Bank

	Note	As at 31 December 2007	2008	2009
Debt securities issued by:				
Governments		287,953	330,239	536,566
Public sector and quasi-governments		231,644	228,740	264,842
Financial institutions		11,351	12,302	42,342
Corporations		2,232	5,231	40,288
		533,180	576,512	884,038
Allowance for impairment losses		(364)	(189)	(123)
Total		532,816	576,323	883,915
Analysed as:				
Listed in Hong Kong		—	68	141
Listed outside Hong Kong	(1)	531,500	571,097	883,070
Unlisted		1,316	5,158	704
Total		532,816	576,323	883,915

(1) Debt securities traded on the China Domestic Interbank Bond market are included in "Listed outside Hong Kong".

A. FINANCIAL INFORMATION (continued)

(Amounts in millions of Renminbi, unless otherwise stated)

VI. NOTES TO FINANCIAL INFORMATION (continued)

21. Debt securities classified as receivables

Group and Bank

	Notes	As at 31 December 2007	2008	2009
Receivable from the MOF	(1)	—	665,093	635,539
Special Government Bond	(2)	93,300	93,300	93,300
Certificate treasury bonds		29,979	26,849	22,092
Savings treasury bonds		—	—	10,101
PBOC's designated bills	(3)	99,988	99,992	119,744
PBOC's special bills		112	112	112
Financial institution bonds		5,606	7,180	9,306
Corporate bonds		907	91	92
		229,892	892,617	890,286
Allowance for impairment losses		(149)	(85)	(87)
Total		229,743	892,532	890,199

(1) The receivable resulted from the disposal of non-performing assets to the MOF pursuant to the Restructuring Plan as set out in Note II.1. The amount is to be settled by the MOF in 15 years starting from 1 January 2008 at an interest of 3.3% per annum.

(2) The balance represents Special Government Bond issued by the MOF, with detailed terms set out in Note VI. 5.

(3) The Bank acquired the following bills from the PBOC:

				As at 31 December 2007	2008	2009
Issue date	Tenor	Interest rate per annum (%)	Face value	Carrying value	Carrying value	Carrying value
9 March 2007	3 years	3.07	21,000	20,999	20,999	20,999
11 May 2007	3 years	3.22	25,000	24,997	24,998	24,998
13 July 2007	3 years	3.60	19,000	18,997	18,998	18,997
17 August 2007	3 years	3.69	12,000	11,998	11,999	11,998
7 September 2007	3 years	3.71	23,000	22,997	22,998	22,997
15 September 2009	1 year	zero coupon bond	20,000	—	—	19,755
			120,000	99,988	99,992	119,744

The above bills cannot be transferred or pledged as collateral for borrowings without the approval of the PBOC.

22. Investments in subsidiaries

Bank

	As at 31 December 2007	2008	2009
Investment cost	838	1,091	1,795
Allowance for impairment losses	(651)	(659)	(659)
Investments in subsidiaries	187	432	1,136

A. FINANCIAL INFORMATION (continued)

(Amounts in millions of Renminbi, unless otherwise stated)

VI. NOTES TO FINANCIAL INFORMATION (continued)

22. Investments in subsidiaries (continued)

Bank (continued)

At 31 December 2009, details of the Bank's principal subsidiaries are set out below.

Name of entity		Date of incorporation/ establishment	Place of incorporation/ establishment	Authorised capital/ Paid-in capital	Proportion of equity interest (%)(6)	Proportion of voting power on the board of directors (%)	Principal activities
ABC International Holdings Limited	(1)	11 November 2009	Hong Kong	HKD800,000,000	100.00	100.00	Investment holding
China Agricultural Finance Co., Ltd.	(3)	1 November 1988	Hong Kong	HKD588,790,000	100.00	100.00	Investment holding
ABC-CA Fund Management Co., Ltd.	(4)	18 March 2008	Shanghai	RMB200,000,001	51.67	51.67	Fund Management
ABC Hexigten Rural Bank Limited Liability Company	(5)	12 August 2008	Inner Mongolia	RMB19,600,000	51.02	51.02	Banking
ABC Hubei Hanchuan Rural Bank Limited Liability Company	(2)	12 August 2008	Hubei	RMB20,000,000	50.00	66.67	Banking

(1) ABC International Holdings Limited was incorporated in Hong Kong by the Bank on 11 November 2009. ABC International Holdings Limited's authorised capital is HKD1,800,000,000. As at 31 December 2009, its paid-up share capital was HKD800,000,000.

(2) The Bank has appointed two of the three directors on the board of directors of ABC Hubei Hanchuan Rural Bank Limited Liability Company and is therefore able to control the financial and operating activities of ABC Hubei Hanchuan Rural Bank Limited Liability Company. The financial statements of ABC Hubei Hanchuan Rural Bank Limited Liability Company (set up in 2008) for the period ended 31 December 2008 and 2009 were audited by Hubei Tongxing CPA Limited Company.

(3) The financial statements of China Agricultural Finance Co., Ltd. for each of the three years ended 31 December 2007, 2008 and 2009 were audited by Deloitte Touche Tohmatsu.

(4) The financial statements of ABC-CA Fund Management Co., Ltd. (set up in 2008) for the period ended 31 December 2008 and year ended 31 December 2009 were audited by Deloitte Touche Tohmatsu CPA Ltd.

(5) The financial statements of ABC Hexigten Rural Bank Limited Liability Company (set up in 2008) for the period ended 31 December 2008 and year ended 31 December 2009 were audited by Hexigten Banner Tengyu associates CPAs.

(6) The Bank's holding of the equity interests in above subsidiaries remains unchanged during the Relevant Periods and up to the date of issuance of this Accountants' Report or since the respective date of incorporation/ establishment.

A. FINANCIAL INFORMATION (continued)

(Amounts in millions of Renminbi, unless otherwise stated)

VI. NOTES TO FINANCIAL INFORMATION (continued)

23. Interest in an associate

Group and Bank

	As at 31 December		
	2007	2008	2009
Investment cost	223	171	157
Allowance for impairment losses	—	(16)	(16)
Interest in an associate	223	155	141

Hunan Jinjian Cereals Industry Ltd., Co. (the "Jinjian") was registered in Hunan Province of the PRC. The registered capital of the entity is RMB544 million, and the principal activities of the entity comprise manufacturing, processing and selling of food, cooking oil and agricultural products. The Group held 26.82%, 22.33% and 20.62% of equity interest in Jinjian as at 31 December 2007, 2008 and 2009 respectively.

24. Property and equipment

Group

	Buildings	Electronic equipment, furniture & fixtures	Motor vehicles	Construction in progress	Total
Cost					
As at 1 January 2007	76,343	23,862	6,129	8,294	114,628
Additions	1,493	5,257	615	4,018	11,383
Transfers	5,696	286	30	(6,012)	—
Other transfer in	254	—	—	—	254
Disposals	(5,625)	(4,075)	(647)	(74)	(10,421)
As at 31 December 2007	78,161	25,330	6,127	6,226	115,844
Accumulated depreciation					
As at 1 January 2007	(20,646)	(12,854)	(4,209)	—	(37,709)
Provided for the year	(3,076)	(3,294)	(515)	—	(6,885)
Eliminated on disposals	2,221	3,325	620	—	6,166
As at 31 December 2007	(21,501)	(12,823)	(4,104)	—	(38,428)
Allowance for impairment losses					
As at 1 January 2007	(946)	(191)	(18)	(382)	(1,537)
Recognised in profit or loss	(25)	—	—	—	(25)
Eliminated on disposals	413	172	11	—	596
As at 31 December 2007	(558)	(19)	(7)	(382)	(966)
Carrying amount					
As at 1 January 2007	54,751	10,817	1,902	7,912	75,382
As at 31 December 2007	56,102	12,488	2,016	5,844	76,450

A. FINANCIAL INFORMATION (continued)

(Amounts in millions of Renminbi, unless otherwise stated)

VI. NOTES TO FINANCIAL INFORMATION (continued)

24. Property and equipment (continued)

Group (continued)

	Buildings	Electronic equipment, furniture & fixtures	Motor vehicles	Construction in progress	Total
Cost/deemed cost					
As at 1 January 2008	78,161	25,330	6,127	6,226	115,844
Effect of revaluation upon the financial restructuring	3,021	(13,314)	(3,209)	(288)	(13,790)
Additions	2,046	4,957	466	6,133	13,602
Transfers	3,346	578	17	(3,941)	—
Other transfer in	172	—	—	—	172
Disposals	(1,572)	(221)	(57)	(182)	(2,032)
As at 31 December 2008	85,174	17,330	3,344	7,948	113,796
Accumulated depreciation					
As at 1 January 2008	(21,501)	(12,823)	(4,104)	—	(38,428)
Eliminated on revaluation	21,501	12,823	4,104	—	38,428
Provided for the year	(4,286)	(4,117)	(1,418)	—	(9,821)
Eliminated on disposals	92	169	49	—	310
As at 31 December 2008	(4,194)	(3,948)	(1,369)	—	(9,511)
Allowance for impairment losses					
As at 1 January 2008	(558)	(19)	(7)	(382)	(966)
Eliminated on revaluation	558	19	7	382	966
Recognised in profit or loss	(318)	(13)	(3)	(68)	(402)
As at 31 December 2008	(318)	(13)	(3)	(68)	(402)
Carrying amount					
As at 1 January 2008	56,102	12,488	2,016	5,844	76,450
As at 31 December 2008	80,662	13,369	1,972	7,880	103,883

A. FINANCIAL INFORMATION (continued)

(Amounts in millions of Renminbi, unless otherwise stated)

VI. NOTES TO FINANCIAL INFORMATION (continued)

24. Property and equipment (continued)

Group (continued)

	Buildings	Electronic equipment, furniture & fixtures	Motor vehicles	Construction in progress	Total
Cost/deemed cost					
As at 1 January 2009	85,174	17,330	3,344	7,948	113,796
Additions	1,289	5,315	295	12,018	18,917
Transfers	4,457	301	2	(4,760)	—
Disposals	(1,615)	(199)	(184)	(235)	(2,233)
As at 31 December 2009	89,305	22,747	3,457	14,971	130,480
Accumulated depreciation					
As at 1 January 2009	(4,194)	(3,948)	(1,369)	—	(9,511)
Provided for the year	(4,599)	(3,878)	(674)	—	(9,151)
Eliminated on disposals	155	162	141	—	458
As at 31 December 2009	(8,638)	(7,664)	(1,902)	—	(18,204)
Allowance for impairment losses					
As at 1 January 2009	(318)	(13)	(3)	(68)	(402)
Recognised in profit or loss	(221)	—	—	(1)	(222)
Eliminated on disposals	253	—	—	68	321
As at 31 December 2009	(286)	(13)	(3)	(1)	(303)
Carrying amount					
As at 1 January 2009	80,662	13,369	1,972	7,880	103,883
As at 31 December 2009	80,381	15,070	1,552	14,970	111,973

A. FINANCIAL INFORMATION (continued)

(Amounts in millions of Renminbi, unless otherwise stated)

VI. NOTES TO FINANCIAL INFORMATION (continued)

24. Property and equipment (continued)

Bank

	Buildings	Electronic equipment, furniture & fixtures	Motor vehicles	Construction in progress	Total
Cost					
As at 1 January 2007	76,203	23,781	6,122	8,294	114,400
Additions	1,489	5,253	615	4,018	11,375
Transfers	5,696	286	30	(6,012)	—
Other transfer in	254	—	—	—	254
Disposals	(5,623)	(4,066)	(647)	(74)	(10,410)
As at 31 December 2007	78,019	25,254	6,120	6,226	115,619
Accumulated depreciation					
As at 1 January 2007	(20,600)	(12,820)	(4,204)	—	(37,624)
Provided for the year	(3,071)	(3,290)	(515)	—	(6,876)
Eliminated on disposals	2,219	3,319	620	—	6,158
As at 31 December 2007	(21,452)	(12,791)	(4,099)	—	(38,342)
Allowance for impairment losses					
As at 1 January 2007	(946)	(191)	(18)	(382)	(1,537)
Recognised in profit or loss	(25)	—	—	—	(25)
Eliminated on disposals	413	172	11	—	596
As at 31 December 2007	(558)	(19)	(7)	(382)	(966)
Carrying amount					
As at 1 January 2007	54,657	10,770	1,900	7,912	75,239
As at 31 December 2007	56,009	12,444	2,014	5,844	76,311

A. FINANCIAL INFORMATION (continued)

(Amounts in millions of Renminbi, unless otherwise stated)

VI. NOTES TO FINANCIAL INFORMATION (continued)

24. Property and equipment (continued)

Bank (continued)

	Buildings	Electronic equipment, furniture & fixtures	Motor vehicles	Construction in progress	Total
Cost/deemed cost					
As at 1 January 2008	78,019	25,254	6,120	6,226	115,619
Effect of revaluation upon the financial restructuring	3,030	(13,287)	(3,204)	(288)	(13,749)
Additions	2,046	4,941	457	6,133	13,577
Transfers	3,346	578	17	(3,941)	—
Other transfer in	172	—	—	—	172
Disposals	(1,571)	(193)	(57)	(182)	(2,003)
As at 31 December 2008	85,042	17,293	3,333	7,948	113,616
Accumulated depreciation					
As at 1 January 2008	(21,452)	(12,791)	(4,099)	—	(38,342)
Eliminated on revaluation	21,452	12,791	4,099	—	38,342
Provided for the year	(4,281)	(4,110)	(1,412)	—	(9,803)
Eliminated on disposals	92	164	48	—	304
As at 31 December 2008	(4,189)	(3,946)	(1,364)	—	(9,499)
Allowance for impairment losses					
As at 1 January 2008	(558)	(19)	(7)	(382)	(966)
Eliminated on revaluation	558	19	7	382	966
Recognised in profit or loss	(318)	(13)	(3)	(68)	(402)
Eliminated on disposals	—	—	—	—	—
As at 31 December 2008	(318)	(13)	(3)	(68)	(402)
Carrying amount					
As at 1 January 2008	56,009	12,444	2,014	5,844	76,311
As at 31 December 2008	80,535	13,334	1,966	7,880	103,715

A. FINANCIAL INFORMATION (continued)

(Amounts in millions of Renminbi, unless otherwise stated)

VI. NOTES TO FINANCIAL INFORMATION (continued)

24. Property and equipment (continued)

Bank (continued)

	Buildings	Electronic equipment, furniture & fixtures	Motor vehicles	Construction in progress	Total
Cost/deemed cost					
As at 1 January 2009	85,042	17,293	3,333	7,948	113,616
Additions	1,275	5,191	294	12,017	18,777
Transfers	4,457	301	2	(4,760)	—
Disposals	(1,615)	(198)	(184)	(235)	(2,232)
As at 31 December 2009	89,159	22,587	3,445	14,970	130,161
Accumulated depreciation					
As at 1 January 2009	(4,189)	(3,946)	(1,364)	—	(9,499)
Provided for the year	(4,554)	(3,815)	(672)	—	(9,041)
Eliminated on disposals	155	162	141	—	458
As at 31 December 2009	(8,588)	(7,599)	(1,895)	—	(18,082)
Allowance for impairment losses					
As at 1 January 2009	(318)	(13)	(3)	(68)	(402)
Recognised in profit or loss	(221)	—	—	(1)	(222)
Eliminated on disposals	253	—	—	68	321
As at 31 December 2009	(286)	(13)	(3)	(1)	(303)
Carrying amount					
As at 1 January 2009	80,535	13,334	1,966	7,880	103,715
As at 31 December 2009	80,285	14,975	1,547	14,969	111,776

The carrying amounts of buildings have the following remaining lease terms:

Group

	As at 31 December		
	2007	2008	2009
Held in the PRC			
on long-term lease (over 50 years)	3,887	5,003	4,275
on medium-term lease (10-50 years)	49,867	71,270	70,932
on short-term lease (less than 10 years)	2,348	4,389	5,174
Total	56,102	80,662	80,381

A. FINANCIAL INFORMATION (continued)

(Amounts in millions of Renminbi, unless otherwise stated)

VI. NOTES TO FINANCIAL INFORMATION (continued)

24. Property and equipment (continued)

Bank

	As at 31 December		
	2007	2008	2009
Held in the PRC			
on long-term lease (over 50 years)	3,887	5,003	4,275
on medium-term lease (10-50 years)	49,774	71,143	70,836
on short-term lease (less than 10 years)	2,348	4,389	5,174
Total	56,009	80,535	80,285

According to the relevant laws and regulations, subsequent to the transformation into a joint stock company, the legal title of certain properties previously held under the name of Agricultural Bank of China is to be transferred to the Bank. As at the date of issuance of this Accountants' Report, the re-registration process has not been completed. Management anticipates that the registration process does not affect the rights of the Bank as the legal successor to those assets of Agricultural Bank of China.

25. Other assets

Group

	Notes	As at 31 December		
		2007	2008	2009
Accounts receivable	(1)	3,755	2,986	3,494
Interest receivable	(2)	23,783	29,950	32,127
Foreclosed assets	(3)	5,604	—	—
Amounts due from customers arising from derivative transactions	(4)	—	—	—
Intangible assets	(5)	1,327	1,486	1,580
Land use rights	(6)	788	25,514	25,062
Assets pending for disposal	(7)	—	—	11
Others		2,754	2,657	5,669
Total		38,011	62,593	67,943

A. FINANCIAL INFORMATION (continued)

(Amounts in millions of Renminbi, unless otherwise stated)

VI. NOTES TO FINANCIAL INFORMATION (continued)

25. Other assets (continued)

Bank

	Notes	As at 31 December 2007	2008	2009
Accounts receivable	(1)	3,702	2,924	3,425
Interest receivable	(2)	23,783	29,950	32,126
Foreclosed assets	(3)	5,604	—	—
Amounts due from customers arising from derivative transactions	(4)	—	—	—
Intangible assets	(5)	1,327	1,479	1,574
Land use rights	(6)	787	25,394	24,947
Assets pending for disposal	(7)	—	—	11
Others		1,161	1,536	4,054
Total		36,364	61,283	66,137

(1) The analysis of the aging of accounts receivable is as follows:

Group

	As at 31 December 2007			
	Gross amount	Percentage (%)	Impairment	Carrying amount
Within 1 year	3,342	11	(173)	3,169
From 1 year to 2 years	282	1	(82)	200
From 2 years to 3 years	110	1	(56)	54
Over 3 years	26,134	87	(25,802)	332
Total	29,868	100	(26,113)	3,755

	As at 31 December 2008			
	Gross amount	Percentage (%)	Impairment	Carrying amount
Within 1 year	3,051	77	(842)	2,209
From 1 year to 2 years	267	7	(13)	254
From 2 years to 3 years	202	5	(11)	191
Over 3 years	435	11	(103)	332
Total	3,955	100	(969)	2,986

A. FINANCIAL INFORMATION (continued)

(Amounts in millions of Renminbi, unless otherwise stated)

VI. NOTES TO FINANCIAL INFORMATION (continued)

25. Other assets (continued)

(1) The analysis of the aging of accounts receivable is as follows: (continued)

Group (continued)

	As at 31 December 2009			
	Gross amount	Percentage	Impairment	Carrying amount
		(%)		
Within 1 year	2,781	61	(156)	2,625
From 1 year to 2 years	1,270	28	(759)	511
From 2 years to 3 years	117	3	(13)	104
Over 3 years	364	8	(110)	254
Total	4,532	100	(1,038)	3,494

Bank

	As at 31 December 2007			
	Gross amount	Percentage	Impairment	Carrying amount
		(%)		
Within 1 year	3,289	10	(173)	3,116
From 1 year to 2 years	282	1	(82)	200
From 2 years to 3 years	110	1	(56)	54
Over 3 years	28,051	88	(27,719)	332
Total	31,732	100	(28,030)	3,702

	As at 31 December 2008			
	Gross amount	Percentage	Impairment	Carrying amount
		(%)		
Within 1 year	2,989	55	(842)	2,147
From 1 year to 2 years	267	5	(13)	254
From 2 years to 3 years	202	4	(11)	191
Over 3 years	1,987	36	(1,655)	332
Total	5,445	100	(2,521)	2,924

	As at 31 December 2009			
	Gross amount	Percentage	Impairment	Carrying amount
		(%)		
Within 1 year	2,734	45	(156)	2,578
From 1 year to 2 years	1,248	21	(759)	489
From 2 years to 3 years	117	2	(13)	104
Over 3 years	1,915	32	(1,661)	254
Total	6,014	100	(2,589)	3,425

A. FINANCIAL INFORMATION (continued)

(Amounts in millions of Renminbi, unless otherwise stated)

VI. NOTES TO FINANCIAL INFORMATION (continued)

25. Other assets (continued)

(2) Interest receivable

Analysed by type

Group

	As at 31 December		
	2007	2008	2009
Held-to-maturity investments	7,219	10,494	11,223
Loans and advances to customers	8,401	7,411	8,972
Available-for-sale financial assets	4,725	6,832	6,856
Debt securities classified as receivables	1,843	3,490	2,829
Financial assets held for trading	49	237	165
Financial assets designated as at fair value through profit or loss	80	37	21
Others	1,466	1,449	2,061
Total	23,783	29,950	32,127

Bank

	As at 31 December		
	2007	2008	2009
Held-to-maturity investments	7,219	10,494	11,223
Loans and advances to customers	8,401	7,411	8,972
Available-for-sale financial assets	4,725	6,832	6,856
Debt securities classified as receivables	1,843	3,490	2,829
Financial assets held for trading	49	237	165
Financial assets designated as at fair value through profit or loss	80	37	21
Others	1,466	1,449	2,060
Total	23,783	29,950	32,126

As at 31 December 2008 and 2009, all interest receivable is due within one year. As at 31 December 2007, interest receivable due after one year amounted to RMB612 million. The whole amount was received in 2008.

A. FINANCIAL INFORMATION (continued)

(Amounts in millions of Renminbi, unless otherwise stated)

VI. NOTES TO FINANCIAL INFORMATION (continued)

25. Other assets (continued)

(3) Foreclosed Assets

Group and Bank

Analysed by type

	As at 31 December		
	2007	2008	2009
Buildings	6,476	—	1
Others	568	5	4
Subtotal	7,044	5	5
Allowance for impairment losses	(1,440)	(5)	(5)
Total	5,604	—	—

(4) Amounts due from customers arising from derivative transactions

Group and Bank

	As at 31 December		
	2007	2008	2009
Advance to customers arising from derivatives transactions	—	1,067	982
Allowance for impairment losses	—	(1,067)	(982)
Total	—	—	—

A. FINANCIAL INFORMATION (continued)

(Amounts in millions of Renminbi, unless otherwise stated)

VI. NOTES TO FINANCIAL INFORMATION (continued)

25. Other assets (continued)

(5) Intangible assets

Group

	Computer Software	Others	Total
Cost			
As at 1 January 2007	2,171	93	2,264
Additions	385	3	388
Disposals	(66)	(30)	(96)
As at 31 December 2007	2,490	66	2,556
Accumulated amortisation			
As at 1 January 2007	(844)	(39)	(883)
Charge for the year	(356)	(11)	(367)
Disposals	10	11	21
As at 31 December 2007	(1,190)	(39)	(1,229)
Allowance for impairment losses			
As at 1 January 2007	—	—	—
Additions	—	—	—
Written off	—	—	—
As at 31 December 2007	—	—	—
Carrying amount			
As at 1 January 2007	1,327	54	1,381
As at 31 December 2007	1,300	27	1,327
Amortisation period (years)	1-10	1-10	

A. FINANCIAL INFORMATION (continued)

(Amounts in millions of Renminbi, unless otherwise stated)

VI. NOTES TO FINANCIAL INFORMATION (continued)

25. Other assets (continued)

(5) Intangible assets (continued)

Group (continued)

	Computer Software	Others	Total
Cost			
As at 1 January 2008	2,490	66	2,556
Effect of financial restructuring	(1,189)	(42)	(1,231)
Additions	581	45	626
Disposals	(8)	—	(8)
As at 31 December 2008	1,874	69	1,943
Accumulated amortisation			
As at 1 January 2008	(1,190)	(39)	(1,229)
Elimination of accumulated amortisation	1,190	39	1,229
Charge for the year	(422)	(12)	(434)
Disposals	5	—	5
As at 31 December 2008	(417)	(12)	(429)
Allowance for impairment losses			
As at 1 January 2008	—	—	—
Additions	(28)	—	(28)
Written off	—	—	—
As at 31 December 2008	(28)	—	(28)
Carrying amount			
As at 1 January 2008	1,300	27	1,327
As at 31 December 2008	1,429	57	1,486
Amortisation period (years)	1-10	1-10	

A. FINANCIAL INFORMATION (continued)

(Amounts in millions of Renminbi, unless otherwise stated)

VI. NOTES TO FINANCIAL INFORMATION (continued)

25. Other assets (continued)

(5) Intangible assets (continued)

Group (continued)

	Computer Software	Others	Total
Cost			
As at 1 January 2009	1,874	69	1,943
Additions	489	2	491
Disposals	(15)	—	(15)
As at 31 December 2009	2,348	71	2,419
Accumulated amortisation			
As at 1 January 2009	(417)	(12)	(429)
Charge for the year	(382)	(12)	(394)
Disposals	13	—	13
As at 31 December 2009	(786)	(24)	(810)
Allowance for impairment losses			
As at 1 January 2009	(28)	—	(28)
Additions	(1)	—	(1)
Written off	—	—	—
As at 31 December 2009	(29)	—	(29)
Carrying amount			
As at 1 January 2009	1,429	57	1,486
As at 31 December 2009	1,533	47	1,580
Amortisation period (years)	1-10	1-10	

A. FINANCIAL INFORMATION (continued)

(Amounts in millions of Renminbi, unless otherwise stated)

VI. NOTES TO FINANCIAL INFORMATION (continued)

25. Other assets (continued)

(5) Intangible assets (continued)

Bank

	Computer Software	Others	Total
Cost			
As at 1 January 2007	2,171	93	2,264
Additions	385	3	388
Disposals	(66)	(30)	(96)
As at 31 December 2007	2,490	66	2,556
Accumulated amortisation			
As at 1 January 2007	(844)	(39)	(883)
Charge for the year	(356)	(11)	(367)
Disposals	10	11	21
As at 31 December 2007	(1,190)	(39)	(1,229)
Allowance for impairment losses			
As at 1 January 2007	—	—	—
Additions	—	—	—
Written off	—	—	—
As at 31 December 2007	—	—	—
Carrying amount			
As at 1 January 2007	1,327	54	1,381
As at 31 December 2007	1,300	27	1,327
Amortisation period (years)	1-10	1-10	

A. FINANCIAL INFORMATION (continued)

(Amounts in millions of Renminbi, unless otherwise stated)

VI. NOTES TO FINANCIAL INFORMATION (continued)

25. Other assets (continued)

(5) Intangible assets (continued)

Bank (continued)

	Computer Software	Others	Total
Cost			
As at 1 January 2008	2,490	66	2,556
Effect of financial restructuring	(1,189)	(42)	(1,231)
Additions	581	37	618
Disposals	(8)	—	(8)
As at 31 December 2008	1,874	61	1,935
Accumulated amortisation			
As at 1 January 2008	(1,190)	(39)	(1,229)
Elimination of accumulated amortisation	1,190	39	1,229
Charge for the year	(422)	(11)	(433)
Disposals	5	—	5
As at 31 December 2008	(417)	(11)	(428)
Allowance for impairment losses			
As at 1 January 2008	—	—	—
Additions	(28)	—	(28)
Written off	—	—	—
As at 31 December 2008	(28)	—	(28)
Carrying amount			
As at 1 January 2008	1,300	27	1,327
As at 31 December 2008	1,429	50	1,479
Amortisation period (years)	1-10	1-10	

A. FINANCIAL INFORMATION (continued)

(Amounts in millions of Renminbi, unless otherwise stated)

VI. NOTES TO FINANCIAL INFORMATION (continued)

25. Other assets (continued)

(5) Intangible assets (continued)

Bank (continued)

	Computer Software	Others	Total
Cost			
As at 1 January 2009	1,874	61	1,935
Additions	489	1	490
Disposals	(15)	—	(15)
As at 31 December 2009	2,348	62	2,410
Accumulated amortisation			
As at 1 January 2009	(417)	(11)	(428)
Charge for the year	(382)	(10)	(392)
Disposals	13	—	13
As at 31 December 2009	(786)	(21)	(807)
Allowance for impairment losses			
As at 1 January 2009	(28)	—	(28)
Additions	(1)	—	(1)
Written off	—	—	—
As at 31 December 2009	(29)	—	(29)
Carrying amount			
As at 1 January 2009	1,429	50	1,479
As at 31 December 2009	1,533	41	1,574
Amortisation period (years)	1-10	1-10	

(6) Land use rights

The carrying amount of land use rights analysed based on the remaining terms of the leases as follows:

Group

	As at 31 December		
	2007	2008	2009
Held in the PRC			
on long-term lease (over 50 years)	18	556	446
on medium-term lease (10-50 years)	749	24,857	24,513
on short-term lease (less than 10 years)	21	101	103
Total	788	25,514	25,062

A. FINANCIAL INFORMATION (continued)

(Amounts in millions of Renminbi, unless otherwise stated)

VI. NOTES TO FINANCIAL INFORMATION (continued)

25. Other assets (continued)

(6) Land use rights (continued)

Bank

	As at 31 December		
	2007	2008	2009
Held in the PRC			
on long-term lease (over 50 years)	18	556	446
on medium-term lease (10-50 years)	748	24,737	24,398
on short-term lease (less than 10 years)	21	101	103
Total	787	25,394	24,947

According to the relevant laws and regulations, subsequent to the transformation into a joint stock company, the legal title of certain land use rights previously held under the name of Agricultural Bank of China is to be transferred to the Bank. As at the date of issuance of this Accountants' Report, the re-registration process has not yet been completed. Management anticipates that the registration process does not affect the rights of Agricultural Bank of China Limited as the legal successor to those assets of Agricultural Bank of China.

(7) Assets pending for disposal

Group and Bank

	As at 31 December		
	2007	2008	2009
Gross amount	2,522	44	53
Allowance for impairment losses	(2,522)	(44)	(42)
Net book amount	—	—	11

26. Borrowings from central bank

Group and Bank

	As at 31 December		
	2007	2008	2009
Borrowings from central bank (Note II.1)	150,867	314	58
Total	150,867	314	58

A. FINANCIAL INFORMATION (continued)

(Amounts in millions of Renminbi, unless otherwise stated)

VI. NOTES TO FINANCIAL INFORMATION (continued)

27. Deposits from banks and other financial institutions

Group

	As at 31 December		
	2007	2008	2009
Deposits from:			
Domestic banks	66,507	96,716	284,899
Other domestic financial institutions	227,875	192,077	285,518
Overseas banks	2,232	977	379
Other overseas financial institutions	4	2	3,153
Total	296,618	289,772	573,949

Bank

	As at 31 December		
	2007	2008	2009
Deposits from:			
Domestic banks	66,507	96,716	284,879
Other domestic financial institutions	227,875	192,077	285,679
Overseas banks	2,232	977	379
Other overseas financial institutions	5	2	3,857
Total	296,619	289,772	574,794

28. Placements from banks and other financial institutions

Group and Bank

	As at 31 December		
	2007	2008	2009
Placements from:			
Domestic banks	11,811	19,914	11,241
Other domestic financial institutions	42	—	—
Overseas banks	18,522	14,217	15,071
Total	30,375	34,131	26,312

29. Financial liabilities held for trading

Group and Bank

	As at 31 December		
	2007	2008	2009
Short position in gold	—	—	56
Total	—	—	56

A. FINANCIAL INFORMATION (continued)

(Amounts in millions of Renminbi, unless otherwise stated)

VI. NOTES TO FINANCIAL INFORMATION (continued)

30. Financial liabilities designated as at fair value through profit or loss

Group and Bank

	Notes	As at 31 December 2007	2008	2009
Financial guarantee contracts		996	2,752	770
Structured deposits		6,256	3,211	1,127
Principal guaranteed wealth management products	(1)	3,236	16,714	109,924
Others	(2)	—	—	2,022
Total	(3)	10,488	22,677	113,843

(1) The Group and the Bank designate the amounts received through the principal guaranteed wealth management products sold to their customers as financial liabilities at FVTPL. As at 31 December 2007, 2008 and 2009, the fair value of the principal guaranteed wealth management products issued by the Group and the Bank were lower than the contractual amount payable upon maturity to the holders of the wealth management products by RMB194 million, RMB561 million and RMB1,071 million, respectively.

(2) As at 31 December 2009, the fair value of financial instruments designated as at fair value through profit or loss approximated the contractual amounts payable upon maturity of these contracts.

(3) There were no significant changes in the fair value of the Group's and the Bank's financial liabilities designated as at fair value through profit or loss that were attributable to the changes in credit risk.

31. Financial assets sold under repurchase agreements

Group and Bank

Analysed by collateral

	As at 31 December 2007	2008	2009
Bonds	68,022	25,447	22,385
Bills	1,381	2,598	69,356
Loans and advances to customers	3,988	7,045	9,071
Total	73,391	35,090	100,812

A. FINANCIAL INFORMATION (continued)

(Amounts in millions of Renminbi, unless otherwise stated)

VI. NOTES TO FINANCIAL INFORMATION (continued)

32. Due to customers

Group

	Note	As at 31 December 2007	2008	2009
Demand deposits				
Corporate customers		1,646,505	1,639,975	2,168,775
Individual customers		1,363,547	1,628,813	1,992,301
Time deposits				
Corporate customers		474,192	533,012	743,589
Individual customers		1,617,890	2,108,105	2,373,160
Guaranteed and margin deposits	(1)	111,249	107,722	129,525
Others (including outward remittance and remittance outstanding)		73,811	79,801	90,268
Total		5,287,194	6,097,428	7,497,618

Bank

	Note	As at 31 December 2007	2008	2009
Demand deposits				
Corporate customers		1,646,505	1,639,975	2,168,674
Individual customers		1,363,547	1,628,813	1,992,275
Time deposits				
Corporate customers		474,192	532,973	743,589
Individual customers		1,617,890	2,108,092	2,373,111
Guaranteed and margin deposits	(1)	111,249	107,722	129,525
Others (including outward remittance and remittance outstanding)		73,811	79,798	90,268
Total		5,287,194	6,097,373	7,497,442

(1) Analysed by business/products for which deposit is required:

Group and Bank

	As at 31 December 2007	2008	2009
Bank acceptances	70,345	72,637	74,002
Letters of guarantee	5,697	10,451	9,161
Letters of credit	9,754	7,544	9,185
Personal guarantee	1,955	1,144	4,413
Others	23,498	15,946	32,764
Total	111,249	107,722	129,525

A. FINANCIAL INFORMATION (continued)

(Amounts in millions of Renminbi, unless otherwise stated)

VI. NOTES TO FINANCIAL INFORMATION (continued)

33. Accrued staff costs

Group

	Notes	2007 As at 1 January	Accrued /(reversed)	Paid	As at 31 December
Salaries, bonuses and allowances		6,905	24,301	(23,470)	7,736
Social insurance		1,063	4,713	(5,458)	318
Housing funds		251	2,577	(2,634)	194
Labour union fees and staff education expenses		580	1,067	(762)	885
Supplementary retirement benefits	(1)	38,658	(4,300)	(3,045)	31,313
Early retirement benefits	(2)	20,452	(552)	(2,414)	17,486
Others		81	3,365	(3,029)	417
Total		67,990	31,171	(40,812)	58,349

	Notes	2008 As at 1 January	Accrued /(reversed)	Paid	As at 31 December
Salaries, bonuses and allowances		7,736	31,648	(30,895)	8,489
Social insurance		318	6,024	(5,830)	512
Housing funds		194	3,049	(2,963)	280
Labour union fees and staff education expenses		885	1,466	(1,243)	1,108
Supplementary retirement benefits	(1)	31,313	8,935	(1,611)	38,637
Early retirement benefits	(2)	17,486	2,685	(2,284)	17,887
Others		417	3,969	(3,155)	1,231
Total		58,349	57,776	(47,981)	68,144

	Notes	2009 As at 1 January	Accrued /(reversed)	Paid	As at 31 December
Salaries, bonuses and allowances		8,489	35,734	(33,554)	10,669
Social insurance		512	9,592	(9,530)	574
Housing funds		280	3,710	(3,730)	260
Labour union fees and staff education expenses		1,108	1,601	(1,453)	1,256
Supplementary retirement benefits	(1)	38,637	—	(38,637)	—
Early retirement benefits	(2)	17,887	780	(2,788)	15,879
Others		1,231	4,348	(4,279)	1,300
Total		68,144	55,765	(93,971)	29,938

A. FINANCIAL INFORMATION (continued)

(Amounts in millions of Renminbi, unless otherwise stated)

VI. NOTES TO FINANCIAL INFORMATION (continued)

33. Accrued staff costs (continued)

Bank

	Notes	2007 As at 1 January	Accrued /(reversed)	Paid	As at 31 December
Salaries, bonuses and allowances		6,904	24,288	(23,458)	7,734
Social insurance		1,063	4,713	(5,458)	318
Housing funds		251	2,577	(2,634)	194
Labour union fees and staff education expenses		580	1,067	(762)	885
Supplementary retirement benefits	(1)	38,658	(4,300)	(3,045)	31,313
Early retirement benefits	(2)	20,452	(552)	(2,414)	17,486
Others		81	3,365	(3,029)	417
Total		67,989	31,158	(40,800)	58,347

	Notes	2008 As at 1 January	Accrued /(reversed)	Paid	As at 31 December
Salaries, bonuses and allowances		7,734	31,604	(30,863)	8,475
Social insurance		318	6,024	(5,830)	512
Housing funds		194	3,049	(2,963)	280
Labour union fees and staff education expenses		885	1,466	(1,243)	1,108
Supplementary retirement benefits	(1)	31,313	8,935	(1,611)	38,637
Early retirement benefits	(2)	17,486	2,685	(2,284)	17,887
Others		417	3,969	(3,155)	1,231
Total		58,347	57,732	(47,949)	68,130

	Notes	2009 As at 1 January	Accrued /(reversed)	Paid	As at 31 December
Salaries, bonuses and allowances		8,475	35,682	(33,515)	10,642
Social insurance		512	9,592	(9,530)	574
Housing funds		280	3,710	(3,730)	260
Labour union fees and staff education expenses		1,108	1,601	(1,453)	1,256
Supplementary retirement benefits	(1)	38,637	—	(38,637)	—
Early retirement benefits	(2)	17,887	780	(2,788)	15,879
Others		1,231	4,348	(4,279)	1,300
Total		68,130	55,713	(93,932)	29,911

The Group's obligation in respect of the supplementary retirement benefits and early retirement benefits at the end of each reporting period was calculated using the projected unit credit actuarial cost method by Towers Watson, an external independent actuary.

A. FINANCIAL INFORMATION (continued)

(Amounts in millions of Renminbi, unless otherwise stated)

VI. NOTES TO FINANCIAL INFORMATION (continued)

33. Accrued staff costs (continued)

(1) Supplementary retirement benefits

Supplementary retirement benefits include supplementary pension and medical benefits.

Amount recognised in profit or loss in respect of the supplementary retirement benefits is as follows:

Group and Bank

	Year ended 31 December		
	2007	2008	2009
Interest cost	1,114	1,362	—
Actuarial (gain)/loss recognised during the year	(5,414)	4,988	—
Obligations in respect of retirements during the extended period	—	2,585	—
Total	(4,300)	8,935	—

In 2009, the Bank transferred the obligations under the supplementary retirement benefits provided for employees of Domestic Institutions who retired on or before 31 December 2007, and during the year from 1 January 2008 to 31 December 2008 (the "extended period") to ABC Enterprise Annuity Council. After the transfer, ABC Enterprise Annuity Council is responsible for management and payment of supplementary retirement benefits to employees. The Bank has no further obligation for such supplementary retirement benefits.

The principal assumptions used for the purpose of the actuarial valuations were as follows:

	As at 31 December		
	2007	2008	2009
Discount rate	4.50%	3.00% & 3.50%	—
Annual average medical expenses inflation rate	8.00%	8.00%	—
Mortality rate	China Insurance Industry Experience Mortality Table 2000-2003		

A. FINANCIAL INFORMATION (continued)

(Amounts in millions of Renminbi, unless otherwise stated)

VI. NOTES TO FINANCIAL INFORMATION (continued)

33. Accrued staff costs (continued)

(2) Early retirement benefits

Amount recognised in profit or loss in respect of the early retirement benefits is as follows:

Group and Bank

	Year ended 31 December		
	2007	2008	2009
Interest cost	481	692	331
Actuarial (gain)/loss recognised in the year	(1,033)	1,062	(250)
Present value of benefit obligation for early retired employees annuity plan contribution	—	—	369
Incremental early retirement obligation cost	—	931	330
Total	(552)	2,685	780

The principal assumptions used for the purpose of the actuarial valuations were as follows:

	As at 31 December		
	2007	2008	2009
Discount rate	4.25%	2.00%	2.50%
Annual average medical expenses inflation rate	8.00%	8.00%	8.00%
Annual subsidies inflation rate	8.00%	8.00%	8.00%
Normal retirement age			
—Male	60	60	60
—Female	55	55	55

34. Debt securities issued

Group and Bank

		As at 31 December		
	Notes	2007	2008	2009
Subordinated bonds issued	(1)	—	—	49,955
Certificates of deposit issued	(2)	4,154	5,150	5,224
Total		4,154	5,150	55,179

As approved by the PBOC and the CBRC, the Bank issued callable subordinated bonds of RMB50,000 million in May 2009.

A. FINANCIAL INFORMATION (continued)

(Amounts in millions of Renminbi, unless otherwise stated)

VI. NOTES TO FINANCIAL INFORMATION (continued)

34. Debt securities issued (continued)

(1) The carrying value of the Group and the Bank's subordinated bonds issued is as follows:

	Notes	As at 31 December 2007	2008	2009
3.3% subordinated fixed rate bonds maturing in May 2019	(i)	—	—	20,000
4.0% subordinated fixed rate bonds maturing in May 2024	(ii)	—	—	25,000
Subordinated floating rate bonds maturing in May 2019	(iii)	—	—	5,000
Total nominal value				50,000
Less: Unamortised issuance cost		—	—	(45)
Carrying value		—	—	49,955

(i) The subordinated fixed rate bonds issued in May 2009 have a maturity of 10 years, with a fixed coupon rate of 3.3%, payable annually. The Bank has an option to redeem all of the bonds at face value on 20 May 2014. If the Bank does not exercise this option, the coupon rate of the bonds will increase to 6.3% per annum from 20 May 2014 for the next five years.

(ii) The subordinated fixed rate bonds issued in May 2009 have a maturity of 15 years, with a fixed coupon rate of 4.0%, payable annually. The Bank has an option to redeem all of the bonds at face value on 20 May 2019. If the Bank does not exercise this option, the coupon rate of the bonds will increase to 7.0% per annum from 20 May 2019 for the next five years.

(iii) The subordinated floating rate bonds issued in May 2009 have a maturity of 10 years. The annual coupon rate on the bonds resets annually based on the PBOC one-year fixed deposit rate + 60 basis points and is payable annually. The Bank has an option to redeem all of the bonds at face value on 20 May 2014. If the Bank does not exercise this option, the interest rate of the bonds will be adjusted to the PBOC one-year rate + 360 basis points from 20 May 2014 for the next five years.

(2) Certificates of deposit issued by the branches of the Bank in Hong Kong and Singapore were measured at amortised cost.

35. Deferred tax assets

For the purpose of presentation in the statements of financial position, certain deferred tax assets and liabilities have been offset.

Group

	As at 31 December 2007	2008	2009
Deferred tax assets	11,524	17,107	19,659

Bank

	As at 31 December 2007	2008	2009
Deferred tax assets	11,524	17,093	19,654

A. FINANCIAL INFORMATION (continued)

(Amounts in millions of Renminbi, unless otherwise stated)

VI. NOTES TO FINANCIAL INFORMATION (continued)

35. Deferred tax assets (continued)

The following are the major deferred tax assets and liabilities recognised and movements thereon during the current and prior years:

Group

	Allowance of impairment loss	Early retirement benefits	Accrued but not paid staff cost	Provision	Fair value changes of financial instruments	Others	Total
As at 1 January 2007	9,051	6,749	524	1,135	1,216	(416)	18,259
(Charge)/credit to profit or loss	(2,790)	(978)	(524)	13	(2,103)	(380)	(6,762)
Effect of change in tax rate	(1,518)	(1,399)	—	(278)	145	193	(2,857)
Credit to other comprehensive income.	—	—	—	—	2,884	—	2,884
As at 31 December 2007	4,743	4,372	—	870	2,142	(603)	11,524
Credit to profit or loss	8,344	100	720	170	2,229	2,448	14,011
Charge to other comprehensive income	—	—	—	—	(8,428)	—	(8,428)
As at 31 December 2008	13,087	4,472	720	1,040	(4,057)	1,845	17,107
(Charge)/credit to profit or loss	(487)	(502)	1,940	(32)	(805)	(1,844)	(1,730)
Credit to other comprehensive income	—	—	—	—	4,282	—	4,282
As at 31 December 2009	12,600	3,970	2,660	1,008	(580)	1	19,659

Bank

	Allowance of impairment loss	Early retirement benefits	Accrued but not paid staff cost	Provision	Fair value changes of financial instruments	Others	Total
As at 1 January 2007	9,051	6,749	524	1,135	1,216	(416)	18,259
(Charge)/credit to profit or loss	(2,790)	(978)	(524)	13	(2,103)	(380)	(6,762)
Effect of change in tax rate	(1,518)	(1,399)	—	(278)	145	193	(2,857)
Credit to other comprehensive income	—	—	—	—	2,884	—	2,884
As at 31 December 2007	4,743	4,372	—	870	2,142	(603)	11,524
Credit to profit or loss	8,344	100	720	170	2,229	2,434	13,997
Charge to other comprehensive income	—	—	—	—	(8,428)	—	(8,428)
As at 31 December 2008	13,087	4,472	720	1,040	(4,057)	1,831	17,093
(Charge)/credit to profit or loss	(487)	(502)	1,936	(32)	(805)	(1,831)	(1,721)
Credit to other comprehensive income	—	—	—	—	4,282	—	4,282
As at 31 December 2009	12,600	3,970	2,656	1,008	(580)	—	19,654

A. FINANCIAL INFORMATION (continued)

(Amounts in millions of Renminbi, unless otherwise stated)

VI. NOTES TO FINANCIAL INFORMATION (continued)

36. Other liabilities

Group

	Notes	As at 31 December 2007	2008	2009
Interest payable	(1)	44,686	66,512	66,762
Amount payable to the MOF	(2)	—	26,027	5,891
Items in process of clearing and settlement		7,224	14,071	13,361
Dormant accounts		3,795	3,411	3,056
Securities purchases payable		4,940	2,860	6,626
Provision	(3)	5,395	5,784	5,047
Business and other taxes payable		5,419	4,939	4,282
Others		15,537	14,732	24,020
Total		86,996	138,336	129,045

Bank

		As at 31 December 2007	2008	2009
Interest payable	(1)	44,688	66,515	66,762
Amount payable to the MOF	(2)	—	26,027	5,891
Items in process of clearing and settlement		7,224	14,071	13,345
Dormant accounts		3,795	3,411	3,056
Securities purchases payable		4,940	2,860	6,626
Provision	(3)	5,395	5,784	5,047
Business and other taxes payable		5,419	4,939	4,280
Others		14,991	14,409	23,640
Total		86,452	138,016	128,647

(1) Interest payable

Group

	As at 31 December 2007	2008	2009
Due to customers	43,207	64,510	62,662
Deposits from banks and other financial institutions	1,198	1,809	2,837
Placements from banks and other financial institutions	146	167	45
Debt securities issued	16	22	1,105
Financial assets sold under repurchase agreements	119	4	113
Total	44,686	66,512	66,762

A. FINANCIAL INFORMATION (continued)

(Amounts in millions of Renminbi, unless otherwise stated)

VI. NOTES TO FINANCIAL INFORMATION (continued)

36. Other liabilities (continued)

(1) Interest payable (continued)

Bank

	As at 31 December		
	2007	2008	2009
Due to customers	43,209	64,513	62,662
Deposits from banks and other financial institutions	1,198	1,809	2,837
Placements from banks and other financial institutions	146	167	45
Debt securities issued	16	22	1,105
Financial assets sold under repurchase agreements	119	4	113
Total	44,688	66,515	66,762

(2) Amount payable to the MOF

Pursuant to *the MOF's Notice on Relevant Issues Concerning the Disposal of Non-performing assets of Agricultural Bank of China (Caijin [2008] No. 138)*, the MOF assigned the Bank to manage and dispose of the non-performing assets. Effective from 1 January 2008, the MOF is the beneficiary owner of the non-performing assets and thus entitled to any proceeds arising from the disposal and collection of these non-performing assets. The amount payable to the MOF represents proceeds collected from the transferred non-performing assets by the Group on behalf of the MOF.

(3) Provision

Group and Bank

	As at 31 December								
	2007			2008			2009		
	Allowances for litigation	Others	Total	Allowances for litigation	Others	Total	Allowances for litigation	Others	Total
At 1 January	2,777	2,830	5,607	2,819	2,576	5,395	2,829	2,955	5,784
Additions	432	—	432	1,053	1,017	2,070	1,182	163	1,345
Reversals	(45)	—	(45)	(826)	(582)	(1,408)	(634)	(985)	(1,619)
Utilised	(345)	(254)	(599)	(217)	(56)	(273)	(403)	(60)	(463)
Total	2,819	2,576	5,395	2,829	2,955	5,784	2,974	2,073	5,047

A. FINANCIAL INFORMATION (continued)

(Amounts in millions of Renminbi, unless otherwise stated)

VI. NOTES TO FINANCIAL INFORMATION (continued)

37. Paid in/share capital

Group and Bank

	Note	As at 31 December 2007	2008	2009
As at 1 January		121,944	121,612	260,000
Transfer to China Great Wall Asset Management Corporation	(1)	(332)	(7)	—
Capital restructuring	II. 3	—	8,395	—
Capital injection by Huijin	II. 4	—	130,000	—
As at 31 December	(2)	121,612	260,000	260,000

(1) Pursuant to *the MOF's Letter Concerning the Transfer of capital of China Great Wall Trust and Investment Company (Caijin[2000] No. 111)*, the Bank transferred capital to China Great Wall Asset Management Corporation.

(2) The MOF and Huijin jointly established Agricultural Bank of China Limited. The MOF and Huijin each held 130,000 million promoter's share at par value of RMB1 each. The contribution from the MOF was deemed at RMB130,000 million upon completion of the Financial Restructuring and incorporation of joint stock company as set out in Note II. Contribution from Huijin was satisfied by cash of RMB130,000 million. All shares held by the MOF and Huijin are shares held on behalf of the PRC Government. The capital contribution was verified by Deloitte Touche Tohmatsu CPA Ltd., with verification report *De Shi Bao (Yan) Zi (08) No. 0034* issued on 25 December 2008.

38. Investment revaluation reserve

Group and Bank

	2007			2008			2009		
	Gross amount	Tax effect	Net effect	Gross amount	Tax effect	Net effect	Gross amount	Tax effect	Net effect
As at 1 January	1,257	(296)	961	(10,354)	2,588	(7,766)	23,132	(5,840)	17,292
(Loss)/gain on fair value changes of available-for-sale financial assets	(11,820)	2,936	(8,884)	33,490	(8,429)	25,061	(13,146)	3,331	(9,815)
Reclassification adjustment to profit or loss upon disposal/impairment of available-for-sale financial assets	209	(52)	157	(4)	1	(3)	(3,804)	951	(2,853)
As at 31 December	(10,354)	2,588	(7,766)	23,132	(5,840)	17,292	6,182	(1,558)	4,624

A. FINANCIAL INFORMATION (continued)

(Amounts in millions of Renminbi, unless otherwise stated)

VI. NOTES TO FINANCIAL INFORMATION (continued)

39. Surplus reserve and (accumulated losses)/retained earnings

Movements of (accumulated losses)/retained earnings of the Bank

	Note	2007	2008	2009
As at 1 January		(889,463)	(846,086)	10,677
Profit for the year		43,383	51,591	64,892
Capitalisation of reserves	II.3	—	(34,497)	—
Capital restructuring	II.3	—	840,859	—
Appropriation to surplus reserve		—	(1,187)	(6,489)
Appropriation to general and regulatory reserve	VI.40	(6)	(3)	(10,695)
As at 31 December		(846,086)	10,677	58,385

Under relevant PRC Laws, the Bank is required to transfer 10% of its net profit to a non-distributable statutory surplus reserve. Appropriation to the statutory surplus reserve may cease when the balance of such reserve has reached 50% of the share capital.

40. General and regulatory reserve

Pursuant to *Measures on General Provision for Bad and Doubtful Debts for Financial Institutions (Caijin [2005] No. 49)* and *Application Guidance of Financing Measures for Financial Institutions (Caijin [2007] No. 23)* issued by MOF in addition to the specific and collective allowance for impairment losses, the Bank is required to establish and maintain a general reserve within equity to address potential unidentified impairment losses. The general reserve should not be less than 1% of the aggregate amount of risk assets as defined by this policy.

Pursuant to the relevant regulatory requirements in the PRC, ABC-CA Fund Management Co., Ltd., a subsidiary of the Bank, that mainly engages in fund raising, distribution and assets management, is required to appropriate certain amounts of its net profit as general reserve.

For the years ended 31 December 2007, 2008 and 2009, the Group transferred RMB6 million, RMB7 million and RMB10,708 million respectively to general and regulatory reserve pursuant to regulatory requirements in the PRC and overseas jurisdiction.

A. FINANCIAL INFORMATION (continued)

(Amounts in millions of Renminbi, unless otherwise stated)

VI. NOTES TO FINANCIAL INFORMATION (continued)

41. Cash and cash equivalents

For the purpose of the consolidated statements of cash flows, cash and cash equivalents include the following balances with an original maturity of less than three months:

	As at 31 December		
	2007	2008	2009
Cash	43,499	44,168	48,896
Balances with central banks	90,677	120,131	103,893
Deposits with banks and other financial institutions with an original maturity of less than 3 months	9,499	51,388	44,805
Financial assets held under resale agreements with an original maturity of less than 3 months	135,102	237,278	95,561
Placements with banks and other financial institutions with an original maturity of less than 3 months	35,413	35,599	36,145
Total	314,190	488,564	329,300

42. Segment information

Operating segments are identified on the basis of internal reports about components of the Group that are regularly reviewed by the Board and relevant management committees (chief operating decision maker) for the purposes of allocating resources to segments and assessing their performance. The Group's chief operating decision maker reviews three different sets of financial information for allocating resources and performance assessment. They are financial information based on (i) geographical location, (ii) business activities and (iii) argo-related (County Area and Urban Area) banking business.

The measurement of segment assets and liabilities, segment income and results is based on the Group's accounting policies in accordance with accounting rules and regulations applicable to PRC enterprises. There is no significant difference between the segment accounting policy and the policies applied in preparing the Financial Information.

Transactions between segments are conducted under normal commercial terms and conditions. Internal charges and transfer pricing are determined with reference to market rates and have been reflected in the performance of each segment. Interest income and expense arising from internal charges and transfer pricing adjustments are referred to as "inter-segment interest income/expense". Interest income and expense earned from third parties are referred to as "external interest income/expense".

Segment revenues, results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

A. FINANCIAL INFORMATION (continued)

(Amounts in millions of Renminbi, unless otherwise stated)

VI. NOTES TO FINANCIAL INFORMATION (continued)

42. Segment information (continued)

(a) Geographical segment

The details of the geographical segments are as follows:

- Head Office
- Yangtze River Delta: including Shanghai, Jiangsu, Zhejiang, Ningbo
- Pearl River Delta: including Guangdong, Shenzhen, Fujian, Xiamen
- Bohai Rim: including Beijing, Tianjin, Hebei, Shandong, Qingdao
- Central China: including Shanxi, Hubei, Henan, Hunan, Jiangxi, Hainan, Anhui
- Western China: including Chongqing, Sichuan, Guizhou, Yunnan, Shaanxi, Gansu, Qinghai, Ningxia, Xinjiang, Xinjiang Bingtuan, Tibet, Inner Mongolia, Guangxi
- Northeastern China: including Liaoning, Heilongjiang, Jilin, Dalian, and
- Overseas and others: including overseas branches and subsidiaries.

A. FINANCIAL INFORMATION (continued)

(Amounts in millions of Renminbi, unless otherwise stated)

VI. NOTES TO FINANCIAL INFORMATION (continued)

42. Segment information (continued)

(a) Geographical segment (continued)

2007	Head Office	Yangtze River Delta	Pearl River Delta	Bohai Rim	Central China	Western China	Northeastern China	Overseas and others	Segment total	Eliminations	Consolidated total
External interest income	66,708	51,359	25,410	32,989	21,783	41,873	7,891	2,022	250,035	—	250,035
External interest expense	(1,617)	(19,901)	(13,027)	(14,780)	(13,871)	(15,712)	(5,375)	(1,569)	(85,852)	—	(85,852)
Inter-segment interest (expense)/income	(46,736)	4,392	9,193	7,534	12,220	8,822	4,575	—	—	—	—
Net interest income	18,355	35,850	21,576	25,743	20,132	34,983	7,091	453	164,183	—	164,183
Fee and commission income	1,141	4,641	4,462	3,669	3,571	5,063	1,336	38	23,921	—	23,921
Fee and commission expense	(127)	(208)	(160)	(146)	(89)	(144)	(52)	—	(926)	—	(926)
Net fee and commission income	1,014	4,433	4,302	3,523	3,482	4,919	1,284	38	22,995	—	22,995
Net trading gain/(loss)	2,984	—	—	—	—	—	—	(16)	2,968	—	2,968
Net loss on financial instruments designated as at fair value through profit or loss	(1,227)	—	—	—	—	—	—	(17)	(1,244)	—	(1,244)
Net (loss)/gain on investment securities	(11)	25	1	2	4	6	—	6	33	—	33
Other operating (expense)/income, net	(12,639)	1,581	1,674	824	962	1,159	331	624	(5,484)	—	(5,484)
Operating income	8,476	41,889	27,553	30,092	24,580	41,067	8,706	1,088	183,451	—	183,451
Operating expenses	(3,296)	(14,497)	(9,808)	(11,549)	(11,845)	(17,391)	(6,052)	(182)	(74,620)	—	(74,620)
Impairment losses on assets	(9,989)	(2,034)	(461)	(5,236)	(4,585)	(5,427)	(2,728)	(114)	(30,574)	—	(30,574)
Operating (loss)/profit	(4,809)	25,358	17,284	13,307	8,150	18,249	(74)	792	78,257	—	78,257
Share of losses of an associate	—	—	—	—	—	—	—	—	—	—	—
(Loss)/profit before tax	(4,809)	25,358	17,284	13,307	8,150	18,249	(74)	792	78,257	—	78,257
Income tax expense											(34,470)
Profit for the year											43,787
Segment assets	2,866,937	1,349,448	838,815	914,971	731,730	1,062,898	222,803	42,056	8,029,658	(2,735,676)	5,293,982
Including: Interest in an associate	—	—	—	—	223	—	—	—	223	—	223
Unallocated assets											11,524
Total assets											5,305,506
Segment liabilities	(2,849,298)	(1,364,814)	(915,228)	(1,019,741)	(966,112)	(1,233,349)	(352,923)	(39,937)	(8,741,402)	2,735,676	(6,005,726)
Unallocated liabilities											(27,385)
Total liabilities											(6,033,111)
Supplementary information											
Credit commitments	29,149	216,790	117,288	145,884	87,221	104,382	13,526	9,935	724,175	—	724,175
Depreciation and amortisation included in operating expenses	(753)	(1,273)	(1,053)	(1,137)	(1,310)	(1,695)	(577)	(17)	(7,815)	—	(7,815)
Capital expenditure	2,256	2,542	1,032	1,786	1,992	2,472	736	28	12,844	—	12,844

A. FINANCIAL INFORMATION (continued)

(Amounts in millions of Renminbi, unless otherwise stated)

VI. NOTES TO FINANCIAL INFORMATION (continued)

42. Segment information (continued)

(a) Geographical segment (continued)

2008	Head Office	Yangtze River Delta	Pearl River Delta	Bohai Rim	Central China	Western China	Northeastern China	Overseas and others	Segment total	Eliminations	Consolidated total
External interest income	107,083	63,934	30,916	38,531	24,529	48,497	6,837	1,528	321,855	—	321,855
External interest expense	(2,212)	(27,979)	(18,130)	(22,182)	(20,138)	(22,794)	(7,353)	(1,064)	(121,852)	—	(121,852)
Inter-segment interest (expense)/income	(46,638)	1,411	8,806	7,363	14,278	9,290	5,490	—	—	—	—
Net interest income	58,233	37,366	21,592	23,712	18,669	34,993	4,974	464	200,003	—	200,003
Fee and commission income	1,028	5,154	4,467	3,925	4,013	4,959	1,203	45	24,794	—	24,794
Fee and commission expense	(97)	(255)	(243)	(129)	(80)	(146)	(46)	—	(996)	—	(996)
Net fee and commission income	931	4,899	4,224	3,796	3,933	4,813	1,157	45	23,798	—	23,798
Net trading (loss)/gain	(5,741)	1,805	102	196	510	1,884	429	(80)	(895)	—	(895)
Net loss on financial instruments designated as at fair value through profit or loss	(3,531)	—	—	—	—	—	—	(72)	(3,603)	—	(3,603)
Net gain on investment securities	287	3	6	10	12	3	—	3	324	—	324
Other operating (expense)/income, net	(9,538)	1,016	577	643	820	654	160	57	(5,611)	—	(5,611)
Operating income	40,641	45,089	26,501	28,357	23,944	42,347	6,720	417	214,016	—	214,016
Operating expenses	(3,506)	(21,093)	(14,308)	(16,419)	(19,129)	(26,426)	(9,011)	(283)	(110,175)	—	(110,175)
Impairment losses on assets	(10,538)	(5,962)	(8,088)	(6,889)	(4,724)	(11,638)	(3,597)	(42)	(51,478)	—	(51,478)
Operating profit/(loss)	26,597	18,034	4,105	5,049	91	4,283	(5,888)	92	52,363	—	52,363
Share of losses of an associate	—	—	—	—	(14)	—	—	—	(14)	—	(14)
Profit/(loss) before tax	26,597	18,034	4,105	5,049	77	4,283	(5,888)	92	52,349	—	52,349
Income tax expense											(896)
Profit for the year											51,453
Segment assets	4,128,292	1,565,536	1,055,448	1,134,722	1,115,727	1,434,709	363,744	40,902	10,839,080	(3,841,836)	6,997,244
Including: Interest in an associate	—	—	—	—	155	—	—	—	155	—	155
Unallocated assets											17,107
Total assets											7,014,351
Segment liabilities	(3,913,905)	(1,533,043)	(1,043,150)	(1,120,040)	(1,107,838)	(1,419,263)	(368,020)	(39,153)	(10,544,412)	3,841,836	(6,702,576)
Unallocated liabilities											(21,234)
Total liabilities											(6,723,810)
Supplementary information											
Credit commitments	42,157	233,162	121,005	141,534	108,039	108,798	12,743	14,144	781,582	—	781,582
Depreciation and amortisation included in operating expenses	(956)	(2,165)	(1,549)	(1,660)	(1,952)	(2,319)	(757)	(65)	(11,423)	—	(11,423)
Capital expenditure	1,727	2,546	1,185	3,641	2,216	2,945	833	60	15,153	—	15,153

A. FINANCIAL INFORMATION (continued)

(Amounts in millions of Renminbi, unless otherwise stated)

VI. NOTES TO FINANCIAL INFORMATION (continued)

42. Segment information (continued)

(a) Geographical segment (continued)

2009	Head Office	Yangtze River Delta	Pearl River Delta	Bohai Rim	Central China	Western China	Northeastern China	Overseas and others	Segment total	Eliminations	Consolidated total
External interest income	101,607	54,781	28,269	34,018	23,618	46,162	6,918	774	296,147	—	296,147
External interest expense	(1,853)	(27,090)	(17,250)	(21,465)	(18,550)	(20,772)	(7,298)	(230)	(114,508)	—	(114,508)
Inter-segment interest (expense)/income	(75,091)	10,426	11,199	14,831	17,154	14,416	7,065	—	—	—	—
Net interest income	24,663	38,117	22,218	27,384	22,222	39,806	6,685	544	181,639	—	181,639
Fee and commission income	2,371	8,300	5,851	5,425	5,767	7,695	1,825	51	37,285	—	37,285
Fee and commission expense	(125)	(533)	(266)	(197)	(194)	(248)	(82)	—	(1,645)	—	(1,645)
Net fee and commission income	2,246	7,767	5,585	5,228	5,573	7,447	1,743	51	35,640	—	35,640
Net trading gain/(loss)	1,648	(594)	(41)	(45)	(237)	(230)	(59)	2	444	—	444
Net gain on financial instruments designated as at fair value through profit or loss	1,988	1	—	—	—	—	—	63	2,052	—	2,052
Net (loss)/gain on investment securities	(639)	4	458	1	1	1	—	1	(173)	—	(173)
Other operating income, net	447	870	536	491	418	496	260	517	4,035	—	4,035
Operating income	30,353	46,165	28,756	33,059	27,977	47,520	8,629	1,178	223,637	—	223,637
Operating expenses	(6,600)	(20,874)	(14,632)	(15,899)	(17,153)	(25,369)	(8,524)	(516)	(109,567)	—	(109,567)
Impairment losses on assets	3,756	(14,468)	(7,525)	(4,800)	(4,173)	(10,924)	(1,946)	(62)	(40,142)	—	(40,142)
Operating profit/(loss)	27,509	10,823	6,599	12,360	6,651	11,227	(1,841)	600	73,928	—	73,928
Share of losses of an associate	—	—	—	—	—	—	—	—	—	—	—
Profit/(loss) before tax	27,509	10,823	6,599	12,360	6,651	11,227	(1,841)	600	73,928	—	73,928
Income tax expense											(8,926)
Profit for the year											65,002
Segment assets	3,519,719	2,005,530	1,320,291	1,639,041	1,334,025	1,829,768	484,841	54,413	12,187,628	(3,324,699)	8,862,929
Including: Interest in an associate	—	—	—	—	141	—	—	—	141	—	141
Unallocated assets											19,659
Total assets											8,882,588
Segment liabilities	(3,276,178)	(1,983,925)	(1,305,493)	(1,621,290)	(1,321,346)	(1,809,390)	(489,893)	(51,684)	(11,859,199)	3,324,699	(8,534,500)
Unallocated liabilities											(5,163)
Total liabilities											(8,539,663)
Supplementary information											
Credit commitments	52,834	321,714	204,089	259,806	140,753	180,647	35,329	26,511	1,221,683	—	1,221,683
Depreciation and amortisation included in operating expenses	(990)	(2,140)	(1,292)	(1,519)	(1,814)	(2,177)	(717)	(126)	(10,775)	—	(10,775)
Capital expenditure	1,167	6,573	1,358	4,353	1,799	3,857	1,117	166	20,390	—	20,390

A. FINANCIAL INFORMATION (continued)

(Amounts in millions of Renminbi, unless otherwise stated)

VI. NOTES TO FINANCIAL INFORMATION (continued)

42. Segment information (continued)

(b) Business operating segment

The Group provides a diversified range of banking and related financial services. The products and services offered to customers are organised into four business segments:

Corporate banking

The corporate banking segment provides financial products and services to corporations, government agencies and financial institutions. The range of products and services includes corporate loans, trade financing, deposit products and other types of corporate intermediary services.

Personal banking

The personal banking segment provides financial products and services to individual customers. The range of products and services includes personal loans, deposit products, card business, personal wealth management services and other types of personal intermediary services.

Treasury operations

The Group's treasury operations conduct money market or repurchase transactions, debt instruments investment, and holding of derivative positions, for its own accounts or on behalf of customers.

Others

Others comprise equity investments and the remaining part of the Group that could not directly fall into any of the above segments, and certain assets, liabilities, income or expenses of the Head Office that could not be allocated on a reasonable basis.

A. FINANCIAL INFORMATION (continued)

(Amounts in millions of Renminbi, unless otherwise stated)

VI. NOTES TO FINANCIAL INFORMATION (continued)

42. Segment information (continued)

(b) Business operating segment (continued)

2007	Corporate banking	Personal banking	Treasury operations	Others	Segment and consolidated total
External interest income	163,427	32,928	53,680	—	250,035
External interest expense	(28,654)	(49,369)	(7,829)	—	(85,852)
Inter-segment interest (expense)/ income	(50,697)	63,631	(12,872)	(62)	—
Net interest income	84,076	47,190	32,979	(62)	164,183
Fee and commission income	11,348	12,573	—	—	23,921
Fee and commission expense	(560)	(366)	—	—	(926)
Net fee and commission income	10,788	12,207	—	—	22,995
Net trading gain	—	—	2,968	—	2,968
Net loss on financial instruments designated as at fair value through profit or loss	—	—	(1,244)	—	(1,244)
Net gain on investment securities	—	—	33	—	33
Other operating income/(expense), net	1,728	1,616	(10,498)	1,670	(5,484)
Operating income	96,592	61,013	24,238	1,608	183,451
Operating expenses	(33,086)	(35,137)	(5,753)	(644)	(74,620)
Impairment losses on assets	(27,110)	(4,890)	1,502	(76)	(30,574)
Operating profit	36,396	20,986	19,987	888	78,257
Share of losses of an associate	—	—	—	—	—
Profit before tax	36,396	20,986	19,987	888	78,257
Income tax expense					(34,470)
Profit for the year					43,787
Segment assets	2,380,398	476,893	2,432,986	3,705	5,293,982
Including: Interest in an associate	—	—	—	223	223
Unallocated assets					11,524
Total assets					5,305,506
Segment liabilities	(2,372,601)	(3,052,823)	(579,726)	(576)	(6,005,726)
Unallocated liabilities					(27,385)
Total liabilities					(6,033,111)
Supplementary information					
Credit commitments	651,010	73,165	—	—	724,175
Depreciation and amortisation included in operating expenses	(2,450)	(4,279)	(1,086)	—	(7,815)
Capital expenditure	4,026	7,032	1,786	—	12,844

A. FINANCIAL INFORMATION (continued)

(Amounts in millions of Renminbi, unless otherwise stated)

VI. NOTES TO FINANCIAL INFORMATION (continued)

42. Segment information (continued)

(b) Business operating segment (continued)

2008	Corporate banking	Personal banking	Treasury operations	Others	Segment and consolidated total
External interest income	190,177	44,669	87,009	—	321,855
External interest expense	(37,438)	(74,756)	(9,658)	—	(121,852)
Inter-segment interest (expense)/ income	(46,332)	81,462	(35,088)	(42)	—
Net interest income	106,407	51,375	42,263	(42)	200,003
Fee and commission income	9,095	15,699	—	—	24,794
Fee and commission expense	(428)	(568)	—	—	(996)
Net fee and commission income	8,667	15,131	—	—	23,798
Net trading loss	—	—	(895)	—	(895)
Net loss on financial instruments designated as at fair value through profit or loss	—	—	(3,603)	—	(3,603)
Net gain on investment securities	—	—	307	17	324
Other operating income/(expense), net	1,301	1,490	(8,999)	597	(5,611)
Operating income	116,375	67,996	29,073	572	214,016
Operating expenses	(43,054)	(54,012)	(12,616)	(493)	(110,175)
Impairment losses on assets	(40,480)	(1,003)	(9,995)	—	(51,478)
Operating profit	32,841	12,981	6,462	79	52,363
Share of losses of an associate	—	—	—	(14)	(14)
Profit before tax	32,841	12,981	6,462	65	52,349
Income tax expense					(896)
Profit for the year					51,453
Segment assets	2,673,949	547,169	3,773,085	3,041	6,997,244
Including: Interest in an associate	—	—	—	155	155
Unallocated assets					17,107
Total assets					7,014,351
Segment liabilities	(2,477,527)	(3,830,744)	(393,932)	(373)	(6,702,576)
Unallocated liabilities					(21,234)
Total liabilities					(6,723,810)
Supplementary information					
Credit commitments	692,797	88,785	—	—	781,582
Depreciation and amortisation included in operating expenses	(3,343)	(6,292)	(1,788)	—	(11,423)
Capital expenditure	4,435	8,346	2,372	—	15,153

A. FINANCIAL INFORMATION (continued)

(Amounts in millions of Renminbi, unless otherwise stated)

VI. NOTES TO FINANCIAL INFORMATION (continued)

42. Segment information (continued)

(b) Business operating segment (continued)

2009	Corporate banking	Personal banking	Treasury operations	Others	Segment and consolidated total
External interest income	163,987	31,702	100,458	—	296,147
External interest expense	(34,176)	(71,062)	(9,270)	—	(114,508)
Inter-segment interest (expense)/ income	(27,152)	96,417	(69,273)	8	—
Net interest income	102,659	57,057	21,915	8	181,639
Fee and commission income	20,668	16,617	—	—	37,285
Fee and commission expense	(685)	(960)	—	—	(1,645)
Net fee and commission income	19,983	15,657	—	—	35,640
Net trading gain	—	—	444	—	444
Net gain on financial instruments designated as at fair value through profit or loss	—	—	2,052	—	2,052
Net (loss)/gain on investment securities	—	—	(179)	6	(173)
Other operating income, net	463	900	1,877	795	4,035
Operating income	123,105	73,614	26,109	809	223,637
Operating expenses	(40,820)	(56,483)	(12,016)	(248)	(109,567)
Impairment losses on assets	(37,118)	(7,289)	4,255	10	(40,142)
Operating profit	45,167	9,842	18,348	571	73,928
Share of losses of an associate	—	—	—	—	—
Profit before tax	45,167	9,842	18,348	571	73,928
Income tax expense					(8,926)
Profit for the year					65,002
Segment assets	3,318,792	921,938	4,621,486	713	8,862,929
Including: Interest in an associate	—	—	—	141	141
Unallocated assets					19,659
Total assets					8,882,588
Segment liabilities	(3,415,474)	(4,592,356)	(525,325)	(1,345)	(8,534,500)
Unallocated liabilities					(5,163)
Total liabilities					(8,539,663)
Supplementary information					
Credit commitments	1,047,513	174,170	—	—	1,221,683
Depreciation and amortisation included in operating expenses	(2,918)	(6,124)	(1,733)	—	(10,775)
Capital expenditure	5,527	11,587	3,276	—	20,390

A. FINANCIAL INFORMATION (continued)

(Amounts in millions of Renminbi, unless otherwise stated)

VI. NOTES TO FINANCIAL INFORMATION (continued)

42. Segment information (continued)

(c) County Area and Urban Area segment

The Group's operating segments organised by County Area and Urban Area banking business are set out as follows:

County Area banking business

The Bank's County Area banking business aims to provide financial products and services to the rural area, agriculture industry and peasants through its outlets at the 2,048 county areas across the PRC and 22 tier-two branches. The products and services comprise mainly loans, deposits, bank cards, and agency services.

Urban Area banking business

Urban Area banking business comprises all other businesses not covered by County Area banking business, overseas operations, and subsidiaries.

A. FINANCIAL INFORMATION (continued)

(Amounts in millions of Renminbi, unless otherwise stated)

VI. NOTES TO FINANCIAL INFORMATION (continued)

42. Segment information (continued)

(c) County Area and Urban Area segment (continued)

2007	County Area banking business	Urban Area banking business	Segment total	Eliminations	Consolidated total
External interest income	51,696	198,339	250,035	—	250,035
External interest expense	(33,207)	(52,645)	(85,852)	—	(85,852)
Inter-segment interest income/ (expense)	18,149	(18,149)	—	—	—
Net interest income	36,638	127,545	164,183	—	164,183
Fee and commission income	8,974	14,947	23,921	—	23,921
Fee and commission expense	(133)	(793)	(926)	—	(926)
Net fee and commission income	8,841	14,154	22,995	—	22,995
Net trading gain	—	2,968	2,968	—	2,968
Net loss on financial instruments designated as at fair value through profit or loss	—	(1,244)	(1,244)	—	(1,244)
Net gain/(loss) on investment securities	75	(42)	33	—	33
Other operating income/ (expense), net	2,171	(7,655)	(5,484)	—	(5,484)
Operating income	47,725	135,726	183,451	—	183,451
Operating expenses	(30,644)	(43,976)	(74,620)	—	(74,620)
Impairment losses on assets	(7,647)	(22,927)	(30,574)	—	(30,574)
Operating profit	9,434	68,823	78,257	—	78,257
Share of losses of an associate	—	—	—	—	—
Profit before tax	9,434	68,823	78,257	—	78,257
Income tax expense					(34,470)
Profit for the year					43,787
Segment assets	1,911,160	3,445,169	5,356,329	(62,347)	5,293,982
Including: Interest in an associate	—	223	223	—	223
Unallocated assets					11,524
Total assets					5,305,506
Segment liabilities	(2,223,520)	(3,844,553)	(6,068,073)	62,347	(6,005,726)
Unallocated liabilities					(27,385)
Total liabilities					(6,033,111)
Supplementary information					
Credit commitments	124,745	599,430	724,175	—	724,175
Depreciation and amortisation included in operating expenses	(2,969)	(4,846)	(7,815)	—	(7,815)
Capital expenditure	2,928	9,916	12,844	—	12,844

A. FINANCIAL INFORMATION (continued)

(Amounts in millions of Renminbi, unless otherwise stated)

VI. NOTES TO FINANCIAL INFORMATION (continued)

42. Segment information (continued)

(c) County Area and Urban Area segment (continued)

2008	County Area banking business	Urban Area banking business	Segment total	Eliminations	Consolidated total
External interest income	62,889	258,966	321,855	—	321,855
External interest expense	(48,514)	(73,338)	(121,852)	—	(121,852)
Inter-segment interest income/ (expense)	45,953	(45,953)	—	—	—
Net interest income	60,328	139,675	200,003	—	200,003
Fee and commission income	10,671	14,123	24,794	—	24,794
Fee and commission expense	(255)	(741)	(996)	—	(996)
Net fee and commission income	10,416	13,382	23,798	—	23,798
Net trading loss	—	(895)	(895)	—	(895)
Net loss on financial instruments designated as at fair value through profit or loss	—	(3,603)	(3,603)	—	(3,603)
Net gain on investment securities	73	251	324	—	324
Other operating income/(expense), net	1,208	(6,819)	(5,611)	—	(5,611)
Operating income	72,025	141,991	214,016	—	214,016
Operating expenses	(45,757)	(64,418)	(110,175)	—	(110,175)
Impairment losses on assets	(12,824)	(38,654)	(51,478)	—	(51,478)
Operating profit	13,444	38,919	52,363	—	52,363
Share of losses of an associate	—	(14)	(14)	—	(14)
Profit before tax	13,444	38,905	52,349	—	52,349
Income tax expense					(896)
Profit for the year					51,453
Segment assets	2,715,177	4,356,869	7,072,046	(74,802)	6,997,244
Including: Interest in an associate	—	155	155	—	155
Unallocated assets					17,107
Total assets					7,014,351
Segment liabilities	(2,703,498)	(4,073,880)	(6,777,378)	74,802	(6,702,576)
Unallocated liabilities					(21,234)
Total liabilities					(6,723,810)
Supplementary information					
Credit commitments	145,165	636,417	781,582	—	781,582
Depreciation and amortisation included in operating expenses	(4,897)	(6,526)	(11,423)	—	(11,423)
Capital expenditure	4,175	10,978	15,153	—	15,153

A. FINANCIAL INFORMATION (continued)

(Amounts in millions of Renminbi, unless otherwise stated)

VI. NOTES TO FINANCIAL INFORMATION (continued)

42. Segment information (continued)

(c) County Area and Urban Area segment (continued)

2009	County Area banking business	Urban Area banking business	Segment total	Eliminations	Consolidated total
External interest income	57,708	238,439	296,147	—	296,147
External interest expense	(41,830)	(72,678)	(114,508)	—	(114,508)
Inter-segment interest income/(expense)	54,575	(54,575)	—	—	—
Net interest income	70,453	111,186	181,639	—	181,639
Fee and commission income	14,146	23,139	37,285	—	37,285
Fee and commission expense	(453)	(1,192)	(1,645)	—	(1,645)
Net fee and commission income	13,693	21,947	35,640	—	35,640
Net trading gain	2	442	444	—	444
Net gain on financial instruments designated as at fair value through profit or loss	—	2,052	2,052	—	2,052
Net gain/(loss) on investment securities	54	(227)	(173)	—	(173)
Other operating income, net	1,159	2,876	4,035	—	4,035
Operating income	85,361	138,276	223,637	—	223,637
Operating expenses	(46,892)	(62,675)	(109,567)	—	(109,567)
Impairment losses on assets	(17,524)	(22,618)	(40,142)	—	(40,142)
Operating profit	20,945	52,983	73,928	—	73,928
Share of losses of an associate	—	—	—	—	—
Profit before tax	20,945	52,983	73,928	—	73,928
Income tax expense					(8,926)
Profit for the year					65,002
Segment assets	3,235,103	5,712,643	8,947,746	(84,817)	8,862,929
Including: Interest in an associate	—	141	141	—	141
Unallocated assets					19,659
Total assets					8,882,588
Segment liabilities	(3,217,406)	(5,401,911)	(8,619,317)	84,817	(8,534,500)
Unallocated liabilities					(5,163)
Total liabilities					(8,539,663)
Supplementary information					
Credit commitments	262,452	959,231	1,221,683	—	1,221,683
Depreciation and amortisation included in operating expenses	(3,978)	(6,797)	(10,775)	—	(10,775)
Capital expenditure	5,296	15,094	20,390	—	20,390

A. FINANCIAL INFORMATION (continued)

(Amounts in millions of Renminbi, unless otherwise stated)

VI. NOTES TO FINANCIAL INFORMATION (continued)

43. Related party transactions

(1) The Bank and the MOF

As at 31 December 2007, 2008 and 2009, the MOF directly owned 100%, 50% and 50% of the paid in/share capital of the Bank.

The MOF is one of the ministries under the State Council, primarily responsible for state fiscal revenue and expenditures, and taxation policies. Enterprises or legal entities under the control or supervision of the MOF are mainly financial institutions, government departments and agencies. The Group is of the opinion that none of the companies over which the MOF controls, jointly controls or exercises significant influence is considered as related party of the Group.

Except for the Financial Restructuring set out in Note II, the Group has the following balances and has entered into the following transactions with the MOF in its ordinary course of business:

Treasury bond and special government bond

	2007	2008	2009
As at 31 December	449,448	492,640	565,085

Receivable from the MOF

	2007	2008	2009
As at 31 December	—	665,093	635,539

Interest receivable from the MOF

	2007	2008	2009
As at 31 December	—	1,412	—

Structured deposits

	2007	2008	2009
As at 31 December	584	547	546

Amount payable to the MOF

	2007	2008	2009
As at 31 December	—	26,027	5,891

Deposits from the MOF

	2007	2008	2009
As at 31 December	23,250	8,384	20,477

A. FINANCIAL INFORMATION (continued)

(Amounts in millions of Renminbi, unless otherwise stated)

VI. NOTES TO FINANCIAL INFORMATION (continued)

43. Related party transactions (continued)

(1) The Bank and the MOF (continued)

Other liability—redemption of certificate treasury bonds

	2007	2008	2009
As at 31 December	652	818	792

Net interest income

	2007	2008	2009
Interest income	17,312	42,386	37,909
Interest expense	(343)	(131)	(284)
Net interest income	16,969	42,255	37,625

	2007	2008	2009
Other operating expense	6,718	6,158	—

Fee and commission income

	2007	2008	2009
Fee and commission income	212	420	4,481

Government bond underwriting and redemption commitment

Government bond underwriting and redemption commitment are disclosed in Note VI.44(7).

(2) The Bank and Huijin

Huijin is a wholly-owned subsidiary of China Investment Corporation Limited, which is incorporated in Beijing, PRC with a registered capital of RMB552,117 million. Huijin is established to hold certain equity investments as authorised by the State Council and does not engage in other commercial activities. Huijin exercises legal rights and obligations in the Bank on behalf of the PRC Government.

As at 31 December 2008 and 2009, Huijin directly owned 50% of the paid in/share capital of the Bank. The transactions carried out with Huijin are conducted in the normal course of business, with prices based on normal transaction prices, and under normal commercial terms.

The Group has ordinary business transactions with Huijin. The details are as follows:

	As at 31 December		
	2007	2008	2009
Financial liabilities at FVTPL	—	5,840	4,014

A. FINANCIAL INFORMATION (continued)

(Amounts in millions of Renminbi, unless otherwise stated)

VI. NOTES TO FINANCIAL INFORMATION (continued)

43. Related party transactions (continued)

(3) The Bank and its associate

Balances with an associate

	As at 31 December		
	2007	2008	2009
Loans and advances to customers	330	300	300
Due to customers	(8)	(2)	(1)

In the opinion of management, no material impact to profit or loss arose from the transactions between the Bank and its associate.

(4) The Bank and government controlled or related entities

The Group enters into various banking transactions with government controlled or government related entities on commercial terms under normal course of business. These transactions mainly include provision of credit and guarantee, deposit placing and taking, foreign exchange related services and underwriting and provision of agency services on purchase and redemption of treasury bonds issued by the government.

(5) Key management personnel

Key management personnel are those persons who have the authority and responsibility to plan, direct and control the activities of the Group.

The remuneration of directors and other members of key management during the year was as follows:

	2007	2008	2009
Salaries, bonuses and staff welfare	8.71	8.41	8.36

When the Underlying Financial Statements were approved by the Board of Directors on 11 June 2010, the total compensation package of the key management personnel for the year 2009 represented an estimation made by the Bank which was subject to approval of the PRC government. Following the approval by the PRC government, the total compensation amounted to RMB17.37 million was subsequently approved at the annual shareholders' general meeting on 13 June 2010. Management considers that the additional compensation not provided for has no significant impact on the Group's financial statements for the year ended 31 December 2009.

(6) The Bank with the Annuity Plan

	As at 31 December		
	2007	2008	2009
Due to customers	—	—	6,339

	2007	2008	2009
Interest expense	—	—	28

A. FINANCIAL INFORMATION (continued)

(Amounts in millions of Renminbi, unless otherwise stated)

VI. NOTES TO FINANCIAL INFORMATION (continued)

44. Contingent liabilities and commitments

(1) Legal proceedings

The Group is involved as defendants in certain lawsuits arising from its normal business operations. As at 31 December 2007, 2008 and 2009, provisions of RMB2,819 million, RMB2,829 million and RMB2,974 million respectively were made based on court judgments or the advice of counsel. Management of the Group believes, based on legal advice, that the final result of these lawsuits will not have a material impact on the financial position or operations of the Group. Provision for litigation losses as advised by in-house or external legal professionals is disclosed in Note VI.36.(3) "Provision".

(2) Capital commitments

Group

	As at 31 December		
	2007	2008	2009
Contracted but not provided for	2,122	4,135	6,217
Authorised but not contracted for	259	1,262	1,102
Total	2,381	5,397	7,319

Bank

	As at 31 December		
	2007	2008	2009
Contracted but not provided for	2,122	4,134	6,217
Authorised but not contracted for	259	1,262	1,102
Total	2,381	5,396	7,319

(3) Credit commitments

Group and Bank

	As at 31 December		
	2007	2008	2009
Loan commitments	338,283	403,839	744,524
—With an original maturity of less than 1 year	25,041	41,667	50,650
—With an original maturity of 1 year or above	313,242	362,172	693,874
Letters of credit	51,983	38,780	53,933
Letters of guarantee	129,214	149,837	151,355
Acceptances	204,695	189,126	271,871
Total	724,175	781,582	1,221,683

Credit commitments represent credit cards and general credit facility limits granted to customers. These credit facilities may be drawn in the form of loans and advances or through the issuance of letters of credit, acceptances or letters of guarantee.

A. FINANCIAL INFORMATION (continued)

(Amounts in millions of Renminbi, unless otherwise stated)

VI. NOTES TO FINANCIAL INFORMATION (continued)

44. Contingent liabilities and commitments (continued)

(4) Operating lease commitments

At the end of each reporting period, the Group and the Bank have the following non-cancellable operating lease commitments:

Group

	As at 31 December		
	2007	2008	2009
Within 1 year	839	1,103	1,271
1 to 2 years	570	914	1,087
2 to 3 years	478	742	919
Above 3 years	2,114	2,621	3,174
Total	4,001	5,380	6,451

Bank

	As at 31 December		
	2007	2008	2009
Within 1 year	839	1,097	1,266
1 to 2 years	570	914	1,083
2 to 3 years	478	742	916
Above 3 years	2,114	2,621	3,174
Total	4,001	5,374	6,439

(5) Credit risk weighted amounts for credit commitments

Group and Bank

	As at 31 December		
	2007	2008	2009
Credit commitments	342,273	384,091	527,386

The credit risk weighted amounts are the amounts calculated in accordance with the guidelines issued by the CBRC and are dependent on, among other factors, the creditworthiness of the counterparty and the maturity characteristics. The risk weights used range from 0% to 100%, for contingent liabilities and commitments.

A. FINANCIAL INFORMATION (continued)

(Amounts in millions of Renminbi, unless otherwise stated)

VI. NOTES TO FINANCIAL INFORMATION (continued)

44. Contingent liabilities and commitments (continued)

(6) Collateral

Assets pledged

The carrying amount of assets pledged as collateral under repurchase agreement as set out in Note VI. 31 "Financial assets sold under repurchase agreements" by the Group and the Bank is as follows:

Group and Bank

	As at 31 December		
	2007	2008	2009
Bonds	68,503	25,830	22,389
Bills	1,390	2,601	69,611
Loans and advances to customers	3,988	7,045	9,071
Total	73,881	35,476	101,071

The net book value of financial assets sold under repurchase agreements by the Group as at 31 December 2007, 2008 and 2009 was RMB73,391 million, RMB35,090 million and RMB100,812 million respectively. All repurchase agreements are due within 12 months from the effective dates of these agreements.

In addition, the bonds pledged as collateral by the Group and the Bank and derivative transactions with other banks and financial institutions as at 31 December 2007, 2008 and 2009 amounted to RMB3,462 million, RMB2,452 million and RMB8,603 million, respectively.

Collateral accepted

Part of cash and securities received as collateral can be resold or re-pledged in connection with purchase of assets under resale agreements and security lending business. The fair value of collateral accepted by the Group as at 31 December 2007, 2008 and 2009 was RMB8,520 million, RMB56,901 million and RMB75,425 million, respectively. Of this total, the Group has an obligation to return collateral that had been sold or re-pledged by the Group with a fair value of RMB1,409 million, RMB2,301 million and RMB51,107 million, respectively.

(7) Government bonds underwriting and redemption commitment

The Group is entrusted by the MOF to underwrite certain treasury bonds. The investors of treasury bonds have a right to redeem the bonds at par any time prior to maturity and the Group is committed to such redemption. The redemption price is calculated as the par value of the treasury bonds plus unpaid interest in accordance with the early redemption arrangement.

As at 31 December 2007, 2008 and 2009, the nominal value of treasury bonds the Group has committed to redeem prior to maturity is RMB62,500 million, RMB51,400 million and RMB59,378

A. FINANCIAL INFORMATION (continued)

(Amounts in millions of Renminbi, unless otherwise stated)

VI. NOTES TO FINANCIAL INFORMATION (continued)

44. Contingent liabilities and commitments (continued)

(7) Government bonds underwriting and redemption commitment (continued)

million, respectively. The original maturities of these bonds vary from 1 to 5 years. As the benchmark interest rate of deposits set by the PBOC is lower than the coupon rate of these bonds, management of the Group expects that the amount of redemption before the maturity dates of those bonds will not be material to the Group.

The MOF will not provide funding for the early redemption of these bonds on a back-to-back basis, but will settle the principal and interest upon maturity.

(8) Underwriting obligations for other debt securities

Group and Bank

	As at 31 December		
	2007	2008	2009
Underwriting obligations	—	4,000	—

45. Dividends

No dividend was paid or proposed during the Relevant Periods. On 21 April 2010, cash dividend of RMB20 billion to its shareholders was approved at the extraordinary shareholders' general meeting.

VII. FINANCIAL RISK MANAGEMENT

1. Overview

The Group's primary risk management is to maintain risk within acceptable parameters and satisfying the regulatory requirements.

The Group has designed risk management policies and has set up risk controls to identify, analyse, monitor and report risks by means of relevant and up-to-date information systems. The Group regularly reviews its risk management policies and systems to address changes in markets, products and emerging best practice.

The most significant types of risk to which the Group is exposed are credit risk, market risk and liquidity risk. Market risk includes interest rate risk, foreign currency risk and other price risk.

2. Risk management framework

The Board of Directors is responsible for establishing overall risk appetite of the Group and reviewing and approving the risk management objectives and strategies.

A. FINANCIAL INFORMATION (continued)

(Amounts in millions of Renminbi, unless otherwise stated)

VII. FINANCIAL RISK MANAGEMENT (continued)

2. Risk management framework (continued)

Within this framework, the Group's senior management has overall management responsibility for managing all aspects of risk, including implementing risk management strategies, initiatives and credit policies and approving internal rules, measures and procedures related to risk management. The Risk Management Department of the Group implements procedures for monitoring risk arising from financial instruments.

3. Credit risk

3.1 Credit risk management

Credit risk represents the potential loss that may arise from a customer or counterparty's failure to meet its obligation. Credit risk can also arise from operational failures that result in an unauthorised or inappropriate advance, commitment or investment of funds. The Group's major credit risks come from loans and receivables, treasury operations and off-balance sheet related credit risk exposures.

The Group exercises standardised credit management procedures, including credit investigation and proposals, credit limit review, loan disbursement, post lending monitoring and non-performing loans management. The Group enhances its credit risk management by strict compliance with its credit management procedures; strengthening customer investigation, credit rating, lending approval and post lending monitoring; enhancing risk mitigation effect of loans through collateral; accelerating disposal process of non-performing loans and continuously upgrade of Credit Management System (CMS).

Apart from the credit risk exposures on credit-related assets and deposits with banks and other financial institutions, the credit risk arising from treasury business is managed by selecting counterparties with acceptable credit quality including by reference to external credit rating information where available. In addition, the Group also provides financial guarantee service to customers which may require the Group to make payments on behalf of customers upon their failure to perform under the terms of the contract. Risks arising from financial guarantees are similar to those associated with loans and advances. These transactions are, therefore, subject to the same risk management procedures and policies.

3.2 Impairment assessment

Key factors on impairment assessment

The Group generally measures and manages the quality of credit risk-bearing assets based on the *Guideline for Loan Credit Risk Classification* issued by the CBRC, which requires to classify loans into the following five category loan classification: normal, special-mention, substandard, doubtful and loss. Loans classified in the substandard, doubtful and loss categories are regarded as non-performing loans. The main factors considered in loan impairment assessment include probability of loan repayment and recoverability of principal and interest, which relates to borrowers' repayment ability, credit record, repayment intention, projected profitability, guarantees or collateral and legal responsibility of repayment. The allowance for impairment losses are assessed collectively or individually as appropriate.

A. FINANCIAL INFORMATION (continued)

(Amounts in millions of Renminbi, unless otherwise stated)

VII. FINANCIAL RISK MANAGEMENT (continued)

3. Credit risk (continued)

3.2 Impairment assessment (continued)

The five category loan classification in which the Group classifies its loans and advances to customers is set out below:

Normal	Borrowers can honour the terms of their loans. There is no reason to doubt their ability to repay principal and interest in full on a timely basis.
Special mention	Borrowers are able to service their loans currently, although repayment may be adversely affected by specific factors.
Substandard	Borrowers' ability to service their loans is in question and they cannot rely entirely on normal operational revenues to repay principal and interest. Losses may ensue even when collateral or guarantees are invoked.
Doubtful	Borrowers cannot repay principal and interest in full and significant losses will need to be recognised even when collateral or guarantees are invoked.
Loss	Only a small portion or none of principal and interest can be recovered after taking all possible measures and exhausting all legal remedies.

The accounting policies regarding the Group's estimation of impairment losses on financial assets are set out in Note IV.10 (1) "Impairment of financial assets".

3.3 Maximum exposure to credit risk before taking into account any collateral held or other credit enhancements

The maximum exposure to credit risk represents the credit risk exposure to the Group at the end of each reporting period without taking into account any collateral held or other credit enhancements. The maximum exposure to credit risk at the end of each reporting period is represented by the carrying amount of each financial asset recognised in the consolidated statements of financial position and credit commitments disclosed in Note VI.44 "Contingent liabilities and commitments".

A. FINANCIAL INFORMATION (continued)

(Amounts in millions of Renminbi, unless otherwise stated)

VII. FINANCIAL RISK MANAGEMENT (continued)

3. Credit risk (continued)

3.3 Maximum exposure to credit risk before taking into account any collateral held or other credit enhancements (continued)

A summary of the maximum exposure to credit risk is as follows:

Group

	Year ended 31 December		
	2007	2008	2009
Balances with central banks	893,515	1,101,716	1,468,910
Deposits with banks and other financial institutions	16,432	62,668	61,693
Placements with banks and other financial institutions	52,498	44,479	49,435
Financial assets held for trading	8,340	19,688	15,346
Financial assets designated as at fair value through profit or loss	8,865	20,329	96,830
Derivative financial assets	10,207	7,151	4,678
Financial assets held under resale agreements	144,848	246,370	421,093
Loans and advances to customers	2,709,192	3,014,984	4,011,495
Available-for-sale financial assets	528,086	799,647	729,895
Held-to-maturity investments	532,816	576,323	883,915
Debt securities classified as receivables	229,743	892,532	890,199
Other financial assets	27,538	32,936	35,621
Subtotal	5,162,080	6,818,823	8,669,110
Off-balance sheet items			
Credit commitments	724,175	781,582	1,221,683
Total	5,886,255	7,600,405	9,890,793

Bank

	Year ended 31 December		
	2007	2008	2009
Balances with central banks	893,515	1,101,716	1,468,867
Deposits with banks and other financial institutions	16,098	61,853	61,285
Placements with banks and other financial institutions	52,498	44,700	49,435
Financial assets held for trading	8,340	19,688	15,346
Financial assets designated as at fair value through profit or loss	8,865	20,264	96,830
Derivative financial assets	10,207	7,151	4,678
Financial assets held under resale agreements	144,848	246,370	421,093
Loans and advances to customers	2,709,192	3,014,951	4,011,386
Available-for-sale financial assets	528,086	799,647	729,895
Held-to-maturity investments	532,816	576,323	883,915
Debt securities classified as receivables	229,743	892,532	890,199
Other financial assets	27,485	32,874	35,551
Subtotal	5,161,693	6,818,069	8,668,480
Off-balance sheet items			
Credit commitments	724,175	781,582	1,221,683
Total	5,885,868	7,599,651	9,890,163

A. FINANCIAL INFORMATION (continued)

(Amounts in millions of Renminbi, unless otherwise stated)

VII. FINANCIAL RISK MANAGEMENT (continued)

3. Credit risk (continued)

3.3 Maximum exposure to credit risk before taking into account any collateral held or other credit enhancements (continued)

The Group implements specific policies and credit enhancement practices to mitigate credit risk exposure to an acceptable level, the most typical of these is by obtaining collateral and guarantees. The amount and type of acceptable collateral are determined by credit risk evaluations of borrowers. The Group implements guidelines on the acceptability of specific classes of collateral and evaluation parameters.

The main types of collateral obtained are as follows:

- Mortgage loans to personal customers are generally collateralised by mortgages over residential properties;
- Other personal lending and corporate loans and advances are mainly collateralised by charges over land and properties and other assets of the borrowers; and
- Reverse repurchase transactions are mainly collateralised by bonds, bills, loans or securities.

The Group monitors the market value of collateral periodically and requests for additional collateral in accordance with the underlying agreement when necessary.

A. FINANCIAL INFORMATION (continued)

(Amounts in millions of Renminbi, unless otherwise stated)

VII. FINANCIAL RISK MANAGEMENT (continued)

3. Credit risk (continued)

3.4 Loans and advances to customers

The following tables set out the concentration of risk for loans and advances to customers by industry and geographical area.

(1) The composition of loans and advances to customers by industry is analysed as follows:

Group

	As at 31 December					
	2007		2008		2009	
	Amount	% of total	Amount	% of total	Amount	% of total
Corporate loans and advances						
Mining	73,196	2.5	69,834	2.6	98,024	2.9
Manufacturing	1,007,829	33.8	821,258	31.2	954,760	28.6
Production and supply of power, gas and water	344,970	11.6	384,314	14.6	421,303	12.6
Construction	83,572	2.8	85,280	3.2	102,123	3.0
Transportation, logistics and postal services	162,308	5.4	203,809	7.7	314,872	9.4
Information transmission, computer services and software	31,205	1.0	38,663	1.5	28,316	0.8
Retail and wholesale	344,119	11.5	203,576	7.7	263,963	7.9
Real estate	353,130	11.8	342,237	13.0	434,926	13.1
Leasing and commercial services	112,238	3.8	67,204	2.5	147,879	4.4
Water, environment and public utilities management	77,262	2.6	91,063	3.5	155,629	4.6
Others	393,148	13.2	328,416	12.5	426,936	12.7
Subtotal	2,982,977	100.0	2,635,654	100.0	3,348,731	100.0
Personal loans and advances						
Residential mortgage loans	298,858	60.8	319,505	68.8	497,950	63.1
Loans to private business	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	55,074	11.2	16,372	3.5	85,835	10.9
Subtotal	491,197	100.0	464,505	100.0	789,456	100.0
Gross loans and advances to customers	3,474,174		3,100,159		4,138,187	

A. FINANCIAL INFORMATION (continued)

(Amounts in millions of Renminbi, unless otherwise stated)

VII. FINANCIAL RISK MANAGEMENT (continued)

3. Credit risk (continued)

3.4 Loans and advances to customers (continued)

(1) The composition of loans and advances to customers by industry is analysed as follows: (continued)

Bank

	As at 31 December					
	2007		2008		2009	
	Amount	% of total	Amount	% of total	Amount	% of total
Corporate loans and advances						
Mining	73,196	2.5	69,834	2.6	98,024	2.9
Manufacturing	1,007,829	33.8	821,258	31.2	954,760	28.6
Production and supply of power, gas and water	344,970	11.6	384,314	14.6	421,303	12.6
Construction	83,572	2.8	85,280	3.2	102,123	3.0
Transportation, logistics and postal services	162,308	5.4	203,809	7.7	314,872	9.4
Information transmission, computer services and software	31,205	1.0	38,663	1.5	28,316	0.8
Retail and wholesale	344,119	11.5	203,576	7.7	263,963	7.9
Real estate	353,130	11.8	342,237	13.0	434,926	13.1
Leasing and commercial services	112,238	3.8	67,204	2.5	147,879	4.4
Water, environment and public utilities management	77,262	2.6	91,063	3.5	155,629	4.6
Others	393,148	13.2	328,416	12.5	426,936	12.7
Subtotal	2,982,977	100.0	2,635,654	100.0	3,348,731	100.0
Personal loans and advances						
Residential mortgage loans	298,858	60.8	319,505	68.8	497,950	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	55,074	11.2	16,339	3.5	85,725	10.9
Subtotal	491,197	100.0	464,472	100.0	789,346	100.0
Gross loans and advances to customers	3,474,174		3,100,126		4,138,077	

A. FINANCIAL INFORMATION (continued)

(Amounts in millions of Renminbi, unless otherwise stated)

VII. FINANCIAL RISK MANAGEMENT (continued)

3. Credit risk (continued)

3.4 Loans and advances to customers (continued)

(2) The composition of loans and advances to customers by geographical area is analysed as follows:

Group

	As at 31 December					
	2007		2008		2009	
	Amount	% of total	Amount	% of total	Amount	% of total
Corporate loans and advances						
Head Office	107,636	3.6	140,987	5.3	121,899	3.6
Yangtze River Delta	691,700	23.1	741,278	28.2	894,868	26.7
Pearl River Delta	372,768	12.5	352,288	13.4	446,597	13.3
Bohai Rim	507,478	17.0	437,359	16.6	601,191	18.0
Central China	467,639	15.7	306,368	11.6	407,555	12.2
Western China	634,477	21.3	557,141	21.1	739,592	22.1
Northeastern China	183,587	6.2	81,039	3.1	109,219	3.3
Overseas	17,692	0.6	19,194	0.7	27,810	0.8
Subtotal	2,982,977	100.0	2,635,654	100.0	3,348,731	100.0
Personal loans and advances						
Head Office	—	—	—	—	—	—
Yangtze River Delta	147,170	30.0	155,468	33.5	252,867	32.1
Pearl River Delta	90,346	18.4	95,821	20.6	167,321	21.2
Bohai Rim	69,698	14.2	67,271	14.5	104,369	13.2
Central China	47,552	9.7	35,475	7.6	80,601	10.2
Western China	114,654	23.3	101,061	21.8	162,045	20.5
Northeastern China	21,764	4.4	9,369	2.0	22,139	2.8
Overseas and others	13	—	40	—	114	—
Subtotal	491,197	100.0	464,505	100.0	789,456	100.0
Gross loans and advances to customers	3,474,174		3,100,159		4,138,187	

A. FINANCIAL INFORMATION (continued)

(Amounts in millions of Renminbi, unless otherwise stated)

VII. FINANCIAL RISK MANAGEMENT (continued)

3. Credit risk (continued)

3.4 Loans and advances to customers (continued)

(2) The composition of loans and advances to customers by geographical area is analysed as follows: (continued)

Bank

	As at 31 December					
	2007		2008		2009	
	Amount	% of total	Amount	% of total	Amount	% of total
Corporate loans and advances						
Head Office	107,636	3.6	140,987	5.3	121,899	3.6
Yangtze River Delta	691,700	23.1	741,278	28.2	894,868	26.7
Pearl River Delta	372,768	12.5	352,288	13.4	446,597	13.3
Bohai Rim	507,478	17.0	437,359	16.6	601,191	18.0
Central China	467,639	15.7	306,368	11.6	407,555	12.2
Western China	634,477	21.3	557,141	21.1	739,592	22.1
Northeastern China	183,587	6.2	81,039	3.1	109,219	3.3
Overseas	17,692	0.6	19,194	0.7	27,810	0.8
Subtotal	2,982,977	100.0	2,635,654	100.0	3,348,731	100.0
Personal loans and advances						
Head Office	—	—	—	—	—	—
Yangtze River Delta	147,170	30.0	155,468	33.5	252,867	32.1
Pearl River Delta	90,346	18.4	95,821	20.6	167,321	21.2
Bohai Rim	69,698	14.2	67,271	14.5	104,369	13.2
Central China	47,552	9.7	35,475	7.6	80,601	10.2
Western China	114,654	23.3	101,061	21.8	162,045	20.5
Northeastern China	21,764	4.4	9,369	2.0	22,139	2.8
Overseas	13	—	7	—	4	—
Subtotal	491,197	100.0	464,472	100.0	789,346	100.0
Gross loans and advances to customers	3,474,174		3,100,126		4,138,077	

A. FINANCIAL INFORMATION (continued)

(Amounts in millions of Renminbi, unless otherwise stated)

VII. FINANCIAL RISK MANAGEMENT (continued)

3. Credit risk (continued)

3.4 Loans and advances to customers (continued)

(3) The composition of gross loans and advances to customers by contractual maturity and security type is analysed as follows:

Group

	As at 31 December 2007			
	Less than 1 year	1 to 5 years	More than 5 years	Total
Unsecured loans	369,070	159,594	166,783	695,447
Guaranteed loans	562,142	228,662	191,798	982,602
Collateralised and other secured loans				
—loans secured by property and other immovable assets	592,301	393,356	367,930	1,353,587
—other pledged loans	274,314	31,514	136,710	442,538
Total	1,797,827	813,126	863,221	3,474,174

	As at 31 December 2008			
	Less than 1 year	1 to 5 years	More than 5 years	Total
Unsecured loans	420,862	173,794	155,715	750,371
Guaranteed loans	263,408	139,666	251,977	655,051
Collateralised and other secured loans				
—loans secured by property and other immovable assets	461,188	331,862	394,788	1,187,838
—other pledged loans	310,964	24,246	171,689	506,899
Total	1,456,422	669,568	974,169	3,100,159

	As at 31 December 2009			
	Less than 1 year	1 to 5 years	More than 5 years	Total
Unsecured loans	261,892	231,768	302,949	796,609
Guaranteed loans	537,988	265,127	298,546	1,101,661
Collateralised and other secured loans				
—loans secured by property and other immovable assets	576,790	418,080	567,271	1,562,141
—other pledged loans	441,634	27,790	208,352	677,776
Total	1,818,304	942,765	1,377,118	4,138,187

A. FINANCIAL INFORMATION (continued)

(Amounts in millions of Renminbi, unless otherwise stated)

VII. FINANCIAL RISK MANAGEMENT (continued)

3. Credit risk (continued)

3.4 Loans and advances to customers (continued)

(3) The composition of gross loans and advances to customers by contractual maturity and security type is analysed as follows: (continued)

Bank

	As at 31 December 2007			
	Less than 1 year	1 to 5 years	More than 5 years	Total
Unsecured loans	369,070	159,594	166,783	695,447
Guaranteed loans	562,142	228,662	191,798	982,602
Collateralised and other secured loans				
—loans secured by property and other immovable assets	592,301	393,356	367,930	1,353,587
—other pledged loans	274,314	31,514	136,710	442,538
Total	1,797,827	813,126	863,221	3,474,174

	As at 31 December 2008			
	Less than 1 year	1 to 5 years	More than 5 years	Total
Unsecured loans	420,862	173,794	155,715	750,371
Guaranteed loans	263,408	139,666	251,977	655,051
Collateralised and other secured loans				
—loans secured by property and other immovable assets	461,155	331,862	394,788	1,187,805
—other pledged loans	310,964	24,246	171,689	506,899
Total	1,456,389	669,568	974,169	3,100,126

	As at 31 December 2009			
	Less than 1 year	1 to 5 years	More than 5 years	Total
Unsecured loans	261,892	231,768	302,949	796,609
Guaranteed loans	537,988	265,127	298,546	1,101,661
Collateralised and other secured loans				
—loans secured by property and other immovable assets	576,680	418,080	567,271	1,562,031
—other pledged loans	441,634	27,790	208,352	677,776
Total	1,818,194	942,765	1,377,118	4,138,077

A. FINANCIAL INFORMATION (continued)

(Amounts in millions of Renminbi, unless otherwise stated)

VII. FINANCIAL RISK MANAGEMENT (continued)

3. Credit risk (continued)

3.4 Loans and advances to customers (continued)

(4) Past due loans

Group and Bank

	As at 31 December 2007				
	Up to 90 days (including 90 days)	91-360 days	361 days to 3 years	Over 3 years	Total
Unsecured loans	997	2,227	3,041	248,184	254,449
Guaranteed loans	13,818	16,181	46,786	148,156	224,941
Collateralised and other secured loans					
—loans secured by property and other immovable assets	27,749	21,555	65,542	194,053	308,899
—other pledged loans	4,218	2,852	4,197	4,008	15,275
Total	46,782	42,815	119,566	594,401	803,564

	As at 31 December 2008				
	Up to 90 days (including 90 days)	91-360 days	361 days to 3 years	Over 3 years	Total
Unsecured loans	1,348	701	390	182	2,621
Guaranteed loans	11,269	8,855	6,193	214	26,531
Collateralised and other secured loans					
—loans secured by property and other immovable assets	24,430	18,734	7,295	317	50,776
—other pledged loans	3,268	2,701	876	65	6,910
Total	40,315	30,991	14,754	778	86,838

	As at 31 December 2009				
	Up to 90 days (including 90 days)	91-360 days	361 days to 3 years	Over 3 years	Total
Unsecured loans	1,398	337	872	168	2,775
Guaranteed loans	4,917	4,375	14,427	489	24,208
Collateralised and other secured loans					
—loans secured by property and other immovable assets	13,746	8,540	21,422	507	44,215
—other pledged loans	356	3,047	3,512	37	6,952
Total	20,417	16,299	40,233	1,201	78,150

Note: If either a loan's principal or interest was past due by 1 day in any period, the whole loan is classified as past due loan.

A. FINANCIAL INFORMATION (continued)

(Amounts in millions of Renminbi, unless otherwise stated)

VII. FINANCIAL RISK MANAGEMENT (continued)

3. Credit risk (continued)

3.4 Loans and advances to customers (continued)

(5) Credit quality of loans and advances to customers

Group

	As at 31 December		
	2007	2008	2009
Neither past due nor impaired (i)	2,626,085	2,945,165	4,003,287
Past due but not impaired (ii)	29,236	20,927	14,659
Impaired (iii)	818,853	134,067	120,241
Subtotal	3,474,174	3,100,159	4,138,187
Less: Allowance for impairment losses of loans and advances to customers	(764,982)	(85,175)	(126,692)
Loans and advances to customers	2,709,192	3,014,984	4,011,495

Bank

	As at 31 December		
	2007	2008	2009
Neither past due nor impaired (i)	2,626,085	2,945,132	4,003,177
Past due but not impaired (ii)	29,236	20,927	14,659
Impaired (iii)	818,853	134,067	120,241
Subtotal	3,474,174	3,100,126	4,138,077
Less: Allowance for impairment losses of loans and advances to customers	(764,982)	(85,175)	(126,691)
Loans and advances to customers	2,709,192	3,014,951	4,011,386

(i) Loans and advances neither past due nor impaired

Group

	As at 31 December 2007		
	Normal	Special mention	Total
Corporate loans and advances	1,985,939	237,788	2,223,727
Personal loans and advances	393,290	9,068	402,358
Total	2,379,229	246,856	2,626,085

	As at 31 December 2008		
	Normal	Special mention	Total
Corporate loans and advances	2,144,489	363,409	2,507,898
Personal loans and advances	421,597	15,670	437,267
Total	2,566,086	379,079	2,945,165

A. FINANCIAL INFORMATION (continued)

(Amounts in millions of Renminbi, unless otherwise stated)

VII. FINANCIAL RISK MANAGEMENT (continued)

3. Credit risk (continued)

3.4 Loans and advances to customers (continued)

(5) Credit quality of loans and advances to customers (continued)

(i) Loans and advances neither past due nor impaired (continued)

Group (continued)

	As at 31 December 2009		
	Normal	Special mention	Total
Corporate loans and advances	2,941,136	297,590	3,238,726
Personal loans and advances	749,987	14,574	764,561
Total	3,691,123	312,164	4,003,287

Bank

	As at 31 December 2007		
	Normal	Special mention	Total
Corporate loans and advances	1,985,939	237,788	2,223,727
Personal loans and advances	393,290	9,068	402,358
Total	2,379,229	246,856	2,626,085

	As at 31 December 2008		
	Normal	Special mention	Total
Corporate loans and advances	2,144,489	363,409	2,507,898
Personal loans and advances	421,564	15,670	437,234
Total	2,566,053	379,079	2,945,132

	As at 31 December 2009		
	Normal	Special mention	Total
Corporate loans and advances	2,941,136	297,590	3,238,726
Personal loans and advances	749,877	14,574	764,451
Total	3,691,013	312,164	4,003,177

(ii) Loans and advances past due but not impaired

Group and Bank

	As at 31 December 2007				
	Up to 30 days (including 30 days)	30-60 days (including 60 days)	60-90 days (including 90 days)	Total	Fair value of collateral
Corporate loans and advances	6,990	1,429	841	9,260	12,202
Personal loans and advances	14,686	3,348	1,942	19,976	36,399
Total	21,676	4,777	2,783	29,236	48,601

A. FINANCIAL INFORMATION (continued)

(Amounts in millions of Renminbi, unless otherwise stated)

VII. FINANCIAL RISK MANAGEMENT (continued)

3. Credit risk (continued)

3.4 Loans and advances to customers (continued)

(5) Credit quality of loans and advances to customers (continued)

(ii) Loans and advances past due but not impaired (continued)

Group and Bank (continued)

	As at 31 December 2008				
	Up to 30 days (including 30 days)	30-60 days (including 60 days)	60-90 days (including 90 days)	Total	Fair value of collateral
Corporate loans and advances	3,623	241	148	4,012	4,857
Personal loans and advances	11,618	3,117	2,180	16,915	27,496
Total	15,241	3,358	2,328	20,927	32,353

	As at 31 December 2009				
	Up to 30 days (including 30 days)	30-60 days (including 60 days)	60-90 days (including 90 days)	Total	Fair value of collateral
Corporate loans and advances	720	39	77	836	1,085
Personal loans and advances	10,323	2,253	1,247	13,823	20,836
Total	11,043	2,292	1,324	14,659	21,921

(iii) Impaired loans and advances

Group and Bank

	As at 31 December 2007		
	Book value	Allowances for impairment	Net value
Individually assessed	749,989	(668,130)	81,859
Collectively assessed	68,864	(63,349)	5,515
Total	818,853	(731,479)	87,374

	As at 31 December 2008		
	Book value	Allowances for impairment	Net value
Individually assessed	123,744	(43,141)	80,603
Collectively assessed	10,323	(4,219)	6,104
Total	134,067	(47,360)	86,707

	As at 31 December 2009		
	Book value	Allowances for impairment	Net value
Individually assessed	109,169	(55,596)	53,573
Collectively assessed	11,072	(5,039)	6,033
Total	120,241	(60,635)	59,606

A. FINANCIAL INFORMATION (continued)

(Amounts in millions of Renminbi, unless otherwise stated)

VII. FINANCIAL RISK MANAGEMENT (continued)

3. Credit risk (continued)

3.4 Loans and advances to customers (continued)

(5) Credit quality of loans and advances to customers (continued)

(iii) Impaired loans and advances (continued)

Group and Bank (continued)

Including:

	As at 31 December		
	2007	2008	2009
Individually assessed and impaired	749,989	123,744	109,169
Individually assessed and impaired %	21.59%	3.99%	2.64%
Fair value of collateral	46,445	21,394	18,349

(iv) The composition of impaired loans and advances to customers by geographical area is analysed as follows:

Group and Bank

	As at 31 December					
	2007		2008		2009	
	Amount	% of total	Amount	% of total	Amount	% of total
Head Office	4,873	0.6	2,128	1.6	2,127	1.8
Yangtze River Delta	52,097	6.4	22,198	16.6	22,194	18.5
Pearl River Delta	86,039	10.5	14,557	10.9	14,888	12.4
Bohai Rim	122,108	14.9	21,287	15.9	19,642	16.3
Central China	233,088	28.5	17,968	13.4	16,086	13.4
Western China	197,796	24.2	48,178	35.9	38,840	32.3
Northeastern China	122,395	14.8	7,364	5.5	6,146	5.1
Overseas and others	457	0.1	387	0.2	318	0.2
Total	818,853	100.0	134,067	100.0	120,241	100.0

(6) Rescheduled loans and advances

Rescheduled loans and advances arise from rescheduling and deferral of repayment terms. Rescheduled loans and advances are under continuous monitoring. Rescheduled loans and advances as at 31 December 2007, 31 December 2008 and 31 December 2009 totaled RMB32,271 million, RMB11,197 million and RMB11,675 million, respectively.

(7) Assets foreclosed under credit enhancement arrangement

The Group disclosed such assets in Note VI.25.

A. FINANCIAL INFORMATION (continued)

(Amounts in millions of Renminbi, unless otherwise stated)

VII. FINANCIAL RISK MANAGEMENT (continued)

3. Credit risk (continued)

3.5 Debt securities

(1) Credit quality of debt securities

Group

	As at 31 December		
	2007	2008	2009
Neither past due nor impaired (i)	1,283,006	2,291,389	2,606,881
Past due but not impaired	—	—	—
Impaired (ii)	25,348	17,358	9,173
Subtotal	1,308,354	2,308,747	2,616,054
Less: Allowance for impairment	(513)	(274)	(210)
	1,307,841	2,308,473	2,615,844

Bank

	As at 31 December		
	2007	2008	2009
Neither past due nor impaired (i)	1,283,006	2,291,324	2,606,881
Past due but not impaired	—	—	—
Impaired (ii)	25,348	17,358	9,173
Subtotal	1,308,354	2,308,682	2,616,054
Less: Allowance for impairment	(513)	(274)	(210)
	1,307,841	2,308,408	2,615,844

A. FINANCIAL INFORMATION (continued)

(Amounts in millions of Renminbi, unless otherwise stated)

VII. FINANCIAL RISK MANAGEMENT (continued)

3. Credit risk (continued)

3.5 Debt securities (continued)

(1) Credit quality of debt securities (continued)

(i) Debt securities neither past due nor impaired

Group

	As at 31 December 2007				
	Financial assets at FVTPL	Available- for-sale financial assets	Held-to-maturity investments	Debt securities classified as receivables	Total
Government bonds	3,777	354,270	287,953	—	646,000
Public sector, quasi-government bonds	2,150	113,437	229,810	—	345,397
Financial institution bonds	6,124	24,043	10,453	5,606	46,226
Corporate bonds	2,935	13,881	2,232	746	19,794
Special government bond	—	—	—	93,300	93,300
Certificate treasury bonds	—	—	—	29,979	29,979
PBOC's designated bills	—	—	—	99,988	99,988
PBOC's special bills	—	—	—	112	112
Credit notes issued by trust companies	2,210	—	—	—	2,210
Total	17,196	505,631	530,448	229,731	1,283,006

	As at 31 December 2008				
	Financial assets at FVTPL	Available- for-sale financial assets	Held-to-maturity investments	Debt securities classified as receivables	Total
Government bonds	19,806	588,386	330,239	—	938,431
Public sector, quasi-government bonds	5,533	153,342	227,204	—	386,079
Financial institution bonds	4,118	17,061	11,395	7,180	39,754
Corporate bonds	2,850	26,054	5,211	—	34,115
Special government bond	—	—	—	93,300	93,300
Certificate treasury bonds	—	—	—	26,849	26,849
PBOC's designated bills	—	—	—	99,992	99,992
PBOC's special bills	—	—	—	112	112
Receivable from the MOF	—	—	—	665,093	665,093
Credit notes issued by trust companies	7,664	—	—	—	7,664
Total	39,971	784,843	574,049	892,526	2,291,389

A. FINANCIAL INFORMATION (continued)

(Amounts in millions of Renminbi, unless otherwise stated)

VII. FINANCIAL RISK MANAGEMENT (continued)

3. Credit risk (continued)

3.5 Debt securities (continued)

(1) Credit quality of debt securities (continued)

(i) Debt securities neither past due nor impaired (continued)

Group (continued)

	As at 31 December 2009				
	Financial assets at FVTPL	Available-for-sale financial assets	Held-to-maturity investments	Debt securities classified as receivables	Total
Government bonds	18,389	476,700	536,566	—	1,031,655
Public sector, quasi-government bonds	24,620	157,027	263,890	—	445,537
Financial institution bonds	6,245	18,164	41,504	9,306	75,219
Corporate bonds	8,797	70,713	40,288	—	119,798
Special government bond	—	—	—	93,300	93,300
Certificate treasury bonds	—	—	—	22,092	22,092
PBOC's designated bills	—	—	—	119,744	119,744
PBOC's special bills	—	—	—	112	112
Receivable from the MOF	—	—	—	635,539	635,539
Savings treasury bonds	—	—	—	10,101	10,101
Credit notes issued by trust companies	53,784	—	—	—	53,784
Total	111,835	722,604	882,248	890,194	2,606,881

Bank

	As at 31 December 2007				
	Financial assets at FVTPL	Available-for-sale financial assets	Held-to-maturity investments	Debt securities classified as receivables	Total
Government bonds	3,777	354,270	287,953	—	646,000
Public sector, quasi-government bonds	2,150	113,437	229,810	—	345,397
Financial institution bonds	6,124	24,043	10,453	5,606	46,226
Corporate bonds	2,935	13,881	2,232	746	19,794
Special government bond	—	—	—	93,300	93,300
Certificate treasury bonds	—	—	—	29,979	29,979
PBOC's designated bills	—	—	—	99,988	99,988
PBOC's special bills	—	—	—	112	112
Credit notes issued by trust companies	2,210	—	—	—	2,210
Total	17,196	505,631	530,448	229,731	1,283,006

A. FINANCIAL INFORMATION (continued)

(Amounts in millions of Renminbi, unless otherwise stated)

VII. FINANCIAL RISK MANAGEMENT (continued)

3. Credit risk (continued)

3.5 Debt securities (continued)

(1) Credit quality of debt securities (continued)

(i) Debt securities neither past due nor impaired (continued)

Bank (continued)

	As at 31 December 2008				
	Financial assets at FVTPL	Available-for-sale financial assets	Held-to-maturity investments	Debt securities classified as receivables	Total
Government bonds	19,806	588,386	330,239	—	938,431
Public sector, quasi-government bonds	5,533	153,342	227,204	—	386,079
Financial institution bonds	4,053	17,061	11,395	7,180	39,689
Corporate bonds	2,850	26,054	5,211	—	34,115
Special government bond	—	—	—	93,300	93,300
Certificate treasury bonds	—	—	—	26,849	26,849
PBOC's designated bills	—	—	—	99,992	99,992
PBOC's special bills	—	—	—	112	112
Receivable from the MOF	—	—	—	665,093	665,093
Credit notes issued by trust companies	7,664	—	—	—	7,664
Total	39,906	784,843	574,049	892,526	2,291,324

	As at 31 December 2009				
	Financial assets at FVTPL	Available-for-sale financial assets	Held-to-maturity investments	Debt securities classified as receivables	Total
Government bonds	18,389	476,700	536,566	—	1,031,655
Public sector, quasi-government bonds	24,620	157,027	263,890	—	445,537
Financial institution bonds	6,245	18,164	41,504	9,306	75,219
Corporate bonds	8,797	70,713	40,288	—	119,798
Special government bond	—	—	—	93,300	93,300
Certificate treasury bonds	—	—	—	22,092	22,092
PBOC's designated bills	—	—	—	119,744	119,744
PBOC's special bills	—	—	—	112	112
Receivable from the MOF	—	—	—	635,539	635,539
Savings treasury bonds	—	—	—	10,101	10,101
Credit notes issued by trust companies	53,784	—	—	—	53,784
Total	111,835	722,604	882,248	890,194	2,606,881

A. FINANCIAL INFORMATION (continued)

(Amounts in millions of Renminbi, unless otherwise stated)

VII. FINANCIAL RISK MANAGEMENT (continued)

3. Credit risk (continued)

3.5 Debt securities (continued)

(1) Credit quality of debt securities (continued)

(ii) Impaired debt securities

Group and Bank

	As at 31 December 2007			
	Available-for-sale financial assets	Held-to-maturity investments	Debt securities classified as receivables	Total
Public sector, quasi-government bonds	2,949	1,834	—	4,783
Financial institution bonds	19,502	898	—	20,400
Corporate bonds	4	—	161	165
Total	22,455	2,732	161	25,348

	As at 31 December 2008			
	Available-for-sale financial assets	Held-to-maturity investments	Debt securities classified as receivables	Total
Public sector, quasi-government bonds	1,811	1,536	—	3,347
Financial institution bonds	12,993	907	—	13,900
Corporate bonds	—	20	91	111
Total	14,804	2,463	91	17,358

	As at 31 December 2009			
	Available-for-sale financial assets	Held-to-maturity investments	Debt securities classified as receivables	Total
Public sector, quasi-government bonds	2,188	952	—	3,140
Financial institution bonds	5,103	838	—	5,941
Corporate bonds	—	—	92	92
Total	7,291	1,790	92	9,173

A. FINANCIAL INFORMATION (continued)

(Amounts in millions of Renminbi, unless otherwise stated)

VII. FINANCIAL RISK MANAGEMENT (continued)

3. Credit risk (continued)

3.5 Debt securities (continued)

(2) Debt securities analysed by credit rating and credit risk characteristic

Group and Bank

	As at 31 December 2007					
	Unrated	AAA	AA	A	Lower than A	Total
Government bonds	644,869	51	75	1,005	—	646,000
Public sector and quasi-government bonds	323,535	24,908	465	1,002	174	350,084
Financial institution bonds	1,389	40,765	16,718	7,164	322	66,358
Corporate bonds	1,151	2,363	737	14,789	770	19,810
Special government bond	93,300	—	—	—	—	93,300
Certificate treasury bonds	29,979	—	—	—	—	29,979
PBOC's designated bills	99,988	—	—	—	—	99,988
PBOC's special bills	112	—	—	—	—	112
Credit notes issued by trust companies	2,210	—	—	—	—	2,210
Total	1,196,533	68,087	17,995	23,960	1,266	1,307,841

Group

	As at 31 December 2008					
	Unrated	AAA	AA	A	Lower than A	Total
Government bonds	923,498	13,922	74	937	—	938,431
Public sector and quasi-government bonds	371,023	16,315	99	1,755	179	389,371
Financial institution bonds	1,386	29,268	13,137	7,291	2,438	53,520
Corporate bonds	985	20,347	131	11,370	1,308	34,141
Receivable from the MOF	665,093	—	—	—	—	665,093
Special government bond	93,300	—	—	—	—	93,300
Certificate treasury bonds	26,849	—	—	—	—	26,849
PBOC's designated bills	99,992	—	—	—	—	99,992
PBOC's special bills	112	—	—	—	—	112
Credit notes issued by trust companies	7,664	—	—	—	—	7,664
Total	2,189,902	79,852	13,441	21,353	3,925	2,308,473

A. FINANCIAL INFORMATION (continued)

(Amounts in millions of Renminbi, unless otherwise stated)

VII. FINANCIAL RISK MANAGEMENT (continued)

3. Credit risk (continued)

3.5 Debt securities (continued)

(2) Debt securities analysed by credit rating and credit risk characteristic (continued)

Bank

	As at 31 December 2008					
	Unrated	AAA	AA	A	Lower than A	Total
Government bonds	923,498	13,922	74	937	—	938,431
Public sector and quasi-government bonds	371,023	16,315	99	1,755	179	389,371
Financial institution bonds	1,386	29,268	13,137	7,226	2,438	53,455
Corporate bonds	985	20,347	131	11,370	1,308	34,141
Receivable from the MOF	665,093	—	—	—	—	665,093
Special government bond	93,300	—	—	—	—	93,300
Certificate treasury bonds	26,849	—	—	—	—	26,849
PBOC's designated bills	99,992	—	—	—	—	99,992
PBOC's special bills	112	—	—	—	—	112
Credit notes issued by trust companies	7,664	—	—	—	—	7,664
Total	2,189,902	79,852	13,441	21,288	3,925	2,308,408

Group and Bank

	As at 31 December 2009					
	Unrated	AAA	AA	A	Lower than A	Total
Government bonds	1,028,407	2,537	77	634	—	1,031,655
Public sector and quasi-government bonds	409,644	35,817	707	2,307	190	448,665
Financial institution bonds	2,723	58,820	8,483	9,885	1,138	81,049
Corporate bonds	1,764	72,238	8,146	34,872	2,783	119,803
Receivable from the MOF	635,539	—	—	—	—	635,539
Special government bond	93,300	—	—	—	—	93,300
Certificate treasury bonds	22,092	—	—	—	—	22,092
Savings treasury bonds	10,101	—	—	—	—	10,101
PBOC's designated bills	119,744	—	—	—	—	119,744
PBOC's special bills	112	—	—	—	—	112
Credit notes issued by trust companies	53,784	—	—	—	—	53,784
Total	2,377,210	169,412	17,413	47,698	4,111	2,615,844

A. FINANCIAL INFORMATION (continued)

(Amounts in millions of Renminbi, unless otherwise stated)

VII. FINANCIAL RISK MANAGEMENT (continued)

4. Liquidity risk

Liquidity risk is the risk that funds will not be available to meet liabilities as they fall due. This may arise from cash flows or maturity mismatches of assets and liabilities.

The Group's Assets and Liabilities Management Department manages its liquidity risk via:

- Optimising assets and liabilities structure;
- Maintaining stability of deposit base;
- Making advance projection on future cash flows and evaluating the appropriate current assets position; and
- Maintaining an efficient internal fund transfer mechanism within the Group.

A. FINANCIAL INFORMATION (continued)

(Amounts in millions of Renminbi, unless otherwise stated)

VII. FINANCIAL RISK MANAGEMENT (continued)

4. Liquidity risk (continued)

(1) Analysis of the remaining maturity of the financial assets and liabilities

The tables below summarise the maturity analysis of financial assets and liabilities by remaining contractual maturities at the end of each reporting period.

Group

	As at 31 December 2007							
	Past due/ Undated	On demand	Up to 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Total
Cash and balances with central banks	802,838	134,176	—	—	—	—	—	937,014
Deposits with banks and other financial institutions	—	12,457	16	2,321	1,638	—	—	16,432
Placements with banks and other financial institutions	—	—	27,870	16,650	7,223	755	—	52,498
Financial assets held for trading	—	—	150	701	3,469	2,037	1,983	8,340
Financial assets designated as at fair value through profit or loss	—	—	891	679	2,282	3,483	1,530	8,865
Derivative financial assets	—	—	252	456	6,030	472	2,997	10,207
Financial assets held under resale agreements	—	—	115,283	19,820	9,745	—	—	144,848
Loans and advances to customers	54,743	—	140,030	302,325	986,714	617,303	608,077	2,709,192
Available-for-sale financial assets	4	—	73,094	75,671	48,432	162,990	169,152	529,343
Held-to-maturity investments	—	—	130	30,295	107,476	266,662	128,253	532,816
Debt securities classified as receivables	612	—	1,584	5,600	21,050	105,451	95,446	229,743
Other financial assets	1,804	4,194	3,691	7,984	9,865	—	—	27,538
Total financial assets	860,001	150,827	362,991	462,502	1,203,924	1,159,153	1,007,438	5,206,836
Borrowings from central bank	—	—	(115)	(150,602)	(122)	(28)	—	(150,867)
Deposits from banks and other financial institutions	—	(241,442)	(8,032)	(3,071)	(12,846)	(17,658)	(13,569)	(296,618)
Placements from banks and other financial institutions	—	—	(24,590)	(4,856)	(601)	(145)	(183)	(30,375)
Derivative financial liabilities	—	—	(544)	(503)	(1,836)	(1,454)	(2,957)	(7,294)
Financial liabilities designated as at fair value through profit or loss	—	—	(442)	(539)	(2,799)	(3,353)	(3,355)	(10,488)
Financial assets sold under repurchase agreements	—	—	(69,075)	(2,182)	(2,134)	—	—	(73,391)
Due to customers	—	(3,083,863)	(355,895)	(414,180)	(1,063,698)	(366,335)	(3,223)	(5,287,194)
Debt securities issued	—	—	(8)	(197)	(1,966)	(1,983)	—	(4,154)
Other financial liabilities	—	(29,476)	(9,141)	(8,400)	(16,454)	(12,668)	(43)	(76,182)
Total financial liabilities	—	(3,354,781)	(467,842)	(584,530)	(1,102,456)	(403,624)	(23,330)	(5,936,563)
Net position	860,001	(3,203,954)	(104,851)	(122,028)	101,468	755,529	984,108	(729,727)

A. FINANCIAL INFORMATION (continued)

(Amounts in millions of Renminbi, unless otherwise stated)

VII. FINANCIAL RISK MANAGEMENT (continued)

4. Liquidity risk (continued)

(1) Analysis of the remaining maturity of the financial assets and liabilities (continued)

Group (continued)

	As at 31 December 2008							
	Past due/ Undated	On demand	Up to 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Total
Cash and balances with central banks	981,585	164,299	—	—	—	—	—	1,145,884
Deposits with banks and other financial institutions	—	55,161	2,077	750	4,680	—	—	62,668
Placements with banks and other financial institutions	—	—	18,418	20,112	4,063	1,886	—	44,479
Financial assets held for trading	—	—	—	726	5,627	10,071	3,264	19,688
Financial assets designated as at fair value through profit or loss	—	—	2,008	2,492	9,008	6,198	623	20,329
Derivative financial assets	—	—	268	470	1,162	989	4,262	7,151
Financial assets held under resale agreements	—	—	186,387	50,891	9,092	—	—	246,370
Loans and advances to customers	21,400	—	130,212	314,869	1,198,698	652,129	697,676	3,014,984
Available-for-sale financial assets	3	—	107,052	87,284	176,371	270,739	158,756	800,205
Held-to-maturity investments	—	—	2,676	5,649	59,454	350,556	157,988	576,323
Debt securities classified as receivables	6	—	2,837	7,007	15,429	105,360	761,893	892,532
Other financial assets	692	3,688	3,790	11,214	13,551	1	—	32,936
Total financial assets	1,003,686	223,148	455,725	501,464	1,497,135	1,397,929	1,784,462	6,863,549
Borrowings from central bank	—	—	(35)	(251)	—	(28)	—	(314)
Deposits from banks and other financial institutions	—	(184,067)	(13,600)	(15,557)	(30,581)	(45,967)	—	(289,772)
Placements from banks and other financial institutions	—	—	(23,785)	(8,115)	(1,937)	(136)	(158)	(34,131)
Financial liabilities designated as at fair value through profit or loss	—	—	(6,469)	(3,457)	(4,466)	(6,194)	(2,091)	(22,677)
Financial assets sold under repurchase agreements	—	—	(28,708)	(3,120)	(3,262)	—	—	(35,090)
Derivative financial liabilities	—	—	(551)	(2,691)	(1,209)	(1,733)	(5,350)	(11,534)
Due to customers	—	(3,348,589)	(397,990)	(525,213)	(1,372,789)	(447,400)	(5,447)	(6,097,428)
Debt securities issued	—	—	(7)	(972)	(2,827)	(1,344)	—	(5,150)
Other financial liabilities	—	(60,352)	(10,236)	(14,294)	(24,714)	(17,940)	(77)	(127,613)
Total financial liabilities	—	(3,593,008)	(481,381)	(573,670)	(1,441,785)	(520,742)	(13,123)	(6,623,709)
Net position	1,003,686	(3,369,860)	(25,656)	(72,206)	55,350	877,187	1,771,339	239,840

A. FINANCIAL INFORMATION (continued)

(Amounts in millions of Renminbi, unless otherwise stated)

VII. FINANCIAL RISK MANAGEMENT (continued)

4. Liquidity risk (continued)

(1) Analysis of the remaining maturity of the financial assets and liabilities (continued)

Group (continued)

	As at 31 December 2009							
	Past due/ Undated	On demand	Up to 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Total
Cash and balances with central banks	1,211,017	152,789	—	—	—	154,000	—	1,517,806
Deposits with banks and other financial institutions	—	42,798	5,100	9,435	4,360	—	—	61,693
Placements with banks and other financial institutions	—	—	35,572	3,942	9,439	482	—	49,435
Financial assets held for trading	—	—	1,230	2,062	5,086	5,564	1,404	15,346
Financial assets designated as at fair value through profit or loss	—	41	1,105	6,959	35,772	38,489	14,464	96,830
Derivative financial assets	—	—	190	156	677	566	3,089	4,678
Financial assets held under resale agreements	—	—	147,267	229,380	44,446	—	—	421,093
Loans and advances to customers	17,146	—	200,279	453,547	1,297,465	997,473	1,045,585	4,011,495
Available-for-sale financial assets	487	—	103,357	78,280	156,748	259,684	131,826	730,382
Held-to-maturity investments	—	—	22,328	92,358	149,928	416,376	202,925	883,915
Debt securities classified as receivables	7	—	—	22,967	108,411	22,171	736,643	890,199
Other financial assets	735	2,385	5,946	12,830	13,616	109	—	35,621
Total financial assets	1,229,392	198,013	522,374	911,916	1,825,948	1,894,914	2,135,936	8,718,493
Borrowings from central bank	—	(30)	—	—	—	(28)	—	(58)
Deposits from banks and other financial institutions	—	(267,459)	(39,212)	(75,431)	(45,172)	(146,675)	—	(573,949)
Placements from banks and other financial institutions	—	—	(18,249)	(6,162)	(1,685)	(67)	(149)	(26,312)
Financial liabilities held for trading	—	(56)	—	—	—	—	—	(56)
Financial liabilities designated as at fair value through profit or loss	—	—	(46,283)	(18,602)	(46,341)	(2,537)	(80)	(113,843)
Financial assets sold under repurchase agreements	—	—	(75,094)	(10,561)	(15,157)	—	—	(100,812)
Derivative financial liabilities	—	—	(160)	(202)	(550)	(1,140)	(5,638)	(7,690)
Due to customers	—	(4,492,349)	(319,646)	(602,158)	(1,602,159)	(479,593)	(1,713)	(7,497,618)
Debt securities issued	—	—	—	—	(1,354)	(28,848)	(24,977)	(55,179)
Other financial liabilities	—	(49,081)	(12,233)	(11,503)	(23,195)	(23,701)	(3)	(119,716)
Total financial liabilities	—	(4,808,975)	(510,877)	(724,619)	(1,735,613)	(682,589)	(32,560)	(8,495,233)
Net position	1,229,392	(4,610,962)	11,497	187,297	90,335	1,212,325	2,103,376	223,260

A. FINANCIAL INFORMATION (continued)

(Amounts in millions of Renminbi, unless otherwise stated)

VII. FINANCIAL RISK MANAGEMENT (continued)

4. Liquidity risk (continued)

(1) Analysis of the remaining maturity of the financial assets and liabilities (continued)

Bank

	As at 31 December 2007							
	Past due/ Undated	On demand	Up to 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Total
Cash and balances with central banks	802,838	134,083	—	—	—	—	—	936,921
Deposits with banks and other financial institutions	—	12,204	16	2,274	1,604	—	—	16,098
Placements with banks and other financial institutions	—	—	27,870	16,650	7,223	755	—	52,498
Financial assets held for trading	—	—	150	701	3,469	2,037	1,983	8,340
Financial assets designated as at fair value through profit or loss	—	—	891	679	2,282	3,483	1,530	8,865
Financial assets held under resale agreements	—	—	115,283	19,820	9,745	—	—	144,848
Derivative financial assets	—	—	252	456	6,030	472	2,997	10,207
Loans and advances to customers	54,743	—	140,030	302,325	986,714	617,303	608,077	2,709,192
Available-for-sale financial assets	4	—	73,094	75,671	48,432	162,990	169,152	529,343
Held-to-maturity investments	—	—	130	30,295	107,476	266,662	128,253	532,816
Debt securities classified as receivables	612	—	1,584	5,600	21,050	105,451	95,446	229,743
Other financial assets	1,805	4,141	3,691	7,984	9,864	—	—	27,485
Total financial assets	860,002	150,428	362,991	462,455	1,203,889	1,159,153	1,007,438	5,206,356
Borrowings from central bank	—	—	(115)	(150,602)	(122)	(28)	—	(150,867)
Deposits from banks and other financial institutions	—	(241,442)	(8,032)	(3,071)	(12,847)	(17,658)	(13,569)	(296,619)
Placements from banks and other financial institutions	—	—	(24,590)	(4,856)	(601)	(145)	(183)	(30,375)
Financial liabilities designated as at fair value through profit or loss	—	—	(442)	(539)	(2,799)	(3,353)	(3,355)	(10,488)
Financial assets sold under repurchase agreements	—	—	(69,075)	(2,182)	(2,134)	—	—	(73,391)
Derivative financial liabilities	—	—	(544)	(503)	(1,836)	(1,454)	(2,957)	(7,294)
Due to customers	—	(3,083,863)	(355,895)	(414,180)	(1,063,698)	(366,335)	(3,223)	(5,287,194)
Debt securities issued	—	—	(8)	(197)	(1,966)	(1,983)	—	(4,154)
Other financial liabilities	—	(28,932)	(9,142)	(8,400)	(16,454)	(12,667)	(43)	(75,638)
Total financial liabilities	—	(3,354,237)	(467,843)	(584,530)	(1,102,457)	(403,623)	(23,330)	(5,936,020)
Net position	860,002	(3,203,809)	(104,852)	(122,075)	101,432	755,530	984,108	(729,664)

A. FINANCIAL INFORMATION (continued)

(Amounts in millions of Renminbi, unless otherwise stated)

VII. FINANCIAL RISK MANAGEMENT (continued)

4. Liquidity risk (continued)

(1) Analysis of the remaining maturity of the financial assets and liabilities (continued)

Bank (continued)

	As at 31 December 2008							
	Past due/ Undated	On demand	Up to 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Total
Cash and balances with central banks	981,585	164,141	—	—	—	—	—	1,145,726
Deposit with banks and other financial institutions	—	54,444	2,050	741	4,618	—	—	61,853
Placements with banks and other financial institutions	—	—	18,418	20,112	4,284	1,886	—	44,700
Financial assets held for trading	—	—	—	726	5,627	10,071	3,264	19,688
Financial assets designated as at fair value through profit or loss	—	—	1,943	2,492	9,008	6,198	623	20,264
Derivative financial assets	—	—	268	470	1,162	989	4,262	7,151
Financial assets held under resale agreements	—	—	186,387	50,891	9,092	—	—	246,370
Loans and advances to customers	21,400	—	130,212	314,869	1,198,665	652,129	697,676	3,014,951
Available-for-sale financial assets	3	—	107,052	87,284	176,371	270,739	158,756	800,205
Held-to-maturity investments	—	—	2,676	5,649	59,454	350,556	157,988	576,323
Debt securities classified as receivables	6	—	2,837	7,007	15,429	105,360	761,893	892,532
Other financial assets	692	3,626	3,790	11,214	13,551	1	—	32,874
Total financial assets	1,003,686	222,211	455,633	501,455	1,497,261	1,397,929	1,784,462	6,862,637
Borrowings from central bank	—	—	(35)	(251)	—	(28)	—	(314)
Deposits from banks and other financial institutions	—	(184,067)	(13,600)	(15,557)	(30,581)	(45,967)	—	(289,772)
Placements from banks and other financial institutions	—	—	(23,785)	(8,115)	(1,937)	(136)	(158)	(34,131)
Financial liabilities designated as at fair value through profit or loss	—	—	(6,469)	(3,457)	(4,466)	(6,194)	(2,091)	(22,677)
Financial assets sold under repurchase agreement	—	—	(28,708)	(3,120)	(3,262)	—	—	(35,090)
Derivative financial liabilities	—	—	(551)	(2,691)	(1,209)	(1,733)	(5,350)	(11,534)
Due to customers	—	(3,348,589)	(397,987)	(525,213)	(1,372,737)	(447,400)	(5,447)	(6,097,373)
Debt securities issued	—	—	(7)	(972)	(2,827)	(1,344)	—	(5,150)
Other financial liabilities	—	(60,033)	(10,236)	(14,294)	(24,713)	(17,940)	(77)	(127,293)
Total financial liabilities	—	(3,592,689)	(481,378)	(573,670)	(1,441,732)	(520,742)	(13,123)	(6,623,334)
Net position	1,003,686	(3,370,478)	(25,745)	(72,215)	55,529	877,187	1,771,339	239,303

A. FINANCIAL INFORMATION (continued)

(Amounts in millions of Renminbi, unless otherwise stated)

VII. FINANCIAL RISK MANAGEMENT (continued)

4. Liquidity risk (continued)

(1) Analysis of the remaining maturity of the financial assets and liabilities (continued)

Bank (continued)

	As at 31 December 2009							
	Past due/ Undated	On demand	Up to 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Total
Cash and balances with central banks	1,210,974	152,788	—	—	—	154,000	—	1,517,762
Deposit with banks and other financial institutions	—	42,390	5,100	9,435	4,360	—	—	61,285
Placements with banks and other financial institutions	—	—	35,572	3,942	9,439	482	—	49,435
Financial assets held for trading	—	—	1,230	2,062	5,086	5,565	1,403	15,346
Financial assets designated as at fair value through profit or loss	—	41	1,105	6,959	35,772	38,488	14,465	96,830
Derivative financial assets	—	—	190	156	677	566	3,089	4,678
Financial assets held under resale agreements	—	—	147,267	229,380	44,446	—	—	421,093
Loans and advances to customers	17,146	—	200,279	453,547	1,297,356	997,473	1,045,585	4,011,386
Available-for-sale financial assets	487	—	103,357	78,280	156,748	259,684	131,826	730,382
Held-to-maturity investments	—	—	22,328	92,358	149,928	416,376	202,925	883,915
Debt securities classified as receivables	7	—	—	22,967	108,411	22,171	736,643	890,199
Other financial assets	697	2,385	5,926	12,820	13,616	107	—	35,551
Total financial assets	1,229,311	197,604	522,354	911,906	1,825,839	1,894,912	2,135,936	8,717,862
Borrowings from central bank	—	(30)	—	—	—	(28)	—	(58)
Deposits from banks and other financial institutions	—	(268,304)	(39,212)	(75,431)	(45,172)	(146,675)	—	(574,794)
Placements from banks and other financial institutions	—	—	(18,249)	(6,162)	(1,685)	(67)	(149)	(26,312)
Financial liabilities held for trading	—	(56)	—	—	—	—	—	(56)
Financial liabilities designated as at fair value through profit or loss	—	—	(46,283)	(18,602)	(46,341)	(2,537)	(80)	(113,843)
Financial assets sold under repurchase agreement	—	—	(75,094)	(10,561)	(15,157)	—	—	(100,812)
Derivative financial liabilities	—	—	(160)	(202)	(550)	(1,140)	(5,638)	(7,690)
Due to customers	—	(4,492,221)	(319,646)	(602,158)	(1,602,111)	(479,593)	(1,713)	(7,497,442)
Debt securities issued	—	—	—	—	(1,354)	(28,848)	(24,977)	(55,179)
Other financial liabilities	—	(48,688)	(12,233)	(11,503)	(23,195)	(23,698)	(3)	(119,320)
Total financial liabilities	—	(4,809,299)	(510,877)	(724,619)	(1,735,565)	(682,586)	(32,560)	(8,495,506)
Net position	1,229,311	(4,611,695)	11,477	187,287	90,274	1,212,326	2,103,376	222,356

A. FINANCIAL INFORMATION (continued)

(Amounts in millions of Renminbi, unless otherwise stated)

VII. FINANCIAL RISK MANAGEMENT (continued)

4. Liquidity risk (continued)

(2) Analysis of the undiscounted contractual cash flows

The tables below present the cash flows of non-derivative financial assets and financial liabilities by remaining contractual maturities at the end of each reporting period. The amounts disclosed in the tables are the undiscounted contractual cash flows.

Group

	As at 31 December 2007							
	Past due/ Undated	On demand	Up to 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Total
Non-derivative financial assets								
Cash and balances with central banks	802,838	134,615	—	—	—	—	—	937,453
Deposits with banks and other financial institutions	—	12,457	16	2,366	1,683	—	—	16,522
Placements with banks and other financial institutions	—	—	27,990	16,927	7,359	755	—	53,031
Financial assets held for trading	—	—	186	695	3,641	2,568	2,368	9,458
Financial assets designated as at fair value through profit or loss	—	—	897	765	2,387	4,009	1,665	9,723
Financial assets held under resale agreements	—	—	115,926	20,330	10,042	—	—	146,298
Loans and advances to customers	747,656	—	147,224	323,154	1,071,954	789,132	992,340	4,071,460
Available-for-sale financial assets	4	—	74,863	77,345	58,536	209,537	229,377	649,662
Held-to-maturity investments	—	—	2,480	34,252	128,264	317,788	173,883	656,667
Debt securities classified as receivables	612	—	1,592	6,329	25,663	112,674	95,864	242,734
Other financial assets	—	3,755	—	—	—	—	—	3,755
Total non-derivative financial assets	1,551,110	150,827	371,174	482,163	1,309,529	1,436,463	1,495,497	6,796,763
Non-derivative financial liabilities								
Borrowings from central bank	—	—	(115)	(150,602)	(122)	(28)	—	(150,867)
Deposits from banks and other financial institutions	—	(241,448)	(8,216)	(3,413)	(14,483)	(21,187)	(17,021)	(305,768)
Placements from banks and other financial institutions	—	—	(24,598)	(4,857)	(609)	(155)	(196)	(30,415)
Financial liabilities designated as at fair value through profit or loss	—	—	(441)	(566)	(2,849)	(3,866)	(5,237)	(12,959)
Financial assets sold under repurchase agreements	—	—	(69,306)	(2,300)	(2,616)	—	—	(74,222)
Due to customers	—	(3,086,778)	(364,159)	(432,770)	(1,120,371)	(425,174)	(3,252)	(5,432,504)
Debt securities issued	—	—	(8)	(211)	(2,026)	(2,119)	—	(4,364)
Other financial liabilities	—	(26,555)	(4,940)	—	—	—	—	(31,495)
Total non-derivative financial liabilities	—	(3,354,781)	(471,783)	(594,719)	(1,143,076)	(452,529)	(25,706)	(6,042,594)
Net position	1,551,110	(3,203,954)	(100,609)	(112,556)	166,453	983,934	1,469,791	754,169

A. FINANCIAL INFORMATION (continued)

(Amounts in millions of Renminbi, unless otherwise stated)

VII. FINANCIAL RISK MANAGEMENT (continued)

4. Liquidity risk (continued)

(2) Analysis of the undiscounted contractual cash flows (continued)

Group (continued)

	As at 31 December 2008							
	Past due/ Undated	On demand	Up to 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Total
Non-derivative financial assets								
Cash and balances with central banks	981,585	164,305	—	566	—	—	—	1,146,456
Deposits with banks and other financial institutions	—	55,330	2,079	765	4,782	—	—	62,956
Placements with banks and other financial institutions	—	—	18,551	20,324	4,400	1,951	—	45,226
Financial assets held for trading	—	—	1	759	5,904	10,964	3,550	21,178
Financial assets designated as at fair value through profit or loss	—	—	2,015	2,639	9,347	6,743	814	21,558
Financial assets held under resale agreements	—	—	186,880	51,209	9,224	—	—	247,313
Loans and advances to customers	42,901	—	137,219	333,334	1,285,932	835,170	1,172,755	3,807,311
Available-for-sale financial assets	3	—	107,559	89,751	189,565	305,341	179,131	871,350
Held-to-maturity investments	—	—	3,594	10,525	77,098	408,009	184,258	683,484
Debt securities classified as receivables	6	—	2,852	7,742	43,739	205,394	991,701	1,251,434
Other financial assets	—	2,986	—	—	—	—	—	2,986
Total non-derivative financial assets	1,024,495	222,621	460,750	517,614	1,629,991	1,773,572	2,532,209	8,161,252
Non-derivative financial liabilities								
Borrowings from central bank	—	—	(35)	(252)	—	(28)	—	(315)
Deposits from banks and other financial institutions	—	(184,497)	(13,700)	(15,985)	(32,391)	(50,262)	(23)	(296,858)
Placements from banks and other financial institutions	—	—	(23,788)	(8,128)	(1,980)	(151)	(171)	(34,218)
Financial liabilities designated as at fair value through profit or loss	—	—	(6,422)	(3,704)	(5,240)	(6,667)	(1,560)	(23,593)
Financial assets sold under repurchase agreements	—	—	(28,791)	(3,194)	(3,434)	—	—	(35,419)
Due to customers	—	(3,350,271)	(412,961)	(556,425)	(1,451,842)	(531,128)	(5,572)	(6,308,199)
Debt securities issued	—	—	(7)	(991)	(2,863)	(1,363)	—	(5,224)
Other financial liabilities	—	(58,241)	(2,860)	—	—	—	—	(61,101)
Total non-derivative financial liabilities	—	(3,593,009)	(488,564)	(588,679)	(1,497,750)	(589,599)	(7,326)	(6,764,927)
Net position	1,024,495	(3,370,388)	(27,814)	(71,065)	132,241	1,183,973	2,524,883	1,396,325

A. FINANCIAL INFORMATION (continued)

(Amounts in millions of Renminbi, unless otherwise stated)

VII. FINANCIAL RISK MANAGEMENT (continued)

4. Liquidity risk (continued)

(2) Analysis of the undiscounted contractual cash flows (continued)

Group (continued)

	As at 31 December 2009							
	Past due/ Undated	On demand	Up to 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Total
Non-derivative financial assets								
Cash and balances with central banks	1,211,017	152,789	—	596	2,733	161,214	—	1,528,349
Deposits with banks and other financial institutions	1	42,801	5,115	9,526	4,472	—	—	61,915
Placements with banks and other financial institutions	—	—	35,580	3,972	9,666	493	—	49,711
Financial assets held for trading	—	—	1,251	3,925	3,557	6,138	1,507	16,378
Financial assets designated as at fair value through profit or loss	—	41	1,237	5,484	39,620	43,508	18,482	108,372
Financial assets held under resale agreements	—	—	147,650	230,349	45,058	—	—	423,057
Loans and advances to customers	50,206	—	210,802	477,443	1,395,420	1,263,197	1,719,442	5,116,510
Available-for-sale financial assets	487	—	103,964	80,858	190,060	293,868	152,744	821,981
Held-to-maturity investments	—	—	23,248	97,363	170,737	477,848	238,834	1,008,030
Debt securities classified as receivables	7	—	—	23,616	133,842	108,381	934,610	1,200,456
Other financial assets	76	2,383	1,017	11	5	2	—	3,494
Total non-derivative financial assets	1,261,794	198,014	529,864	933,143	1,995,170	2,354,649	3,065,619	10,338,253
Non-derivative financial liabilities								
Borrowings from central bank	—	(30)	—	—	—	(28)	—	(58)
Deposits from banks and other financial institutions	—	(267,606)	(39,456)	(76,114)	(45,902)	(159,079)	—	(588,157)
Placements from banks and other financial institutions	—	—	(18,393)	(6,216)	(1,686)	(68)	(164)	(26,527)
Financial liabilities held for trading	—	(56)	—	—	—	—	—	(56)
Financial liabilities designated as at fair value through profit or loss	—	—	(46,351)	(18,821)	(46,973)	(2,699)	(107)	(114,951)
Financial assets sold under repurchase agreements	—	—	(75,201)	(10,669)	(15,298)	—	—	(101,168)
Due to customers	—	(4,495,021)	(325,203)	(615,418)	(1,648,619)	(541,629)	(1,731)	(7,627,621)
Debt securities issued	—	—	—	(1)	(4,258)	(36,080)	(30,000)	(70,339)
Other financial liabilities	—	(46,262)	(6,627)	(1)	(2)	(62)	—	(52,954)
Total non-derivative financial liabilities	—	(4,808,975)	(511,231)	(727,240)	(1,762,738)	(739,645)	(32,002)	(8,581,831)
Net position	1,261,794	(4,610,961)	18,633	205,903	232,432	1,615,004	3,033,617	1,756,422

A. FINANCIAL INFORMATION (continued)

(Amounts in millions of Renminbi, unless otherwise stated)

VII. FINANCIAL RISK MANAGEMENT (continued)

4. Liquidity risk (continued)

(2) Analysis of the undiscounted contractual cash flows (continued)

Bank

	As at 31 December 2007							
	Past due/ Undated	On demand	Up to 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Total
Non-derivative financial assets								
Cash and balances with central banks	802,838	134,522	—	—	—	—	—	937,360
Deposits with banks and other financial institutions	—	12,204	16	2,319	1,649	—	—	16,188
Placements with banks and other financial institutions	—	—	27,990	16,927	7,359	755	—	53,031
Financial assets held for trading	—	—	186	695	3,641	2,568	2,368	9,458
Financial assets designated as at fair value through profit or loss	—	—	897	765	2,387	4,009	1,665	9,723
Financial assets held under resale agreements	—	—	115,926	20,330	10,042	—	—	146,298
Loans and advances to customers	747,656	—	147,224	323,154	1,071,954	789,132	992,340	4,071,460
Available-for-sale financial assets	4	—	74,863	77,345	58,536	209,537	229,377	649,662
Held-to-maturity investments	—	—	2,480	34,252	128,264	317,788	173,883	656,667
Debt securities classified as receivables	612	—	1,592	6,329	25,663	112,674	95,864	242,734
Other financial assets	—	3,702	—	—	—	—	—	3,702
Total non-derivative financial assets	1,551,110	150,428	371,174	482,116	1,309,495	1,436,463	1,495,497	6,796,283
Non-derivative financial liabilities								
Borrowings from central bank	—	—	(115)	(150,602)	(122)	(28)	—	(150,867)
Deposits from banks and other financial institutions	—	(241,448)	(8,216)	(3,413)	(14,483)	(21,187)	(17,021)	(305,768)
Placements from banks and other financial institutions	—	—	(24,598)	(4,857)	(609)	(155)	(196)	(30,415)
Financial liabilities designated as at fair value through profit or loss	—	—	(441)	(566)	(2,849)	(3,866)	(5,237)	(12,959)
Financial assets sold under repurchase agreements	—	—	(69,306)	(2,300)	(2,616)	—	—	(74,222)
Due to customers	—	(3,086,779)	(364,159)	(432,770)	(1,120,371)	(425,175)	(3,251)	(5,432,505)
Debt securities issued	—	—	(8)	(211)	(2,026)	(2,119)	—	(4,364)
Other financial liabilities	—	(26,010)	(4,940)	—	—	—	—	(30,950)
Total non-derivative financial liabilities	—	(3,354,237)	(471,783)	(594,719)	(1,143,076)	(452,530)	(25,705)	(6,042,050)
Net position	1,551,110	(3,203,809)	(100,609)	(112,603)	166,419	983,933	1,469,792	754,233

A. FINANCIAL INFORMATION (continued)

(Amounts in millions of Renminbi, unless otherwise stated)

VII. FINANCIAL RISK MANAGEMENT (continued)

4. Liquidity risk (continued)

(2) Analysis of the undiscounted contractual cash flows (continued)

Bank (continued)

	As at 31 December 2008							
	Past due/ Undated	On demand	Up to 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Total
Non-derivative financial assets								
Cash and balances with central banks	981,585	164,147	—	566	—	—	—	1,146,298
Deposit with banks and other financial institutions	—	54,613	2,052	756	4,720	—	—	62,141
Placements with banks and other financial institutions	—	—	18,551	20,324	4,621	1,951	—	45,447
Financial assets held for trading	—	—	1	759	5,904	10,964	3,550	21,178
Financial assets designated as at fair value through profit or loss	—	—	1,950	2,639	9,347	6,743	814	21,493
Financial assets held under resale agreements	—	—	186,880	51,209	9,224	—	—	247,313
Loans and advances to customers	42,901	—	137,219	333,334	1,285,899	835,170	1,172,755	3,807,278
Available-for-sale financial assets	3	—	107,559	89,751	189,565	305,341	179,131	871,350
Held-to-maturity investments	—	—	3,594	10,525	77,098	408,009	184,258	683,484
Debt securities classified as receivables	6	—	2,852	7,742	43,739	205,394	991,701	1,251,434
Other financial assets	—	2,924	—	—	—	—	—	2,924
Total non-derivative financial assets	1,024,495	221,684	460,658	517,605	1,630,117	1,773,572	2,532,209	8,160,340
Non-derivative financial liabilities								
Borrowings from central bank	—	—	(35)	(252)	—	(28)	—	(315)
Deposits from banks and other financial institutions	—	(184,497)	(13,700)	(15,985)	(32,391)	(50,262)	(23)	(296,858)
Placements from banks and other financial institutions	—	—	(23,788)	(8,128)	(1,980)	(151)	(171)	(34,218)
Financial liabilities designated as at fair value through profit or loss	—	—	(6,422)	(3,704)	(5,240)	(6,667)	(1,560)	(23,593)
Financial assets sold under repurchase agreement	—	—	(28,791)	(3,194)	(3,434)	—	—	(35,419)
Due to customers	—	(3,350,275)	(412,958)	(556,425)	(1,451,789)	(531,105)	(5,594)	(6,308,146)
Debt securities issued	—	—	(7)	(991)	(2,863)	(1,363)	—	(5,224)
Other financial liabilities	—	(57,918)	(2,860)	—	—	—	—	(60,778)
Total non-derivative financial liabilities	—	(3,592,690)	(488,561)	(588,679)	(1,497,697)	(589,576)	(7,348)	(6,764,551)
Net position	1,024,495	(3,371,006)	(27,903)	(71,074)	132,420	1,183,996	2,524,861	1,395,789

A. FINANCIAL INFORMATION (continued)

(Amounts in millions of Renminbi, unless otherwise stated)

VII. FINANCIAL RISK MANAGEMENT (continued)

4. Liquidity risk (continued)

(2) Analysis of the undiscounted contractual cash flows (continued)

Bank (continued)

	As at 31 December 2009							
	Past due/ Undated	On demand	Up to 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Total
Non-derivative financial assets								
Cash and balances with central banks	1,210,974	152,788	—	596	2,733	161,214	—	1,528,305
Deposit with banks and other financial institutions	—	42,393	5,115	9,526	4,472	—	—	61,506
Placements with banks and other financial institutions	—	—	35,580	3,972	9,666	493	—	49,711
Financial assets held for trading	—	—	1,251	3,925	3,557	6,138	1,507	16,378
Financial assets designated as at fair value through profit or loss	—	41	1,237	5,484	39,620	43,508	18,482	108,372
Financial assets held under resale agreements	—	—	147,650	230,349	45,058	—	—	423,057
Loans and advances to customers	50,206	—	210,802	477,443	1,395,310	1,263,197	1,719,442	5,116,400
Available-for-sale financial assets	487	—	103,964	80,858	190,060	293,868	152,744	821,981
Held-to-maturity investments	—	—	23,248	97,363	170,737	477,848	238,834	1,008,030
Debt securities classified as receivables	7	—	—	23,616	133,842	108,381	934,610	1,200,456
Other financial assets	39	2,383	997	1	5	—	—	3,425
Total non-derivative financial assets	1,261,713	197,605	529,844	933,133	1,995,060	2,354,647	3,065,619	10,337,621
Non-derivative financial liabilities								
Borrowings from central bank	—	(30)	—	—	—	(28)	—	(58)
Deposits from banks and other financial institutions	—	(268,451)	(39,456)	(76,114)	(45,902)	(159,079)	—	(589,002)
Placements from banks and other financial institutions	—	—	(18,393)	(6,216)	(1,686)	(68)	(164)	(26,527)
Financial liabilities held for trading	—	(56)	—	—	—	—	—	(56)
Financial liabilities designated as at fair value through profit or loss	—	—	(46,351)	(18,821)	(46,973)	(2,699)	(107)	(114,951)
Financial assets sold under repurchase agreement	—	—	(75,201)	(10,669)	(15,298)	—	—	(101,168)
Due to customers	—	(4,494,893)	(325,203)	(615,418)	(1,648,570)	(541,629)	(1,731)	(7,627,444)
Debt securities issued	—	—	—	(1)	(4,258)	(36,080)	(30,000)	(70,339)
Other financial liabilities	—	(45,869)	(6,627)	(1)	(2)	(59)	—	(52,558)
Total non-derivative financial liabilities	—	(4,809,299)	(511,231)	(727,240)	(1,762,689)	(739,642)	(32,002)	(8,582,103)
Net position	1,261,713	(4,611,694)	18,613	205,893	232,371	1,615,005	3,033,617	1,755,518

A. FINANCIAL INFORMATION (continued)

(Amounts in millions of Renminbi, unless otherwise stated)

VII. FINANCIAL RISK MANAGEMENT (continued)

4. Liquidity risk (continued)

(2) Analysis of the undiscounted contractual cash flows (continued)

Assets available to meet all of the liabilities and outstanding loan commitments include cash, deposits with central banks, deposits with banks and other financial institutions, placements with banks and other financial institutions, financial assets designated as at fair value through profit or loss, and financial assets held for trading. In the normal course of business, the majority of customer deposits repayable on demand are expected to be revolved. In addition the Group is able to sell the available-for-sale financial assets to repay the matured liabilities if necessary.

(3) Derivative cash flows

(i) Derivatives settled on a net basis

Derivatives that will be settled on a net basis are mainly interest rate related. The tables below set forth the Group's net derivative financial instruments positions by remaining contractual maturities at the end of each reporting period. The amounts disclosed in the table are the undiscounted contractual cash flows.

Group and Bank

	As at 31 December 2007					
	Less than 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Total
Interest rate derivatives	(94)	14	(48)	(108)	(92)	(328)

	As at 31 December 2008					
	Less than 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Total
Interest rate derivatives	(34)	(82)	(307)	(1,237)	(665)	(2,325)

	As at 31 December 2009					
	Less than 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Total
Interest rate derivatives	2	(66)	(175)	(583)	(180)	(1,002)

(ii) Derivatives settled on a gross basis

The Group's derivatives that will be settled on a gross basis refer to exchange rate derivatives. The tables below set forth the Group's positions by remaining contractual maturities at the end of each reporting period. The amounts disclose in the tables are the undiscounted contractual cash flows.

A. FINANCIAL INFORMATION (continued)

(Amounts in millions of Renminbi, unless otherwise stated)

VII. FINANCIAL RISK MANAGEMENT (continued)

4. Liquidity risk (continued)

(3) Derivative cash flows (continued)

(ii) Derivatives settled on a gross basis (continued)

Group and Bank

	As at 31 December 2007					
	Up to 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Total
Exchange rate derivatives						
—Inflow	61,509	26,562	143,528	17,575	1,291	250,465
—Outflow	(61,711)	(26,674)	(139,210)	(18,386)	(1,291)	(247,272)
Total	(202)	(112)	4,318	(811)	—	3,193

	As at 31 December 2008					
	Up to 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Total
Exchange rate derivatives						
—Inflow	22,596	21,428	111,998	34,985	1,359	192,366
—Outflow	(22,640)	(21,395)	(110,967)	(36,050)	(3,854)	(194,906)
Total	(44)	33	1,031	(1,065)	(2,495)	(2,540)

	As at 31 December 2009					
	Up to 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Total
Exchange rate derivatives						
—Inflow	50,357	29,702	103,004	6,340	1,556	190,959
—Outflow	(50,340)	(29,830)	(103,060)	(7,260)	(2,829)	(193,319)
Total	17	(128)	(56)	(920)	(1,273)	(2,360)

(4) Off-balance sheet items

The Group's off-balance sheet items mainly include loan commitments, letters of credit, letters of guarantee and bank acceptances. The tables below set forth the amounts of the off-balance sheet items by remaining maturity.

Group and Bank

	As at 31 December 2007			
	Up to 1 year	1-5 years	Over 5 years	Total
Loan commitments	221,931	32,531	83,821	338,283
Letters of credit	48,721	3,262	—	51,983
Letters of guarantee	21,354	36,448	71,412	129,214
Acceptances	204,695	—	—	204,695
Total	496,701	72,241	155,233	724,175

A. FINANCIAL INFORMATION (continued)

(Amounts in millions of Renminbi, unless otherwise stated)

VII. FINANCIAL RISK MANAGEMENT (continued)

4. Liquidity risk (continued)

(4) Off-balance sheet items (continued)

Group and Bank (continued)

	As at 31 December 2008			
	Up to 1 year	1-5 years	Over 5 years	Total
Loan commitments	289,586	43,493	70,760	403,839
Letters of credit	34,872	2,361	1,547	38,780
Letters of guarantee	37,007	40,011	72,819	149,837
Acceptances	189,126	—	—	189,126
Total	550,591	85,865	145,126	781,582

	As at 31 December 2009			
	Up to 1 year	1-5 years	Over 5 years	Total
Loan commitments	564,128	31,404	148,992	744,524
Letters of credit	51,630	2,294	9	53,933
Letters of guarantee	41,099	37,073	73,183	151,355
Acceptances	271,871	—	—	271,871
Total	928,728	70,771	222,184	1,221,683

5. Market risk

Market risk is the risk of loss, in respect of the Group's on and off-balance sheet activities, arising from movements in market rates including interest rates, foreign exchange rates, and stock prices. Market risk arises from both the Group's proprietary and customer driven business.

The Group is primarily exposed to interest rate risk arising from corporate and personal banking and other price risk arising from treasury operations. Interest rate risk is inherent in many of its businesses and largely arises from mismatches between the re-pricing dates of interest-generating assets and interest-bearing liabilities.

The Group's foreign currency risk is the risk of loss in respect of its foreign currency exposures, arising from transactions taken on foreign currency denominated assets and liabilities, which results from movements in foreign currency exchange rates.

The Group considers the market risk arising from commodity and equity prices in respect of its trading and investment portfolios are immaterial.

(1) Foreign currency risk

The Group conducts its businesses mainly in RMB, with certain transactions denominated in USD, HKD and, to a lesser extent other currencies. Transactions in foreign currencies mainly arise from the Group's treasury exposures and foreign operations.

A. FINANCIAL INFORMATION (continued)

(Amounts in millions of Renminbi, unless otherwise stated)

VII. FINANCIAL RISK MANAGEMENT (continued)

5. Market risk (continued)

(1) Foreign currency risk (continued)

The exchange rate of RMB to USD is under a managed floating exchange rate system. The exchange rate of RMB to USD has gradually risen over the past two years. The HKD exchange rate has been pegged to the USD and therefore the exchange rate of RMB to HKD has fluctuated in line with the changes in the exchange rate of RMB to USD.

A breakdown of all financial assets and liabilities analysed by currency is as follows:

Group

	As at 31 December 2007				
	RMB	USD RMB equivalent	HKD RMB equivalent	Other currencies RMB equivalent	Total
Cash and balances with central banks	929,814	5,477	1,206	517	937,014
Deposits with banks and other financial institutions	7,776	4,696	511	3,449	16,432
Placements with banks and other financial institutions	13,586	38,536	201	175	52,498
Financial assets held for trading	8,340	—	—	—	8,340
Financial assets designated as at fair value through profit or loss	2,318	3,812	2,366	369	8,865
Derivative financial assets	2,881	5,261	466	1,599	10,207
Financial assets under resale agreements	140,574	4,274	—	—	144,848
Loans and advances to customers	2,624,138	67,557	11,844	5,653	2,709,192
Available-for-sale financial assets	451,434	74,329	1,577	2,003	529,343
Held-to-maturity investments	518,980	12,496	515	825	532,816
Debt securities classified as receivables	229,585	151	—	7	229,743
Other financial assets	25,913	1,159	411	55	27,538
Total financial assets	4,955,339	217,748	19,097	14,652	5,206,836
Borrowings from central bank	(150,867)	—	—	—	(150,867)
Deposits from banks and other financial institutions	(286,262)	(8,672)	(1,628)	(56)	(296,618)
Placements from banks and other financial institutions	(8,850)	(11,160)	(8,700)	(1,665)	(30,375)
Financial liabilities designated as at fair value through profit or loss	(3,570)	(6,307)	(611)	—	(10,488)
Derivative financial liabilities	(3,832)	(1,462)	(372)	(1,628)	(7,294)
Financial assets sold under repurchase agreements	(41,820)	(31,239)	(80)	(252)	(73,391)
Due to customers	(5,212,853)	(55,114)	(9,834)	(9,393)	(5,287,194)
Debt securities issued	—	(1,096)	(3,058)	—	(4,154)
Other financial liabilities	(74,147)	(1,203)	(776)	(56)	(76,182)
Total financial liabilities	(5,782,201)	(116,253)	(25,059)	(13,050)	(5,936,563)
Net balance sheet position	(826,862)	101,495	(5,962)	1,602	(729,727)

A. FINANCIAL INFORMATION (continued)

(Amounts in millions of Renminbi, unless otherwise stated)

VII. FINANCIAL RISK MANAGEMENT (continued)

5. Market risk (continued)

(1) Foreign currency risk (continued)

Group (continued)

	As at 31 December 2008				
	RMB	USD RMB equivalent	HKD RMB equivalent	Other currencies RMB equivalent	Total
Cash and balances with central banks	1,139,807	4,535	943	599	1,145,884
Deposits with banks and other financial institutions	6,130	52,973	1,255	2,310	62,668
Placements with banks and other financial institutions	20,042	21,842	994	1,601	44,479
Financial assets held for trading	19,688	—	—	—	19,688
Financial assets designated as at fair value through profit or loss	16,062	2,722	1,178	367	20,329
Derivative financial assets	1,394	3,954	258	1,545	7,151
Financial assets held under resale agreements	246,370	—	—	—	246,370
Loans and advances to customers	2,937,685	59,911	11,898	5,490	3,014,984
Available-for-sale financial assets	692,196	104,550	1,252	2,207	800,205
Held-to-maturity investments	553,729	20,987	451	1,156	576,323
Debt securities classified as receivables	892,526	—	—	6	892,532
Other financial assets	31,845	940	55	96	32,936
Total financial assets	6,557,474	272,414	18,284	15,377	6,863,549
Borrowings from central bank	(314)	—	—	—	(314)
Deposits from banks and other financial institutions	(273,457)	(14,358)	(1,554)	(403)	(289,772)
Placements from banks and other financial institutions	(15,210)	(15,382)	(2,488)	(1,051)	(34,131)
Financial liabilities designated as at fair value through profit or loss	(16,754)	(5,470)	(453)	—	(22,677)
Derivative financial liabilities	(769)	(7,346)	(266)	(3,153)	(11,534)
Financial assets sold under repurchase agreements	(28,045)	(6,531)	(15)	(499)	(35,090)
Due to customers	(6,028,548)	(47,627)	(12,835)	(8,418)	(6,097,428)
Debt securities issued	—	(1,246)	(3,904)	—	(5,150)
Other financial liabilities	(121,222)	(5,665)	(514)	(212)	(127,613)
Total financial liabilities	(6,484,319)	(103,625)	(22,029)	(13,736)	(6,623,709)
Net balance sheet position	73,155	168,789	(3,745)	1,641	239,840

A. FINANCIAL INFORMATION (continued)

(Amounts in millions of Renminbi, unless otherwise stated)

VII. FINANCIAL RISK MANAGEMENT (continued)

5. Market risk (continued)

(1) Foreign currency risk (continued)

Group (continued)

	As at 31 December 2009				
	RMB	USD RMB equivalent	HKD RMB equivalent	Other currencies RMB equivalent	Total
Cash and balances with central banks	1,510,843	5,154	1,088	721	1,517,806
Deposits with banks and other financial institutions	19,879	37,272	784	3,758	61,693
Placements with banks and other financial institutions	19,591	29,522	87	235	49,435
Financial assets held for trading	15,346	—	—	—	15,346
Financial assets designated as at fair value through profit or loss	87,963	5,768	2,793	306	96,830
Derivative financial assets	1,421	1,281	178	1,798	4,678
Financial assets held under resale agreements	420,922	171	—	—	421,093
Loans and advances to customers	3,860,236	122,874	22,842	5,543	4,011,495
Available-for-sale financial assets	679,883	46,116	949	3,434	730,382
Held-to-maturity investments	858,168	24,682	393	672	883,915
Debt securities classified as receivables	890,193	—	—	6	890,199
Other financial assets	33,868	1,637	43	73	35,621
Total financial assets	8,398,313	274,477	29,157	16,546	8,718,493
Borrowings from central bank	(58)	—	—	—	(58)
Deposits from banks and other financial institutions	(445,618)	(126,165)	(1,165)	(1,001)	(573,949)
Placements from banks and other financial institutions	(5,600)	(11,853)	(7,087)	(1,772)	(26,312)
Financial liabilities held for trading	(56)	—	—	—	(56)
Financial liabilities designated as at fair value through profit or loss	(109,385)	(4,367)	(84)	(7)	(113,843)
Derivative financial liabilities	(1,904)	(2,423)	(160)	(3,203)	(7,690)
Financial assets sold under repurchase agreements	(69,557)	(30,677)	(501)	(77)	(100,812)
Due to customers	(7,404,694)	(69,921)	(12,934)	(10,069)	(7,497,618)
Debt securities issued	(49,955)	(342)	(4,882)	—	(55,179)
Other financial liabilities	(118,388)	(804)	(409)	(115)	(119,716)
Total financial liabilities	(8,205,215)	(246,552)	(27,222)	(16,244)	(8,495,233)
Net balance sheet position	193,098	27,925	1,935	302	223,260

A. FINANCIAL INFORMATION (continued)

(Amounts in millions of Renminbi, unless otherwise stated)

VII. FINANCIAL RISK MANAGEMENT (continued)

5. Market risk (continued)

(1) Foreign currency risk (continued)

Bank

	As at 31 December 2007				
	RMB	USD RMB equivalent	HKD RMB equivalent	Other currencies RMB equivalent	Total
Cash and balances with central banks	929,721	5,477	1,206	517	936,921
Deposits with banks and other financial institutions	7,776	4,696	177	3,449	16,098
Placements with banks and other financial institutions	13,586	38,536	201	175	52,498
Financial assets held for trading	8,340	—	—	—	8,340
Financial assets designated as at fair value through profit or loss	2,318	3,812	2,366	369	8,865
Derivative financial assets	2,881	5,261	466	1,599	10,207
Financial assets held under resale agreements	140,574	4,274	—	—	144,848
Loans and advances to customers	2,624,138	67,557	11,844	5,653	2,709,192
Available-for-sale financial assets	451,434	74,329	1,577	2,003	529,343
Held-to-maturity investments	518,980	12,496	515	825	532,816
Debt securities classified as receivables	229,585	151	—	7	229,743
Other financial assets	25,860	1,159	411	55	27,485
Total financial assets	4,955,193	217,748	18,763	14,652	5,206,356
Borrowings from central bank	(150,867)	—	—	—	(150,867)
Deposits from banks and other financial institutions	(286,263)	(8,672)	(1,628)	(56)	(296,619)
Placements from banks and other financial institutions	(8,850)	(11,160)	(8,700)	(1,665)	(30,375)
Financial liabilities designated as at fair value through profit or loss	(3,570)	(6,307)	(611)	—	(10,488)
Derivative financial liabilities	(3,832)	(1,462)	(372)	(1,628)	(7,294)
Financial assets sold under repurchase agreements	(41,820)	(31,239)	(80)	(252)	(73,391)
Due to customers	(5,212,853)	(55,114)	(9,834)	(9,393)	(5,287,194)
Debt securities issued	—	(1,096)	(3,058)	—	(4,154)
Other financial liabilities	(74,051)	(1,230)	(301)	(56)	(75,638)
Total financial liabilities	(5,782,106)	(116,280)	(24,584)	(13,050)	(5,936,020)
Net balance sheet position	(826,913)	101,468	(5,821)	1,602	(729,664)

A. FINANCIAL INFORMATION (continued)

(Amounts in millions of Renminbi, unless otherwise stated)

VII. FINANCIAL RISK MANAGEMENT (continued)

5. Market risk (continued)

(1) Foreign currency risk (continued)

Bank (continued)

	As at 31 December 2008				
	RMB	USD RMB equivalent	HKD RMB equivalent	Other currencies RMB equivalent	Total
Cash and balances with central banks	1,139,649	4,535	943	599	1,145,726
Deposit with banks and other financial institutions	6,053	52,973	517	2,310	61,853
Placements with banks and other financial institutions	20,042	21,842	1,215	1,601	44,700
Financial assets held for trading	19,688	—	—	—	19,688
Financial assets designated as at fair value through profit or loss	15,997	2,722	1,178	367	20,264
Derivative financial assets	1,394	3,954	258	1,545	7,151
Financial assets held under resale agreements	246,370	—	—	—	246,370
Loans and advances to customers	2,937,652	59,911	11,898	5,490	3,014,951
Available-for-sale financial assets	692,196	104,550	1,252	2,207	800,205
Held-to-maturity investments	553,729	20,987	451	1,156	576,323
Debt securities classified as receivables	892,526	—	—	6	892,532
Other financial assets	31,783	940	55	96	32,874
Total financial assets	6,557,079	272,414	17,767	15,377	6,862,637
Borrowings from central bank	(314)	—	—	—	(314)
Deposits from banks and other financial institutions	(273,457)	(14,358)	(1,554)	(403)	(289,772)
Placements from banks and other financial institutions	(15,210)	(15,382)	(2,488)	(1,051)	(34,131)
Financial liabilities designated as at fair value through profit or loss	(16,754)	(5,470)	(453)	—	(22,677)
Derivative financial liabilities	(769)	(7,346)	(266)	(3,153)	(11,534)
Financial assets sold under repurchase agreements	(28,045)	(6,531)	(15)	(499)	(35,090)
Due to customers	(6,028,493)	(47,627)	(12,835)	(8,418)	(6,097,373)
Debt securities issued	—	(1,246)	(3,904)	—	(5,150)
Other financial liabilities	(121,129)	(5,665)	(288)	(211)	(127,293)
Total financial liabilities	(6,484,171)	(103,625)	(21,803)	(13,735)	(6,623,334)
Net balance sheet position	72,908	168,789	(4,036)	1,642	239,303

A. FINANCIAL INFORMATION (continued)

(Amounts in millions of Renminbi, unless otherwise stated)

VII. FINANCIAL RISK MANAGEMENT (continued)

5. Market risk (continued)

(1) Foreign currency risk (continued)

Bank (continued)

	As at 31 December 2009				
	RMB	USD RMB equivalent	HKD RMB equivalent	Other currencies RMB equivalent	Total
Cash and balances with central banks	1,510,799	5,154	1,088	721	1,517,762
Deposit with banks and other financial institutions	19,710	37,272	545	3,758	61,285
Placements with banks and other financial institutions	19,591	29,522	87	235	49,435
Financial assets held for trading	15,346	—	—	—	15,346
Financial assets designated as at fair value through profit or loss	87,963	5,768	2,793	306	96,830
Derivative financial assets	1,421	1,281	178	1,798	4,678
Financial assets held under resale agreements	420,922	171	—	—	421,093
Loans and advances to customers	3,860,127	122,874	22,842	5,543	4,011,386
Available-for-sale financial assets	679,883	46,116	949	3,434	730,382
Held-to-maturity investments	858,168	24,682	393	672	883,915
Debt securities classified as receivables	890,193	—	—	6	890,199
Other financial assets	33,798	1,637	43	73	35,551
Total financial assets	8,397,921	274,477	28,918	16,546	8,717,862
Borrowings from central bank	(58)	—	—	—	(58)
Deposits from banks and other financial institutions	(445,759)	(126,165)	(1,869)	(1,001)	(574,794)
Placements from banks and other financial institutions	(5,600)	(11,853)	(7,087)	(1,772)	(26,312)
Financial liabilities held for trading	(56)	—	—	—	(56)
Financial liabilities designated as at fair value through profit or loss	(109,385)	(4,367)	(84)	(7)	(113,843)
Derivative financial liabilities	(1,904)	(2,423)	(160)	(3,203)	(7,690)
Financial assets sold under repurchase agreements	(69,557)	(30,677)	(501)	(77)	(100,812)
Due to customers	(7,404,518)	(69,921)	(12,934)	(10,069)	(7,497,442)
Debt securities issued	(49,955)	(342)	(4,882)	—	(55,179)
Other financial liabilities	(118,329)	(804)	(72)	(115)	(119,320)
Total financial liabilities	(8,205,121)	(246,552)	(27,589)	(16,244)	(8,495,506)
Net balance sheet position	192,800	27,925	1,329	302	222,356

A. FINANCIAL INFORMATION (continued)

(Amounts in millions of Renminbi, unless otherwise stated)

VII. FINANCIAL RISK MANAGEMENT (continued)

5. Market risk (continued)

(1) Foreign currency risk (continued)

The table below indicates the potential effect of an appreciation or depreciation of RMB spot and forward exchange rate against all other currencies by 5% on the profit before tax.

Group

	2007	2008	2009
	Profit before tax	Profit before tax	Profit before tax
5% appreciation	(4,557)	(8,120)	(1,335)
5% depreciation	4,557	8,120	1,335

Bank

	2007	2008	2009
	Profit before tax	Profit before tax	Profit before tax
5% appreciation	(4,562)	(8,105)	(1,305)
5% depreciation	4,562	8,105	1,305

The impact on the profit before tax arises from the effects of movement in RMB exchange rate on the net positions of foreign monetary assets and liabilities and currency derivative instruments.

The effect on the profit before tax is based on the assumption that the Group's net foreign currency and currency derivative instruments positions at the end of each reporting period remain unchanged. The Group mitigates its foreign currency risk through active management of its foreign currency exposures and appropriate use of derivative instruments, based on the management expectation of future foreign currency movements, and therefore the above sensitivity analysis may differ to the actual situation.

(2) Interest rate risk

The Group's interest rate risk arises from the mis-matches between contractual maturities and re-pricing of interest-generating assets and interest-bearing liabilities. The Group's interest-generating assets and interest-bearing liabilities are mainly denominated in RMB. The PBOC establishes RMB benchmark interest rates which include a cap for RMB deposit rates and a floor for RMB loan rates.

The Group manages its interest rate risk by:

- Regularly monitoring the macro economic factors that may impact on the PBOC benchmark interest rates;
- Minimising the mis-matches between contractual maturities and repricing of interest-generating assets and interest-bearing liabilities; and
- Enhancing the interest rate margin on interest-generating assets and interest-bearing liabilities with reference to the prevailing PBOC benchmark interest rates.

A. FINANCIAL INFORMATION (continued)

(Amounts in millions of Renminbi, unless otherwise stated)

VII. FINANCIAL RISK MANAGEMENT (continued)

5. Market risk (continued)

(2) Interest rate risk (continued)

The tables below summarise the contractual repricing or maturity date, whichever is earlier, of the Group's financial assets and liabilities.

Group

	As at 31 December 2007						
	Up to 1 month	Between 1 to 3 months	Between 3 to 12 months	Between 1 to 5 years	Over 5 years	Non- interest bearing	Total
Cash and balances with central banks	848,936	—	—	—	—	88,078	937,014
Deposits with banks and other financial institutions	10,314	2,320	1,638	—	—	2,160	16,432
Placements with banks and other financial institutions	28,317	16,736	7,445	—	—	—	52,498
Financial assets held for trading	356	1,605	3,748	1,377	1,254	—	8,340
Financial assets designated as at fair value through profit or loss	1,474	3,008	2,826	1,252	296	9	8,865
Derivative financial assets	—	—	—	—	—	10,207	10,207
Financial assets held under resale agreements	115,283	19,820	9,745	—	—	—	144,848
Loans and advances to customers	1,081,410	567,112	1,059,805	398	467	—	2,709,192
Available-for-sale financial assets	104,540	89,550	70,601	143,421	119,970	1,261	529,343
Held-to-maturity investments	18,628	52,318	191,285	195,568	75,017	—	532,816
Debt securities classified as receivables	746	1,612	6,214	125,859	95,300	12	229,743
Other financial assets	—	—	—	—	—	27,538	27,538
Total assets	2,210,004	754,081	1,353,307	467,875	292,304	129,265	5,206,836
Borrowings from central bank	—	(49)	—	—	—	(150,818)	(150,867)
Deposits from banks and other financial institutions	(257,907)	(2,522)	(35,835)	(354)	—	—	(296,618)
Placements from banks and other financial institutions	(24,248)	(4,822)	(1,092)	(7)	(206)	—	(30,375)
Financial liabilities designated as at fair value through profit or loss	(4,464)	(1,017)	(3,446)	(240)	(325)	(996)	(10,488)
Derivative financial liabilities	—	—	—	—	—	(7,294)	(7,294)
Financial assets sold under repurchase agreements	(69,224)	(2,033)	(2,134)	—	—	—	(73,391)
Due to customers	(3,365,948)	(414,181)	(1,063,698)	(366,334)	(3,222)	(73,811)	(5,287,194)
Debt securities issued	(644)	(2,426)	(824)	(260)	—	—	(4,154)
Other financial liabilities	—	—	—	—	—	(76,182)	(76,182)
Total liabilities	(3,722,435)	(427,050)	(1,107,029)	(367,195)	(3,753)	(309,101)	(5,936,563)
Interest rate gap	(1,512,431)	327,031	246,278	100,680	288,551	(179,836)	(729,727)

A. FINANCIAL INFORMATION (continued)

(Amounts in millions of Renminbi, unless otherwise stated)

VII. FINANCIAL RISK MANAGEMENT (continued)

5. Market risk (continued)

(2) Interest rate risk (continued)

Group (continued)

	As at 31 December 2008						
	Up to 1 month	1 to 3 months	3 to 12 months	1 to 5 years	Over 5 years	Non-interest bearing	Total
Cash and balances with central banks	1,053,751	—	—	—	—	92,133	1,145,884
Deposits with banks and other financial institutions	54,008	750	4,659	—	—	3,251	62,668
Placements with banks and other financial institutions	18,763	20,319	5,397	—	—	—	44,479
Financial assets held for trading	—	1,509	5,779	9,578	2,822	—	19,688
Financial assets designated as at fair value through profit or loss	2,790	3,950	9,371	3,973	199	46	20,329
Derivative financial assets	—	—	—	—	—	7,151	7,151
Financial assets held under resale agreements	186,387	50,891	9,092	—	—	—	246,370
Loans and advances to customers	1,168,670	631,159	1,211,979	925	2,251	—	3,014,984
Available-for-sale financial assets	125,489	98,320	211,561	237,575	126,699	561	800,205
Held-to-maturity investments	20,627	40,637	135,693	256,313	123,053	—	576,323
Debt securities classified as receivables	—	2,844	7,221	120,568	761,893	6	892,532
Other financial assets	—	—	—	—	—	32,936	32,936
Total financial assets	2,630,485	850,379	1,600,752	628,932	1,016,917	136,084	6,863,549
Borrowings from central bank	—	(49)	—	—	—	(265)	(314)
Deposits from banks and other financial institutions	(187,988)	(28,566)	(32,251)	(40,967)	—	—	(289,772)
Placements from banks and other financial institutions	(29,700)	(2,722)	(1,466)	(3)	(240)	—	(34,131)
Financial liabilities designated as at fair value through profit or loss	(9,589)	(3,699)	(3,219)	(3,248)	(170)	(2,752)	(22,677)
Derivative financial liabilities	—	—	—	—	—	(11,534)	(11,534)
Financial assets sold under repurchase agreements	(28,708)	(3,120)	(3,262)	—	—	—	(35,090)
Due to customers	(3,666,787)	(525,113)	(1,372,789)	(447,491)	(5,447)	(79,801)	(6,097,428)
Debt securities issued	(473)	(2,469)	(2,208)	—	—	—	(5,150)
Other financial liabilities	—	—	—	—	—	(127,613)	(127,613)
Total financial liabilities	(3,923,245)	(565,738)	(1,415,195)	(491,709)	(5,857)	(221,965)	(6,623,709)
Interest rate gap	(1,292,760)	284,641	185,557	137,223	1,011,060	(85,881)	239,840

A. FINANCIAL INFORMATION (continued)

(Amounts in millions of Renminbi, unless otherwise stated)

VII. FINANCIAL RISK MANAGEMENT (continued)

5. Market risk (continued)

(2) Interest rate risk (continued)

Group (continued)

	As at 31 December 2009						
	Up to 1 month	1 to 3 months	3 to 12 months	1 to 5 years	Over 5 years	Non-interest bearing	Total
Cash and balances with central banks	1,241,274	—	—	154,000	—	122,532	1,517,806
Deposits with banks and other financial institutions	45,728	9,435	4,360	—	—	2,170	61,693
Placements with banks and other financial institutions	36,031	4,983	8,421	—	—	—	49,435
Financial assets held for trading	1,541	2,805	4,666	5,231	1,103	—	15,346
Financial assets designated as at fair value through profit or loss	1,710	8,844	34,761	37,115	14,379	21	96,830
Derivative financial assets	—	—	—	—	—	4,678	4,678
Financial assets held under resale agreements	147,267	229,551	44,275	—	—	—	421,093
Loans and advances to customers	1,490,928	1,051,095	1,466,940	2,274	258	—	4,011,495
Available-for-sale financial assets	114,824	92,144	154,616	246,819	121,492	487	730,382
Held-to-maturity investments	43,602	134,106	218,857	315,713	171,637	—	883,915
Debt securities classified as receivables	—	22,967	108,411	22,171	736,644	6	890,199
Other financial assets	—	—	—	—	—	35,621	35,621
Total financial assets	3,122,905	1,555,930	2,045,307	783,323	1,045,513	165,515	8,718,493
Borrowings from central bank	—	—	—	—	—	(58)	(58)
Deposits from banks and other financial institutions	(423,608)	(73,384)	(39,326)	(36,421)	—	(1,210)	(573,949)
Placements from banks and other financial institutions	(18,249)	(6,162)	(1,685)	(67)	(149)	—	(26,312)
Financial liabilities held for trading	—	—	—	—	—	(56)	(56)
Financial liabilities designated as at fair value through profit or loss	(46,283)	(18,602)	(46,341)	(1,768)	(80)	(769)	(113,843)
Derivative financial liabilities	—	—	—	—	—	(7,690)	(7,690)
Financial assets sold under repurchase agreements	(75,094)	(10,561)	(15,157)	—	—	—	(100,812)
Due to customers	(4,719,663)	(602,155)	(1,624,749)	(457,002)	(1,713)	(92,336)	(7,497,618)
Debt securities issued	(621)	(2,959)	(5,337)	(21,285)	(24,977)	—	(55,179)
Other financial liabilities	—	—	—	—	—	(119,716)	(119,716)
Total financial liabilities	(5,283,518)	(713,823)	(1,732,595)	(516,543)	(26,919)	(221,835)	(8,495,233)
Interest rate gap	(2,160,613)	842,107	312,712	266,780	1,018,594	(56,320)	223,260

A. FINANCIAL INFORMATION (continued)

(Amounts in millions of Renminbi, unless otherwise stated)

VII. FINANCIAL RISK MANAGEMENT (continued)

5. Market risk (continued)

(2) Interest rate risk (continued)

Bank

	As at 31 December 2007						
	Up to 1 month	Between 1 to 3 months	Between 3 to 12 months	Between 1 to 5 years	Over 5 years	Non-interest bearing	Total
Cash and balances with central banks	848,843	—	—	—	—	88,078	936,921
Deposits with banks and other financial institutions	10,104	2,274	1,604	—	—	2,116	16,098
Placements with banks and other financial institutions	28,317	16,736	7,445	—	—	—	52,498
Financial assets held for trading	356	1,605	3,748	1,377	1,254	—	8,340
Financial assets designated as at fair value through profit or loss	1,474	3,008	2,826	1,252	296	9	8,865
Derivative financial assets	—	—	—	—	—	10,207	10,207
Financial assets held under resale agreements	115,283	19,820	9,745	—	—	—	144,848
Loans and advances to customers	1,081,410	567,112	1,059,805	398	467	—	2,709,192
Available-for-sale financial assets	104,540	89,550	70,601	143,421	119,970	1,261	529,343
Held-to-maturity investments	18,628	52,318	191,285	195,568	75,017	—	532,816
Debt securities classified as receivables	746	1,612	6,214	125,859	95,300	12	229,743
Other financial assets	—	—	—	—	—	27,485	27,485
Total assets	2,209,701	754,035	1,353,273	467,875	292,304	129,168	5,206,356
Borrowings from central bank	—	(49)	—	—	—	(150,818)	(150,867)
Deposits from banks and other financial institutions	(257,908)	(2,522)	(35,835)	(354)	—	—	(296,619)
Placements from banks and other financial institutions	(24,248)	(4,822)	(1,092)	(7)	(206)	—	(30,375)
Financial liabilities designated as at fair value through profit or loss	(4,464)	(1,017)	(3,446)	(240)	(325)	(996)	(10,488)
Derivative financial liabilities	—	—	—	—	—	(7,294)	(7,294)
Financial assets sold under repurchase agreements	(69,224)	(2,033)	(2,134)	—	—	—	(73,391)
Due to customers	(3,365,948)	(414,181)	(1,063,698)	(366,334)	(3,222)	(73,811)	(5,287,194)
Debt securities issued	(644)	(2,426)	(824)	(260)	—	—	(4,154)
Other financial liabilities	—	—	—	—	—	(75,638)	(75,638)
Total liabilities	(3,722,436)	(427,050)	(1,107,029)	(367,195)	(3,753)	(308,557)	(5,936,020)
Interest rate gap	(1,512,735)	326,985	246,244	100,680	288,551	(179,389)	(729,664)

A. FINANCIAL INFORMATION (continued)

(Amounts in millions of Renminbi, unless otherwise stated)

VII. FINANCIAL RISK MANAGEMENT (continued)

5. Market risk (continued)

(2) Interest rate risk (continued)

Bank (continued)

	As at 31 December 2008						
	Up to 1 month	Between 1 to 3 months	Between 3 to 12 months	Between 1 to 5 years	Over 5 years	Non-interest bearing	Total
Cash and balances with central banks	1,053,593	—	—	—	—	92,133	1,145,726
Deposits with banks and other financial institutions	53,305	740	4,599	—	—	3,209	61,853
Placements with banks and other financial institutions	18,763	20,319	5,618	—	—	—	44,700
Financial assets held for trading	—	1,509	5,779	9,578	2,822	—	19,688
Financial assets designated as at fair value through profit or loss	2,790	3,950	9,306	3,973	199	46	20,264
Derivative financial assets	—	—	—	—	—	7,151	7,151
Financial assets held under resale agreements	186,387	50,891	9,092	—	—	—	246,370
Loans and advances to customers	1,168,670	631,159	1,211,946	925	2,251	—	3,014,951
Available-for-sale financial assets	125,489	98,320	211,561	237,575	126,699	561	800,205
Held-to-maturity investments	20,627	40,637	135,693	256,313	123,053	—	576,323
Debt securities classified as receivables	—	2,844	7,221	120,568	761,893	6	892,532
Other financial assets	—	—	—	—	—	32,874	32,874
Total assets	2,629,624	850,369	1,600,815	628,932	1,016,917	135,980	6,862,637
Borrowings from central bank	—	(49)	—	—	—	(265)	(314)
Deposits from banks and other financial institutions	(187,988)	(28,566)	(32,251)	(40,967)	—	—	(289,772)
Placements from banks and other financial institutions	(29,700)	(2,722)	(1,466)	(3)	(240)	—	(34,131)
Financial liabilities designated as at fair value through profit or loss	(9,589)	(3,699)	(3,219)	(3,248)	(170)	(2,752)	(22,677)
Derivative financial liabilities	—	—	—	—	—	(11,534)	(11,534)
Financial assets sold under repurchase agreements	(28,708)	(3,120)	(3,262)	—	—	—	(35,090)
Due to customers	(3,666,787)	(525,113)	(1,372,737)	(447,491)	(5,447)	(79,798)	(6,097,373)
Debt securities issued	(473)	(2,469)	(2,208)	—	—	—	(5,150)
Other financial liabilities	—	—	—	—	—	(127,293)	(127,293)
Total liabilities	(3,923,245)	(565,738)	(1,415,143)	(491,709)	(5,857)	(221,642)	(6,623,334)
Interest rate gap	(1,293,621)	284,631	185,672	137,223	1,011,060	(85,662)	239,303

A. FINANCIAL INFORMATION (continued)

(Amounts in millions of Renminbi, unless otherwise stated)

VII. FINANCIAL RISK MANAGEMENT (continued)

5. Market risk (continued)

(2) Interest rate risk (continued)

Bank (continued)

	As at 31 December 2009						
	Up to 1 month	Between 1 to 3 months	Between 3 to 12 months	Between 1 to 5 years	Over 5 years	Non-interest bearing	Total
Cash and balances with central banks	1,241,274	—	—	154,000	—	122,488	1,517,762
Deposits with banks and other financial institutions	45,320	9,435	4,360	—	—	2,170	61,285
Placements with banks and other financial institutions	36,031	4,983	8,421	—	—	—	49,435
Financial assets held for trading	1,541	2,805	4,666	5,231	1,103	—	15,346
Financial assets designated as at fair value through profit or loss	1,710	8,844	34,761	37,115	14,379	21	96,830
Derivative financial assets	—	—	—	—	—	4,678	4,678
Financial assets held under resale agreements	147,267	229,551	44,275	—	—	—	421,093
Loans and advances to customers	1,490,928	1,051,095	1,466,831	2,274	258	—	4,011,386
Available-for-sale financial assets	114,824	92,144	154,616	246,819	121,492	487	730,382
Held-to-maturity investments	43,602	134,106	218,857	315,713	171,637	—	883,915
Debt securities classified as receivables	—	22,967	108,411	22,171	736,644	6	890,199
Other financial assets	—	—	—	—	—	35,551	35,551
Total assets	3,122,497	1,555,930	2,045,198	783,323	1,045,513	165,401	8,717,862
Borrowings from central bank	—	—	—	—	—	(58)	(58)
Deposits from banks and other financial institutions	(424,453)	(73,384)	(39,326)	(36,421)	—	(1,210)	(574,794)
Placements from banks and other financial institutions	(18,249)	(6,162)	(1,685)	(67)	(149)	—	(26,312)
Financial liabilities held for trading	—	—	—	—	—	(56)	(56)
Financial liabilities designated as at fair value through profit or loss	(46,283)	(18,602)	(46,341)	(1,768)	(80)	(769)	(113,843)
Derivative financial liabilities	—	—	—	—	—	(7,690)	(7,690)
Financial assets sold under repurchase agreements	(75,094)	(10,561)	(15,157)	—	—	—	(100,812)
Due to customers	(4,719,536)	(602,155)	(1,624,700)	(457,002)	(1,713)	(92,336)	(7,497,442)
Debt securities issued	(621)	(2,959)	(5,337)	(21,285)	(24,977)	—	(55,179)
Other financial liabilities	—	—	—	—	—	(119,320)	(119,320)
Total liabilities	(5,284,236)	(713,823)	(1,732,546)	(516,543)	(26,919)	(221,439)	(8,495,506)
Interest rate gap	(2,161,739)	842,107	312,652	266,780	1,018,594	(56,038)	222,356

A. FINANCIAL INFORMATION (continued)

(Amounts in millions of Renminbi, unless otherwise stated)

VII. FINANCIAL RISK MANAGEMENT (continued)

5. Market risk (continued)

(2) Interest rate risk (continued)

The following table illustrates the potential impact of a parallel upward or downward shift of 100 basis points in all currencies' yield curves on the Group's net interest income and equity, based on the Group's positions of interest-bearing assets and liabilities at the end of each reporting period.

Group

	31 December 2007		31 December 2008		31 December 2009	
	Net interest income	Equity	Net interest income	Equity	Net interest income	Equity
+100 basis points	(10,842)	(12,764)	(9,315)	(17,431)	(12,516)	(14,826)
- 100 basis points	10,842	13,743	9,315	18,714	12,516	15,851

Bank

	31 December 2007		31 December 2008		31 December 2009	
	Net interest income	Equity	Net interest income	Equity	Net interest income	Equity
+100 basis points	(10,846)	(12,764)	(9,323)	(17,431)	(12,527)	(14,826)
- 100 basis points	10,846	13,743	9,323	18,714	12,527	15,851

The sensitivity analysis on net interest income is based on reasonably possible changes in interest rates with the assumption that the structure of financial assets and financial liabilities held at year end remains unchanged.

The sensitivity analysis on equity is the effect on changes of fixed rate available-for-sale financial assets at the year end after adjusting in accordance with the reasonably possible changes in interest rates.

6. Capital management

The Group's objectives on capital management are to:

- safeguard the Group's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders;
- support the Group's stability and growth;
- allocate capital in an efficient and risk based approach to optimise risk adjusted return to the shareholders; and
- maintain an adequate capital base to support the development of its business.

The CBRC requires that the capital adequacy ratio and core capital adequacy ratio for commercial banks shall not fall below 8% and 4% respectively. For commercial banks, supplementary capital shall not exceed 100% of core capital while long-term subordinated liabilities included in the

A. FINANCIAL INFORMATION (continued)

(Amounts in millions of Renminbi, unless otherwise stated)

VII. FINANCIAL RISK MANAGEMENT (continued)

6. Capital management (continued)

supplementary capital should not exceed 50% of the core capital. When total positions of trading accounts exceed 10% of the on and off balance sheet total assets, or RMB8.5 billion, commercial banks must provide for market risk capital. At present, the Group is fully compliant with legal and regulatory requirements.

The on-balance sheet risk-weighted assets are measured according to the nature of, and are reflecting an estimate of credit, market and other risks associated with, each asset and counterparty, taking into account any eligible collateral or guarantees. A similar treatment is adopted for off-balance sheet exposure, with adjustments made to reflect the more contingent nature of any potential losses. Market risk capital adjustment is calculated using the standardised approach.

The Group computes the capital adequacy ratio in accordance with *Decision of China Banking Regulatory Commission on Revising the Measures for the Management of Capital Adequacy Ratios of Commercial Banks*, *Notice from China Banking Regulatory Commission on the Relevant Issues on Calculating the Capital Adequacy Ratio After Banks and Financial Institutions Implementing <Accounting Standards for Business Enterprises>* and other related regulations promulgated by the CBRC.

		As at 31 December 2008		As at 31 December 2009	
		Group	Bank	Group	Bank
Core capital adequacy ratio	(1)	8.04%	8.00%	7.74%	7.69%
Capital adequacy ratio	(2)	9.41%	9.36%	10.07%	10.01%
Components of capital base					
Core capital:					
Share capital		260,000	260,000	260,000	260,000
Surplus reserve and general and regulatory reserves		1,251	1,247	18,448	18,431
Unappropriated profit		12,022	10,677	59,817	58,385
Minority interest		96	—	106	—
		273,369	271,924	338,371	336,816
Supplementary capital:					
General allowance of impairment loans		37,815	37,815	66,057	66,056
Reserve of fair value changes of available-for-sale financial assets	(3)	8,646	8,646	2,312	2,312
Long-term subordinated bonds		—	—	50,000	50,000
		46,461	46,461	118,369	118,368
Total capital base before deductions		319,830	318,385	456,740	455,184
Deductions:					
Equity investments which are not consolidated		(347)	(779)	(197)	(1,333)
Other deductible item		—	—	(16,194)	(16,194)
Total capital base after deductions		319,483	317,606	440,349	437,657
Risk-weighted assets and market risk capital adjustment	(4)	3,396,301	3,394,217	4,373,006	4,370,842

A. FINANCIAL INFORMATION (continued)

(Amounts in millions of Renminbi, unless otherwise stated)

VII. FINANCIAL RISK MANAGEMENT (continued)

6. Capital management (continued)

(1) Core capital adequacy ratio is calculated by dividing the net amount of core capital, which is after deductions of 50% unconsolidated equity investments, by risk-weighted assets and market risk capital adjustment.

(2) Capital adequacy ratio is calculated by dividing total capital base after deductions by risk-weighted assets and market risk capital adjustment.

(3) The reserve arising from the cumulative net positive changes in the fair value of available-for-sale financial assets is excluded from the core capital and 50% of the balance is included in the supplementary capital.

(4) The amount of market risk capital adjustment equals 12.5 times of the market risk capital.

VIII. FAIR VALUE OF FINANCIAL INSTRUMENTS

The fair value of financial assets and financial liabilities are determined as follows:

- the fair value of financial assets and financial liabilities with standard terms and conditions and traded in active liquid markets are determined with reference to quoted market bid prices and ask prices respectively;
- the fair value of other financial assets and financial liabilities (excluding derivative instruments) is determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions and dealer quotes for similar instruments;
- the fair value of derivative instruments is calculated using quoted prices. Where such prices are not available, use is made of discounted cash flow analysis using the applicable yield curve for the duration of the instruments for non-optional derivatives, and option pricing models for optional derivatives; and
- the fair value of financial guarantee contracts is determined using option pricing models where the main assumptions are the probability of default by the specified counterparty extrapolated from market-based credit information and the amount of loss, given the default.

A. FINANCIAL INFORMATION (continued)

(Amounts in millions of Renminbi, unless otherwise stated)

VIII. FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

The tables below summarise the carrying amounts and fair values of those financial assets and liabilities not presented on the statements of financial position at their fair value. Financial assets and liabilities for which the carrying amounts approximates fair value, such as deposits with central banks, deposits with banks and other financial institutions, placements with banks and other financial institutions, financial assets held under resale agreements, borrowings from central bank, placements from banks and other financial institutions, financial assets sold under repurchase agreements and certificates of deposit issued are not included in the tables below.

Group

	31 December 2007		31 December 2008		31 December 2009	
	Carrying amount	Fair value	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets						
Loans and advances to customers	2,709,192	2,709,113	3,014,984	3,015,029	4,011,495	4,011,504
Held-to-maturity investments	532,816	543,994	576,323	608,739	883,915	894,861
Debt securities classified as receivables	229,743	226,929	892,532	896,889	890,199	891,458
	3,471,751	3,480,036	4,483,839	4,520,657	5,785,609	5,797,823

	31 December 2007		31 December 2008		31 December 2009	
	Carrying amount	Fair value	Carrying amount	Fair value	Carrying amount	Fair value
Financial liabilities						
Deposits from banks and other financial institutions	296,618	296,585	289,772	289,859	573,949	574,025
Due to customers	5,287,194	5,281,482	6,097,428	6,114,989	7,497,618	7,507,370
Subordinated bonds issued	—	—	—	—	49,955	47,155
	5,583,812	5,578,067	6,387,200	6,404,848	8,121,522	8,128,550

Bank

	31 December 2007		31 December 2008		31 December 2009	
	Carrying amount	Fair value	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets						
Loans and advances to customers	2,709,192	2,709,113	3,014,951	3,014,996	4,011,386	4,011,395
Held-to-maturity investments	532,816	543,994	576,323	608,739	883,915	894,861
Debt securities classified as receivables	229,743	226,929	892,532	896,889	890,199	891,458
	3,471,751	3,480,036	4,483,806	4,520,624	5,785,500	5,797,714

A. FINANCIAL INFORMATION (continued)

(Amounts in millions of Renminbi, unless otherwise stated)

VIII. FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

Bank (continued)

	31 December 2007		31 December 2008		31 December 2009	
	Carrying amount	Fair value	Carrying amount	Fair value	Carrying amount	Fair value
Financial liabilities						
Deposits from banks and other financial institutions	296,619	296,585	289,772	289,859	574,794	574,870
Due to customers	5,287,194	5,281,482	6,097,373	6,114,934	7,497,442	7,507,194
Subordinated bonds issued	—	—	—	—	49,955	47,155
	5,583,813	5,578,067	6,387,145	6,404,793	8,122,191	8,129,219

Fair value measurements recognised in the statements of financial position.

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable.

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active market for identical assets or liabilities.
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Group and Bank

	As at 31 December 2007			
	Level 1	Level 2	Level 3	Total
Financial assets held for trading	—	8,340	—	8,340
Financial assets designated as at fair value through profit or loss	831	4,914	3,120	8,865
Available-for-sale financial assets	12,863	494,400	21,940	529,203
Derivative financial assets	—	7,010	3,197	10,207
Total assets	13,694	514,664	28,257	556,615
Financial liabilities designated as at fair value through profit or loss	—	—	(10,488)	(10,488)
Derivative financial liabilities	—	(3,801)	(3,493)	(7,294)
Total liabilities	—	(3,801)	(13,981)	(17,782)

A. FINANCIAL INFORMATION (continued)

(Amounts in millions of Renminbi, unless otherwise stated)

VIII. FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

Group

	As at 31 December 2008			
	Level 1	Level 2	Level 3	Total
Financial assets held for trading	—	19,688	—	19,688
Financial assets designated as at fair value through profit or loss	750	11,233	8,346	20,329
Available-for-sale financial assets	83,905	706,451	9,657	800,013
Derivative financial assets	—	2,494	4,657	7,151
Total assets	84,655	739,866	22,660	847,181
Financial liabilities designated as at fair value through profit or loss	—	—	(22,677)	(22,677)
Derivative financial liabilities	—	(2,907)	(8,627)	(11,534)
Total liabilities	—	(2,907)	(31,304)	(34,211)

Bank

	As at 31 December 2008			
	Level 1	Level 2	Level 3	Total
Financial assets held for trading	—	19,688	—	19,688
Financial assets designated as at fair value through profit or loss	750	11,168	8,346	20,264
Available-for-sale financial assets	83,905	706,451	9,657	800,013
Derivative financial assets	—	2,494	4,657	7,151
Total assets	84,655	739,801	22,660	847,116
Financial liabilities designated as at fair value through profit or loss	—	—	(22,677)	(22,677)
Derivative financial liabilities	—	(2,907)	(8,627)	(11,534)
Total liabilities	—	(2,907)	(31,304)	(34,211)

Group and Bank

	As at 31 December 2009			
	Level 1	Level 2	Level 3	Total
Financial assets held for trading	—	15,346	—	15,346
Financial assets designated as at fair value through profit or loss	2,040	39,133	55,657	96,830
Available-for-sale financial assets	39,599	688,950	1,631	730,180
Derivative financial assets	—	1,193	3,485	4,678
Total assets	41,639	744,622	60,773	847,034
Financial liabilities held for trading	(56)	—	—	(56)
Financial liabilities designated as at fair value through profit or loss	—	(2,022)	(111,821)	(113,843)
Derivative financial liabilities	—	(1,228)	(6,462)	(7,690)
Total liabilities	(56)	(3,250)	(118,283)	(121,589)

A. FINANCIAL INFORMATION (continued)

(Amounts in millions of Renminbi, unless otherwise stated)

VIII. FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

There were no transfers between Level 1 and 2 in the current year.

Reconciliation of Level 3 fair value measurements of financial assets and liabilities is as follows:

Group and Bank

	Financial assets designated as at fair value through profit or loss	Available -for-sale financial assets	Derivatives financial instruments, net	Financial liabilities designated as at fair value through profit or loss
As at 1 January 2007	893	26,713	(281)	(15,275)
Recognised in	9	(6,925)	(533)	(643)
—Profit/(loss)	9	2,663	(533)	(643)
—Other comprehensive income	—	(9,588)	—	—
Purchases	2,226	4,774	—	—
Issues	—	—	—	(4,432)
Settlements	(8)	(2,622)	518	9,862
Transfers into/(out of) Level 3	—	—	—	—
As at 31 December 2007	3,120	21,940	(296)	(10,488)
Total gain or loss for the year included in the profit or loss for assets/liabilities held as at 31 December 2007	2	(6,926)	808	(700)

Group and Bank

	Financial assets designated as at fair value through profit or loss	Available -for-sale financial assets	Derivatives financial instruments, net	Financial liabilities designated as at fair value through profit or loss
As at 1 January 2008	3,120	21,940	(296)	(10,488)
Recognised in	(200)	(9,809)	(3,327)	(3,016)
—(Loss)/profit	(200)	(1,593)	(3,327)	(3,016)
—Other comprehensive income	—	(8,216)	—	—
Purchases	7,460	168	—	—
Issues	—	—	—	(16,537)
Settlements	(2,034)	(2,642)	(347)	7,364
Transfers into/(out of) Level 3	—	—	—	—
As at 31 December 2008	8,346	9,657	(3,970)	(22,677)
Total loss for the year included in the profit or loss for assets/liabilities held as at 31 December 2008	(204)	(9,808)	(3,389)	(2,434)

A. FINANCIAL INFORMATION (continued)

(Amounts in millions of Renminbi, unless otherwise stated)

VIII. FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

Group and Bank

	Financial assets designated as at fair value through profit or loss	Available -for-sale financial assets	Derivatives financial instruments, net	Financial liabilities designated as at fair value through profit or loss
As at 1 January 2009	8,346	9,657	(3,970)	(22,677)
Recognised in	448	3,750	901	1,468
—Profit	448	3,554	901	1,468
—Other comprehensive income	—	196	—	—
Purchases	51,537	1,560	—	1
Issues	—	—	—	(106,499)
Settlements	(4,435)	(12,760)	92	15,886
Transfers out of Level 3	(239)	(576)	—	—
As at 31 December 2009	55,657	1,631	(2,977)	(111,821)
Total gain for the year included in the profit or loss for assets/liabilities held as at 31 December 2009	303	21	630	1,517

B. EVENTS AFTER THE REPORTING PERIOD

(1) According to "Agricultural Bank of China Limited's Share Subscription Agreement" signed on 21 April 2010 by the MOF, Huijin, the Bank, and the National Council for Social Security Fund (the "NCSSF"), the NCSSF subscribed for 10 billion share capital of the Bank, par value of RMB1 per share. After the subscription, the NCSSF held 3.70% of total share capital of the Bank.

(2) In the resolutions of the extraordinary shareholders' meeting on 21 April 2010, the profit appropriation for 2009 was set out as follows:

(i) An appropriation of RMB6,489 million to the statutory surplus reserve based on the unconsolidated profit for the year 2009 of the Bank in an amount of RMB64,892 million;

(ii) An appropriation of RMB38,386 million to the general reserve; and

(iii) A cash dividend of RMB20 billion to the MOF and Huijin.

The above item (i) relating to appropriation to the statutory surplus reserve had been included in the surplus reserve of the Bank's and the Group's financial statements as at 31 December 2009 and disclosed in Note VI. 39 of section A above.

The above item (iii) was disclosed in Note VI. 45 of section A above.

As the result of the above profit appropriations, the balances brought forward from 31 December 2009 included in the retained earnings of the Bank and the Group have been reduced to approximately RMB nil billion and RMB1.4 billion, respectively.

(3) On 18 June 2010, 11 corporate investors have entered into cornerstone investment agreements with the Bank to subscribe H shares in the Bank at the offer price for an aggregate amount of USD5.45 billion. Details are set out in "summary of material contracts" in Appendix IX to the Prospectus.

C. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements of the Group, the Bank or any of its subsidiaries have been prepared in respect of any period subsequent to 31 December 2009.

Yours faithfully

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

The information set out below is the unaudited interim financial information of the Group for the period ended 31 March 2010 and does not form part of the Accountants' Report prepared by the reporting accountants, Deloitte Touche Tohmatsu, Certified Public Accountants, Hong Kong as set out in Appendix I, and is included herein for information purposes only.

REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION

To the Board of Directors of Agricultural Bank of China Limited

Introduction

We have reviewed the interim financial information set out on pages II-2 to II-41, which comprises the condensed consolidated statement of financial position of Agricultural Bank of China Limited (the "Bank") and its subsidiaries (together, the "Group") as at 31 March 2010 and the related condensed consolidated income statement, condensed consolidated statement of comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the three-month period then ended and certain explanatory notes. The directors of the Bank are responsible for the preparation and presentation of this interim financial information in accordance with International Accounting Standard 34 "Interim Financial Reporting" ("IAS 34"). Our responsibility is to express a conclusion on this interim financial information based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Scope of review

We conducted our review in accordance with Hong Kong Standards on Review Engagements 2400 "Engagements to Review Financial Statements". A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information is not prepared, in all material respects, in accordance with IAS 34.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

30 June 2010

AGRICULTURAL BANK OF CHINA LIMITED

CONDENSED CONSOLIDATED INCOME STATEMENT FOR THE THREE MONTHS ENDED 31 MARCH 2010

(Amounts in millions of Renminbi, unless otherwise stated)

	Notes	Three months ended 31/3/2010 (unaudited)	Three months ended 31/3/2009 (unaudited)
Interest income	III. 1	81,220	69,804
Interest expense	III. 1	(27,672)	(28,369)
Net interest income		53,548	41,435
Fee and commission income	III. 2	11,162	9,235
Fee and commission expense	III. 2	(305)	(195)
Net fee and commission income		10,857	9,040
Net trading gain	III. 3	793	970
Net gain/(loss) on financial instruments designated as at fair value through profit or loss	III. 4	551	(249)
Net gain on investment securities		25	147
Other operating income, net		561	742
Operating income		66,335	52,085
Operating expenses	III. 5	(26,047)	(20,715)
Impairment losses on assets	III. 6	(8,500)	(7,077)
Operating profit		31,788	24,293
Profit before tax		31,788	24,293
Income tax expense	III. 7	(6,809)	(6,259)
Profit for the period		24,979	18,034
Attributable to:			
Equity holders of the Bank		24,970	18,031
Non-controlling interests		9	3
		24,979	18,034
Earnings per share (Expressed in RMB per share)			
—Basic	III. 8	0.10	0.07

AGRICULTURAL BANK OF CHINA LIMITED

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE THREE MONTHS ENDED 31 MARCH 2010

(Amounts in millions of Renminbi, unless otherwise stated)

	Notes	Three months ended 31/3/2010 (unaudited)	Three months ended 31/3/2009 (unaudited)
Profit for the period		24,979	18,034
Other comprehensive income:			
Fair value gain/(loss) on available-for-sale financial assets			
—fair value gain/(loss) arising during the period		3,180	(7,646)
—amount reclassified to the profit or loss upon disposal/impairment of available-for-sale financial assets		(42)	(456)
Exchange difference arising on translating foreign operations		3	41
Income tax relating to available-for-sale financial assets		(776)	2,014
Other comprehensive income for the period (net of tax)		2,365	(6,047)
Total comprehensive income for the period		27,344	11,987
Total comprehensive income attributable to:			
Equity holders of the Bank		27,335	11,984
Non-controlling interests		9	3
		27,344	11,987

AGRICULTURAL BANK OF CHINA LIMITED

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AT 31 MARCH 2010

(Amounts in millions of Renminbi, unless otherwise stated)

	Notes	31/3/2010 (unaudited)	31/12/2009 (audited)
Assets			
Cash and balances with central banks	III. 9	1,679,042	1,517,806
Deposits with banks and other financial institutions	III. 10	67,902	61,693
Placements with banks and other financial institutions	III. 11	84,443	49,435
Financial assets held for trading	III. 12	22,228	15,346
Financial assets designated as at fair value through profit or loss	III. 13	101,667	96,830
Financial assets held under resale agreements	III. 14	456,796	421,093
Derivative financial assets	III. 15	4,375	4,678
Loans and advances to customers	III. 16	4,316,787	4,011,495
Available-for-sale financial assets	III. 17	569,329	730,382
Held-to-maturity investments	III. 18	1,145,214	883,915
Debt securities classified as receivables	III. 19	839,605	890,199
Interest in an associate		141	141
Property and equipment		110,512	111,973
Deferred tax assets	III. 29	19,615	19,659
Other assets	III. 20	81,831	67,943
Total assets		9,499,487	8,882,588
Liabilities			
Borrowings from central bank		58	58
Deposits from banks and other financial institutions	III. 21	565,295	573,949
Placements from banks and other financial institutions	III. 22	32,225	26,312
Financial liabilities held for trading	III. 23	68	56
Financial liabilities designated as at fair value through profit or loss	III. 24	91,546	113,843
Financial assets sold under repurchase agreements	III. 25	103,981	100,812
Derivative financial liabilities	III. 15	6,712	7,690
Due to customers	III. 26	8,100,382	7,497,618
Accrued staff costs	III. 27	28,906	29,938
Tax liabilities		9,595	5,163
Debt securities issued	III. 28	57,059	55,179
Other liabilities	III. 30	133,381	129,045
Total liabilities		9,129,208	8,539,663
Equity			
Share capital		260,000	260,000
Investment revaluation reserve	III. 31	6,986	4,624
Surplus reserve		7,676	7,676
General and regulatory reserve		10,776	10,772
Retained earnings		84,783	59,817
Currency translation reserve		(67)	(70)
Equity attributable to equity holders of the Bank		370,154	342,819
Non-controlling interests		125	106
Total equity		370,279	342,925
Total equity and liabilities		9,499,487	8,882,588

AGRICULTURAL BANK OF CHINA LIMITED

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE THREE MONTHS ENDED 31 MARCH 2010
(Amounts in millions of Renminbi, unless otherwise stated)

		Total equity attributable to equity holders of the Bank								
	Notes	Share capital	Surplus reserve	General and regulatory reserve	Retained earnings	Investment revaluation reserve	Currency translation reserve	Subtotal	Non-controlling interests	Total
As at 1 January 2010 (audited)		260,000	7,676	10,772	59,817	4,624	(70)	342,819	106	342,925
Profit for the period		—	—	—	24,970	—	—	24,970	9	24,979
Other comprehensive income		—	—	—	—	2,362	3	2,365	—	2,365
Total comprehensive income for the period		—	—	—	24,970	2,362	3	27,335	9	27,344
Contribution from non-controlling shareholders		—	—	—	—	—	—	—	10	10
Appropriation to surplus reserve		—	—	—	—	—	—	—	—	—
Appropriation to general and regulatory reserve		—	—	4	(4)	—	—	—	—	—
As at 31 March 2010 (unaudited)		260,000	7,676	10,776	84,783	6,986	(67)	370,154	125	370,279

		Total equity attributable to equity holders of the Bank								
	Notes	Share capital	Surplus reserve	General and regulatory reserve	Retained earnings	Investments revaluation reserve	Currency translation reserve	Subtotal	Non-controlling interests	Total
As at 1 January 2009 (audited)		260,000	1,187	64	12,022	17,292	(120)	290,445	96	290,541
Profit for the period		—	—	—	18,031	—	—	18,031	3	18,034
Other comprehensive income		—	—	—	—	(6,088)	41	(6,047)	—	(6,047)
Total comprehensive income for the period		—	—	—	18,031	(6,088)	41	11,984	3	11,987
Appropriation to surplus reserve		—	—	—	—	—	—	—	—	—
Appropriation to general and regulatory reserve		—	—	2	(2)	—	—	—	—	—
As at 31 March 2009 (unaudited)		260,000	1,187	66	30,051	11,204	(79)	302,429	99	302,528
Profit for the period		—	—	—	46,961	—	—	46,961	7	46,968
Other comprehensive income		—	—	—	—	(6,580)	9	(6,571)	—	(6,571)
Total comprehensive income for the period		—	—	—	46,961	(6,580)	9	40,390	7	40,397
Appropriation to surplus reserve		—	6,489	—	(6,489)	—	—	—	—	—
Appropriation to general and regulatory reserve		—	—	10,706	(10,706)	—	—	—	—	—
As at 31 December 2009 (audited)		260,000	7,676	10,772	59,817	4,624	(70)	342,819	106	342,925

AGRICULTURAL BANK OF CHINA LIMITED

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE THREE MONTHS ENDED 31 MARCH 2010

(Amounts in millions of Renminbi, unless otherwise stated)

	Notes	Three months ended 31/3/2010 (unaudited)	Three months ended 31/3/2009 (unaudited)
Cash flows from operating activities			
Profit before tax		31,788	24,293
Adjustments for:			
Amortisation of intangible assets and other assets		381	374
Depreciation of property and equipment		2,388	2,242
Impairment losses on assets		8,500	7,077
Interest income arising from investment securities		(18,609)	(18,279)
Interest income arising from impaired financial assets		(377)	(471)
Interest expense on subordinated bonds issued		453	—
Net gain on investment securities		(25)	(147)
Net gain on disposal of property and equipment and other assets		(52)	(63)
Net foreign exchange loss		730	690
Operating cash flows before movements in working capital		25,177	15,716
Net increase in balances with central banks, deposits with banks and other financial institutions		(146,518)	(52,677)
Net increase in placements with banks and other financial institutions		(1,556)	(13,322)
Net increase in loans and advances to customers		(313,549)	(576,852)
Net decrease in borrowings from central bank		—	(207)
Net increase in due to customers and deposits from banks and other financial institutions		595,986	979,054
Decrease/(increase) in other operating assets		114,574	(343,126)
(Decrease)/increase in other operating liabilities		(11,272)	1,813
Cash generated from operations		262,842	10,399
Income tax paid		(3,108)	(2,005)
Net cash generated by operating activities		259,734	8,394
Cash flows from investing activities			
Cash received from disposal/redemption of investment securities		352,732	234,074
Cash received from returns on investment securities		10,966	17,119
Cash received from other investing activities		406	322
Cash paid for purchase of investment securities		(404,786)	(291,905)
Cash paid for purchase of property and equipment and other assets		(2,075)	(1,729)
Net cash used in investing activities		(42,757)	(42,119)
Cash flows from financing activities			
Contribution from non-controlling shareholders		10	—
Net cash generated by financing activities		10	—
Net increase/(decrease) in cash and cash equivalents		216,987	(33,725)
Opening balances of cash and cash equivalents		329,300	488,564
Effect of exchange rate changes on cash and cash equivalents		(610)	(518)
Closing balances of cash and cash equivalents	III. 32	545,677	454,321

AGRICULTURAL BANK OF CHINA LIMITED

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE MONTHS ENDED 31 MARCH 2010

(Amounts in millions of Renminbi, unless otherwise stated)

I. BASIC OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with International Accounting Standard 34 "Interim Financial Reporting" ("IAS 34").

II. SIGNIFICANT ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments, which are measured at fair value, as appropriate. The accounting policies used in the condensed consolidated financial statements are consistent with those followed in the preparation of the Group's financial statements prepared in accordance with International Financial Reporting Standards ("IFRS") for the year ended 31 December 2009.

In the current interim period, the Group has applied, for the first time, a number of new and revised standards, amendments and interpretations ("new or revised IFRSs") issued by International Accounting Standards Board ("IASB") which are effective for the Group's financial year beginning on 1 January 2010.

The application of the new or revised IFRSs has had no material effect for the current and prior periods, accordingly, no adjustment has been required.

The Group has not early applied the following new or revised standards, amendments or interpretations that have been issued but are not yet effective:

IFRSs (Amendments)	Improvements to IFRSs May 2010[1] (Except for Amendment to IFRS 1)
IAS 32 (Amendment)	Classification of Rights Issues[2]
IFRS 9	Financial Instruments[5]
IFRIC 14 (Amendment)	Prepayments of a Minimum Funding Requirement[4]
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments[3]

1 Effective for annual periods beginning on or after 1 July 2010 and 1 January 2011, as appropriate.
2 Effective for annual periods beginning on or after 1 February 2010
3 Effective for annual periods beginning on or after 1 July 2010
4 Effective for annual periods beginning on or after 1 January 2011
5 Effective for annual periods beginning on or after 1 January 2013

IFRS 9 Financial Instruments introduces new requirements for the classification and measurement of financial assets and will be effective for annual periods beginning on or after 1 January 2013, with earlier application permitted. The Standard requires all recognised financial assets that are within the scope of IAS 39 Financial Instruments: Recognition and Measurement to be measured at either amortised cost or fair value. Specifically, debt investments that (i) are held within a business model whose objective is to collect the contractual cash flows and (ii) have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost. All other debt investments and equity investments are measured at fair value. In the opinion of management, the application of IFRS 9 will have a material effect on the classification and measurement of the Group's financial assets.

AGRICULTURAL BANK OF CHINA LIMITED

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE MONTHS ENDED 31 MARCH 2010 (continued)

(Amounts in millions of Renminbi, unless otherwise stated)

III. NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. Net interest income

	Three months ended	
	31/3/2010 (unaudited)	31/3/2009 (unaudited)
Interest income		
Loans and advances to customers	54,631	46,356
Including: Corporate loans and advances	42,032	37,584
Personal loans and advances	10,963	6,439
Discounted bills	1,636	2,333
Debt securities classified as receivables	6,905	6,899
Held-to-maturity investments	7,264	5,645
Available-for-sale financial assets	4,451	5,762
Balances with central banks	5,807	3,836
Financial assets held under resale agreements and placements/deposits with banks and other financial institutions	2,036	1,144
Financial assets held for trading	99	126
Financial assets designated as at fair value through profit or loss	27	36
Subtotal	81,220	69,804
Interest expense		
Due to customers	(24,489)	(26,859)
Deposits/placements from banks and other financial institutions and financial assets sold under repurchase agreements	(2,718)	(1,469)
Financial liabilities designated as at fair value through profit or loss	—	(16)
Debt securities issued	(465)	(25)
Borrowings from central bank	—	—
Subtotal	(27,672)	(28,369)
Net interest income	53,548	41,435
Included in interest income is interest income accrued on impaired financial assets	377	471

AGRICULTURAL BANK OF CHINA LIMITED

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE MONTHS ENDED 31 MARCH 2010 (continued)

(Amounts in millions of Renminbi, unless otherwise stated)

III. NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

2. Net fee and commission income

	Three months ended	
	31/3/2010	31/3/2009
	(unaudited)	(unaudited)
Fee and commission income		
Settlement and clearing fees	3,371	2,794
Agency commissions	3,120	3,436
Bank card fees	1,357	1,028
Consultancy and advisory fees	2,331	1,422
Credit commitment fees	254	124
Electronic banking services fees	448	221
Custodian and other fiduciary service fees	202	128
Others	79	82
Subtotal	11,162	9,235
Fee and commission expense		
Bank card fees	(85)	(93)
Settlement and clearing fees	(118)	(59)
Other service fees	(102)	(43)
Subtotal	(305)	(195)
Total	10,857	9,040

3. Net trading gain

	Three months ended	
	31/3/2010	31/3/2009
	(unaudited)	(unaudited)
Net gain on exchange rate derivatives	607	391
Net gain on interest rate derivatives	43	781
Net gain/(loss) on held-for-trading debt securities	78	(209)
Others	65	7
Total	793	970

AGRICULTURAL BANK OF CHINA LIMITED

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE MONTHS ENDED 31 MARCH 2010 (continued)

(Amounts in millions of Renminbi, unless otherwise stated)

III. NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

4. Net gain/(loss) on financial instruments designated as at fair value through profit or loss

	Three months ended	
	31/3/2010	31/3/2009
	(unaudited)	(unaudited)
Net gain/(loss) on debt securities	557	(228)
Net gain/(loss) on financial guarantee contracts	1	(5)
Others	(7)	(16)
Total	551	(249)

5. Operating expenses

	Note	Three months ended	
		31/3/2010	31/3/2009
		(unaudited)	(unaudited)
Staff costs	(1)	13,803	10,949
General operating and administrative expenses		5,822	4,079
Business tax and surcharges		3,638	2,981
Depreciation and amortisation		2,769	2,616
Others		15	90
Total		26,047	20,715

(1) Staff costs

	Three months ended	
	31/3/2010	31/3/2009
	(unaudited)	(unaudited)
Salaries, bonuses and allowances	9,075	7,167
Social insurance	2,388	1,552
Housing funds	973	767
Labour union fee and staff education expenses	374	312
Supplementary retirement benefits	—	595
Early retirement benefits	89	84
Others	904	472
Total	13,803	10,949

AGRICULTURAL BANK OF CHINA LIMITED

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE MONTHS ENDED 31 MARCH 2010 (continued)

(Amounts in millions of Renminbi, unless otherwise stated)

III. NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

6. Impairment losses on assets

	Three months ended	
	31/3/2010	31/3/2009
	(unaudited)	(unaudited)
Loans and advances to customers	8,624	6,700
Available-for-sale financial assets	(67)	398
Held-to-maturity investments	18	(5)
Debt securities classified as receivables	—	(1)
Property and equipment	2	—
Placements with banks and other financial institutions	(16)	4
Other assets	(61)	(19)
Total	8,500	7,077

7. Income tax expense

	Three months ended	
	31/3/2010	31/3/2009
	(unaudited)	(unaudited)
Income tax expense comprises:		
Current income tax		
—PRC Enterprise Income Tax	7,515	5,921
—Hong Kong Profits Tax	26	15
Subtotal	7,541	5,936
Deferred tax (Note III.29)		
—Current period	(732)	323
Subtotal	(732)	323
Total	6,809	6,259

PRC Corporate Income Tax is calculated at 25% of the estimated assessable profit for the current and prior periods. Taxation arising in other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

AGRICULTURAL BANK OF CHINA LIMITED

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE MONTHS ENDED 31 MARCH 2010 (continued)

(Amounts in millions of Renminbi, unless otherwise stated)

III. NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

7. Income tax expense (continued)

The tax charges for the three months ended 31 March 2010 and 31 March 2009 can be reconciled to the profit per the condensed consolidated income statements as follows:

	Note	Three months ended 31/3/2010 (unaudited)	Three months ended 31/3/2009 (unaudited)
Profit before tax		31,788	24,293
Tax calculated at applicable statutory tax rate of 25%		7,947	6,073
Tax effect of expenses not deductible for tax purpose		(14)	1,143
Tax effect of income not taxable for the tax purpose	(1)	(1,110)	(949)
Effect of different tax rates on Overseas Institutions		(14)	(8)
Income tax expense		6,809	6,259

(1) Income not taxable for the tax purpose represents interest income from treasury bonds.

8. Earnings per share

The calculation of basic earnings per share is as follows:

	Three months ended 31/3/2010 (unaudited)	Three months ended 31/3/2009 (unaudited)
Earnings:		
Profit for the period attributable to equity holders of the Bank	24,970	18,031
Numbers of shares:		
Number of shares in issue (million)	260,000	260,000
Basic earnings per share (RMB yuan)	0.10	0.07

There was no potential ordinary share outstanding during the both periods. Accordingly, no diluted earnings per share was presented.

AGRICULTURAL BANK OF CHINA LIMITED

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE MONTHS ENDED 31 MARCH 2010 (continued)

(Amounts in millions of Renminbi, unless otherwise stated)

III. NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

9. Cash and balances with central banks

	Notes	As at 31 March 2010 (unaudited)	As at 31 December 2009 (audited)
Cash		56,745	48,896
Mandatory reserve deposits with central banks	(1)	1,289,343	1,137,696
Surplus reserve deposits with central bank	(2)	111,497	103,893
Other deposits with central banks	(3)	221,457	227,321
Total		1,679,042	1,517,806

(1) The Group places mandatory reserve deposits mainly with the People's Bank of China ("PBOC"). These include RMB reserve deposits and foreign currency reserve deposits. These mandatory reserve deposits are not available for the Group's daily operations. As at 31 March 2010, mandatory reserve deposits with the PBOC were calculated at 16.5% (31 December 2009: 15.5%) of eligible RMB deposit, and 5% (31 December 2009: 5%) of foreign currency deposits from customers respectively. Mandatory reserve deposits placed with the central bank of other country are determined by the local regulator and non-interest bearing. The foreign currency reserve deposits placed with the PBOC are non-interest bearing.

(2) The surplus reserve deposits are maintained with the PBOC mainly for the purpose of clearing.

(3) This mainly represents fixed deposit and fiscal deposits placed with the PBOC. The fiscal deposits placed with the PBOC are non-interest bearing.

(4) Except as specifically disclosed, all other deposits with the PBOC are interest bearing at prevailing PBOC rates.

10. Deposits with banks and other financial institutions

	As at 31 March 2010 (unaudited)	As at 31 December 2009 (audited)
Deposits with:		
Domestic banks	35,930	22,476
Other domestic financial institutions	919	357
Overseas banks	31,053	38,860
	67,902	61,693
Allowance for impairment losses	—	—
Total	67,902	61,693

As at 31 March 2010, the Group pledged deposits with overseas banks amounting to RMB1,958 million (31 December 2009: Nil) for the purpose of carrying out financial derivative operations. As at 31 December 2009, the Group pledged deposits with China Foreign Exchange Trading Center System (CFETS) amounting to RMB81 million as guarantee deposits.

AGRICULTURAL BANK OF CHINA LIMITED

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE MONTHS ENDED 31 MARCH 2010 (continued)

(Amounts in millions of Renminbi, unless otherwise stated)

III. NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

11. Placements with banks and other financial institutions

	As at 31 March 2010 (unaudited)	As at 31 December 2009 (audited)
Placements with:		
Domestic banks	16,944	11,991
Other domestic financial institutions	15,505	7,940
Overseas banks	51,994	29,520
	84,443	49,451
Allowance for impairment losses	—	(16)
Total	84,443	49,435

12. Financial assets held for trading

	Note	As at 31 March 2010 (unaudited)	As at 31 December 2009 (audited)
Trading debt securities issued by:			
Governments		14,481	8,858
Public sector and quasi-governments		4,449	3,596
Financial institutions		—	311
Corporations		3,298	2,581
Total		22,228	15,346
Analysed as:			
Listed in Hong Kong		—	—
Listed outside Hong Kong	(1)	22,228	15,346
Unlisted		—	—
Total		22,228	15,346

(1) Debt securities traded on the China Domestic Interbank Bond Market are included in "Listed outside Hong Kong".

AGRICULTURAL BANK OF CHINA LIMITED

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE MONTHS ENDED 31 MARCH 2010 (continued)

(Amounts in millions of Renminbi, unless otherwise stated)

III. NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

13. Financial assets designated as at fair value through profit or loss

	Note	As at 31 March 2010 (unaudited)	As at 31 December 2009 (audited)
Designated debt securities issued by:			
Governments		9,003	9,531
Public sector and quasi-governments		10,953	21,024
Financial institutions		4,531	5,934
Corporations		8,780	6,216
Financial guarantee contracts		8	21
Credit notes issued by trust companies		68,354	53,784
Others		38	320
Total		101,667	96,830
Analysed as:			
Listed in Hong Kong		88	85
Listed outside Hong Kong	(1)	28,773	38,960
Unlisted		72,806	57,785
Total		101,667	96,830

(1) Debt securities traded on the China Domestic Interbank Bond Market are included in "Listed outside Hong Kong".

14. Financial assets held under resale agreements

	As at 31 March 2010 (unaudited)	As at 31 December 2009 (audited)
Analysed by collateral type:		
Bonds	275,686	298,321
Bills	171,965	117,113
Loans and advances to customers	9,145	5,659
Total	456,796	421,093

15. Derivative financial assets/(liabilities)

The Group enters into foreign currency exchange rate, interest rate and precious metals related derivative financial instruments for purpose of trading, asset and liability management and customer driven business.

AGRICULTURAL BANK OF CHINA LIMITED

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE MONTHS ENDED 31 MARCH 2010 (continued)

(Amounts in millions of Renminbi, unless otherwise stated)

III. NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

15. Derivative financial assets/(liabilities) (continued)

The contractual/notional amounts and fair values of derivative instruments held by the Group are set out in the following tables. The contractual/notional amounts of financial instruments provide a basis for comparison with fair value of instruments recognised on the condensed consolidated statement of financial position but do not necessarily indicate the amounts of future cash flows involved or the current fair value of the instruments and, therefore, do not indicate the Group's exposure to credit or market risks. The derivative instruments become favourable (assets) or unfavourable (liabilities) as a result of fluctuations in market interest rates or foreign exchange rates or commodity prices relative to their terms. The aggregate fair values of derivative financial assets and liabilities can fluctuate significantly from time to time.

	As at 31 March 2010 (unaudited)		
	Contractual/ notional amount	Fair value	
		Assets	Liabilities
Exchange rate derivatives			
Currency forwards	173,551	1,632	(1,910)
Currency swaps	133,636	440	(412)
Cross-currency interest rate swaps	12,052	1,445	(2,626)
Currency options	88	5	—
Subtotal		3,522	(4,948)
Interest rate derivatives			
Interest rate swaps	114,381	801	(1,716)
Other interest rate derivatives	846	2	(13)
Subtotal		803	(1,729)
Other derivatives	1,299	50	(35)
Total derivatives financial assets/(liabilities)		4,375	(6,712)

	As at 31 December 2009 (audited)		
	Contractual/ notional amount	Fair value	
		Assets	Liabilities
Exchange rate derivatives			
Currency forwards	110,467	1,546	(2,271)
Currency swaps	100,550	411	(374)
Cross-currency interest rate swaps	12,503	1,729	(3,140)
Currency options	81	2	(1)
Subtotal		3,688	(5,786)
Interest rate derivatives			
Interest rate swaps	113,644	932	(1,864)
Other interest rate derivatives	751	—	(15)
Subtotal		932	(1,879)
Other derivatives	1,008	58	(25)
Total derivatives financial assets/(liabilities)		4,678	(7,690)

AGRICULTURAL BANK OF CHINA LIMITED

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE MONTHS ENDED 31 MARCH 2010 (continued)

(Amounts in millions of Renminbi, unless otherwise stated)

III. NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

16. Loans and advances to customers

(1) Analysis of loans and advances to customers

	As at 31 March 2010 (unaudited)	As at 31 December 2009 (audited)
Corporate loans and advances		
Loans and advances	3,351,834	2,994,794
Discounted bills	179,725	353,937
Subtotal	3,531,559	3,348,731
Personal loans and advances		
Residential mortgages	579,612	497,950
Credit cards	17,667	14,118
Others	322,957	277,388
Subtotal	920,236	789,456
Gross loans and advances	4,451,795	4,138,187
Individually assessed	(56,314)	(55,596)
Collectively assessed	(78,694)	(71,096)
Allowance for impairment losses	(135,008)	(126,692)
Loans and advances to customers	4,316,787	4,011,495

(2) Analysis of loans and advances to customers by collective and individual assessments

	Loans and advances for which allowance is collectively assessed (A)	Identified impaired loans and advances (B)			Total	Identified impaired gross loans and advances as a % of gross total loans and advances
		For which allowance is collectively assessed	For which allowance is individually assessed	Sub-total		
At 31 March 2010 (unaudited)						
Gross loans and advances	4,342,252	10,206	99,337	109,543	4,451,795	2.46
Allowance for impairment losses	(73,683)	(5,011)	(56,314)	(61,325)	(135,008)	
Loans and advances to customers	4,268,569	5,195	43,023	48,218	4,316,787	
At 31 December 2009 (audited)						
Gross loans and advances	4,017,946	11,072	109,169	120,241	4,138,187	2.91
Allowance for impairment losses	(66,057)	(5,039)	(55,596)	(60,635)	(126,692)	
Loans and advances to customers	3,951,889	6,033	53,573	59,606	4,011,495	

AGRICULTURAL BANK OF CHINA LIMITED

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE MONTHS ENDED 31 MARCH 2010 (continued)

(Amounts in millions of Renminbi, unless otherwise stated)

III. NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

16. Loans and advances to customers (continued)

(2) Analysis of loans and advances to customers by collective and individual assessments (continued)

(A) Loans and advances for which allowance is collectively assessed consist of loans and advances which have not been specifically identified as impaired.

(B) Identified gross impaired loans and advances include loans for which objective evidence of impairment exists and which have been identified as bearing an impairment loss and assessed either individually or collectively.

(3) Movements of allowance for impairment losses on loans and advances to customers

	2010		
	Individually assessed allowance	Collectively assessed allowance	Total
As at 1 January	55,596	71,096	126,692
Net additions	984	7,640	8,624
Written off	(7)	—	(7)
Recovery of loans and advances written off in previous periods	4	1	5
Unwinding of discount on allowance	(328)	(39)	(367)
Other transfer in	66	—	66
Exchange difference	(1)	(4)	(5)
As at 31 March (unaudited)	56,314	78,694	135,008

	2009		
	Individually assessed allowance	Collectively assessed allowance	Total
As at 1 January	43,141	42,034	85,175
Net additions	15,025	29,264	44,289
Written off	(1,036)	(34)	(1,070)
Recovery of loans and advances written off in previous periods	20	6	26
Unwinding of discount on allowance	(1,551)	(173)	(1,724)
Exchange difference	(3)	(1)	(4)
As at 31 December (audited)	55,596	71,096	126,692

AGRICULTURAL BANK OF CHINA LIMITED

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE MONTHS ENDED 31 MARCH 2010 (continued)

(Amounts in millions of Renminbi, unless otherwise stated)

III. NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

17. Available-for-sale financial assets

	Note	As at 31 March 2010 (unaudited)	As at 31 December 2009 (audited)
Debt securities issued by:			
Governments		315,120	476,700
Public sector and quasi-governments		152,054	159,215
Financial institutions		23,599	23,267
Corporations		78,022	70,713
Subtotal		568,795	729,895
Equity instruments		534	487
Total		569,329	730,382
Analysed as:			
Listed in Hong Kong		2,141	1,886
Listed outside Hong Kong	(1)	565,155	726,600
Unlisted		2,033	1,896
Total		569,329	730,382

18. Held-to-maturity investments

	Note	As at 31 March 2010 (unaudited)	As at 31 December 2009 (audited)
Debt securities issued by:			
Governments		774,670	536,566
Public sector and quasi-governments		285,168	264,842
Financial institutions		41,717	42,342
Corporations		43,789	40,288
		1,145,344	884,038
Allowance for impairment losses		(130)	(123)
Total		1,145,214	883,915
Analysed as:			
Listed in Hong Kong		221	141
Listed outside Hong Kong	(1)	1,144,309	883,070
Unlisted		684	704
Total		1,145,214	883,915

(1) Debt securities traded on the China Domestic Interbank Bond Market are included in "Listed outside Hong Kong".

AGRICULTURAL BANK OF CHINA LIMITED

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE MONTHS ENDED 31 MARCH 2010 (continued)

(Amounts in millions of Renminbi, unless otherwise stated)

III. NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

19. Debt securities classified as receivables

	Notes	As at 31 March 2010 (unaudited)	As at 31 December 2009 (audited)
Receivable from the MOF	(1)	606,558	635,539
Special Government bond	(2)	93,300	93,300
Certificate treasury bonds		21,278	22,092
Savings treasury bonds		10,190	10,101
PBOC's designated bills	(3)	98,831	119,744
PBOC's special bills		112	112
Financial institution bonds		9,330	9,306
Corporate bonds		93	92
		839,692	890,286
Allowance for impairment losses		(87)	(87)
Total		839,605	890,199

(1) Pursuant to the *MOF Notice on Relevant Issues Concerning the Disposal of Non-performing assets of Agricultural Bank of China (Caijin [2008] No. 138)*, the receivable resulting from the disposal of non-performing assets to the MOF is to be settled by the MOF in 15 years staring from 1 January 2008 at an interest of 3.3% per annum.

(2) Special Government bond refers to the non-transferable bond with a maturity year of 2028 and a fixed annual interest rate of 2.25%, which was issued by MOF in 1998 in the aggregate principal amount of RMB93.3 billion to the former Agricultural Bank of China with a purpose to improve its capital adequacy.

(3) The Bank acquired the following bills from the PBOC:

Issue date	Tenor	Interest rate per annum (%)	Face value	As at 31 March 2010 Carrying value	As at 31 December 2009 Carrying value
9 March 2007	3 years	3.07	21,000	—	20,999
11 May 2007	3 years	3.22	25,000	24,998	24,998
13 July 2007	3 years	3.60	19,000	18,997	18,997
17 August 2007	3 years	3.69	12,000	11,998	11,998
7 September 2007	3 years	3.71	23,000	22,997	22,997
15 September 2009	1 year	zero coupon bond	20,000	19,841	19,755
			120,000	98,831	119,744

The above bills cannot be transferred or pledged as collateral for borrowings without the approval of the PBOC.

AGRICULTURAL BANK OF CHINA LIMITED

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE MONTHS ENDED 31 MARCH 2010 (continued)

(Amounts in millions of Renminbi, unless otherwise stated)

III. NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

20. Other assets

	As at 31 March 2010 (unaudited)	As at 31 December 2009 (audited)
Accounts receivable	6,087	3,494
Interest receivable	42,092	32,127
Foreclosed assets	9	—
Intangible assets	1,491	1,580
Land use rights	24,881	25,062
Assets pending for disposal	11	11
Others	7,260	5,669
Total	81,831	67,943

21. Deposits from banks and other financial institutions

	As at 31 March 2010 (unaudited)	As at 31 December 2009 (audited)
Deposits from:		
Domestic banks	218,956	284,899
Other domestic financial institutions	342,747	285,518
Overseas banks	1,077	379
Other overseas financial institutions	2,515	3,153
Total	565,295	573,949

22. Placements from banks and other financial institutions

	As at 31 March 2010 (unaudited)	As at 31 December 2009 (audited)
Placements from:		
Domestic banks	10,631	11,241
Overseas banks	21,594	15,071
Total	32,225	26,312

AGRICULTURAL BANK OF CHINA LIMITED

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE MONTHS ENDED 31 MARCH 2010 (continued)

(Amounts in millions of Renminbi, unless otherwise stated)

III. NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

23. Financial liabilities held for trading

	As at 31 March 2010 (unaudited)	As at 31 December 2009 (audited)
Short position in bond	68	—
Short position in gold	—	56
Total	68	56

24. Financial liabilities designated as at fair value through profit or loss

	Notes	As at 31 March 2010 (unaudited)	As at 31 December 2009 (audited)
Financial guarantee agreements		756	770
Structured deposits		678	1,127
Principal guaranteed wealth management products	(1)	89,422	109,924
Others	(2)	690	2,022
Total	(3)	91,546	113,843

(1) The Group designates the amounts received through the principal guaranteed wealth management products sold to their customers as financial liabilities at FVTPL. As at 31 March 2010, the fair value of the principal guaranteed wealth management products issued by the Group were lower than the contractual amount payable upon maturity to the holders of the wealth management products by RMB777 million (31 December 2009: RMB1,071 million).

(2) As at 31 March 2010 and 31 December 2009, the fair value of financial instruments designated as at fair value through profit or loss approximated the contractual amounts payable upon maturity of these contracts.

(3) For the three-month period ended 31 March 2010 and 31 March 2009, there were no significant changes in the fair value of the Group's financial liabilities designated as at fair value through profit or loss that were attributable to the changes in credit risk.

25. Financial assets sold under repurchase agreements

	As at 31 March 2010 (unaudited)	As at 31 December 2009 (audited)
Analysed by collateral type:		
Bonds	32,478	22,385
Bills	52,377	69,356
Loans and advances to customers	19,126	9,071
Total	103,981	100,812

AGRICULTURAL BANK OF CHINA LIMITED

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE MONTHS ENDED 31 MARCH 2010 (continued)

(Amounts in millions of Renminbi, unless otherwise stated)

III. NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

26. Due to customers

	Note	As at 31 March 2010 (unaudited)	As at 31 December 2009 (audited)
Demand deposits			
Corporate customers		2,315,005	2,168,775
Individual customers		2,152,701	1,992,301
Time deposits			
Corporate customers		861,282	743,589
Individual customers		2,551,633	2,373,160
Guaranteed and margin deposits	(1)	144,705	129,525
Others (including outward remittance and remittance outstanding)		75,056	90,268
Total		8,100,382	7,497,618

(1) Analysed by business/products for which deposit is required:

	As at 31 March 2010 (unaudited)	As at 31 December 2009 (audited)
Bank acceptances	70,626	74,002
Letters of guarantee	11,185	9,161
Letters of credit	11,786	9,185
Personal guarantee	5,806	4,413
Others	45,302	32,764
Total	144,705	129,525

27. Accrued staff costs

	Note	As at 31 March 2010 (unaudited)	As at 31 December 2009 (audited)
Salaries, bonuses and allowances		9,320	10,669
Social insurance		759	574
Housing funds		344	260
Labour union fees and staff education expenses		1,415	1,256
Early retirement benefits	(1)	15,388	15,879
Others		1,680	1,300
Total		28,906	29,938

(1) Early retirement benefits

AGRICULTURAL BANK OF CHINA LIMITED

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE MONTHS ENDED 31 MARCH 2010 (continued)

(Amounts in millions of Renminbi, unless otherwise stated)

III. NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

27. Accrued staff costs (continued)

(1) Early retirement benefits (continued)

Amount recognised in profit or loss in respect of the early retirement benefits is as follows:

	Three months ended 31 March 2010	Year ended 31 December 2009
	(unaudited)	(audited)
Interest cost	87	331
Actuarial loss/(gain) recognised in the period	2	(250)
Present value of benefit obligation for early retired employees annuity plan contribution	—	369
Incremental early retirement obligation cost	—	330
Total	89	780

The principal assumptions used for the purpose of the actuarial valuations were as follows:

	As at 31 March 2010	As at 31 December 2009
	(unaudited)	(audited)
Discount rate	2.50%	2.50%
Annual average medical expenses inflation rate	8.00%	8.00%
Annual subsidies inflation rate	8.00%	8.00%
Normal retirement age		
—Male	60	60
—Female	55	55

28. Debt securities issued

There were no significant debt securities issued, repurchased or repaid during the three-month period ended 31 March 2010.

29. Deferred tax assets

For the purpose of presentation in the condensed consolidated statement of financial position, certain deferred tax assets and liabilities have been offset.

AGRICULTURAL BANK OF CHINA LIMITED

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE MONTHS ENDED 31 MARCH 2010 (continued)

(Amounts in millions of Renminbi, unless otherwise stated)

III. NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

29. Deferred tax assets (continued)

The following are the major deferred tax assets and liabilities recognised and movements thereon during the current and prior period :

	Allowance of impairment loss	Early retirement benefits	Accrued but not paid staff cost	Provision	Fair value changes of financial instruments	Others	Total
As at 1 January 2010	12,600	3,970	2,660	1,008	(580)	1	19,659
Credit/(charge) to profit or loss	1,469	(123)	(333)	4	(289)	4	732
Charge to other comprehensive income	—	—	—	—	(776)	—	(776)
As at 31 March 2010 (unaudited)	14,069	3,847	2,327	1,012	(1,645)	5	19,615

	Allowance of impairment loss	Early retirement benefits	Accrued but not paid staff cost	Provision	Fair value changes of financial instruments	Others	Total
As at 1 January 2009	13,087	4,472	720	1,040	(4,057)	1,845	17,107
(Charge)/credit to profit or loss	(487)	(502)	1,940	(32)	(805)	(1,844)	(1,730)
Credit to other comprehensive income	—	—	—	—	4,282	—	4,282
As at 31 December 2009 (audited)	12,600	3,970	2,660	1,008	(580)	1	19,659

30. Other liabilities

	As at 31 March 2010 (unaudited)	As at 31 December 2009 (audited)
Interest payable	67,153	66,762
Amount payable to the MOF	5,423	5,891
Items in process of clearing and settlement	18,656	13,361
Dormant accounts	4,963	3,056
Securities purchases payable	—	6,626
Provision	4,828	5,047
Business and other taxes payable	4,284	4,282
Others	28,074	24,020
Total	133,381	129,045

AGRICULTURAL BANK OF CHINA LIMITED

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE MONTHS ENDED 31 MARCH 2010 (continued)

(Amounts in millions of Renminbi, unless otherwise stated)

III. NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

31. Investment revaluation reserve

	Three months ended 31 March 2010 (unaudited)		
	Gross amount	Tax effect	Net effect
As at 1 January	6,182	(1,558)	4,624
Gain/(loss) on fair value changes of available-for-sale financial assets	3,180	(787)	2,393
Reclassification adjustment to profit or loss upon disposal/ impairment of available-for-sale financial assets	(42)	11	(31)
As at 31 March	9,320	(2,334)	6,986

	Year ended 31 December 2009 (audited)		
	Gross amount	Tax effect	Net effect
As at 1 January	23,132	(5,840)	17,292
(Loss)/gain on fair value changes of available-for-sale financial assets	(13,146)	3,331	(9,815)
Reclassification adjustment to profit or loss upon disposal/impairment of available-for-sale financial assets	(3,804)	951	(2,853)
As at 31 December	6,182	(1,558)	4,624

32. Cash and cash equivalents

For the purpose of the condensed consolidated statement of cash flows, cash and cash equivalents include the following balances with an original maturity of less than three months:

	As at 31 March 2010	As at 31 March 2009
	(unaudited)	(unaudited)
Cash	56,745	47,399
Balances with central banks	111,497	181,918
Deposits with banks and other financial institutions with an original maturity of less than 3 months	50,279	50,445
Financial assets held under resale agreements with an original maturity of less than 3 months	263,488	150,353
Placements with banks and other financial institutions with an original maturity of less than 3 months	63,668	24,206
Total	545,677	454,321

III. NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

33. Segment information

Operating segments are identified on the basis of internal reports about components of the Group that are regularly reviewed by the Board and relevant management committees (chief operating decision maker) for the purposes of allocating resources to segments and assessing their performance. The Group's chief operating decision maker reviews three different sets of financial information for allocating resources and performance assessment. They are financial information based on (i) geographical location, (ii) business activities and (iii) argo-related (County Area and Urban Area) banking business.

The measurement of segment assets and liabilities, segment income and results is based on the Group's accounting policies in accordance with accounting rules and regulations applicable to PRC enterprises. There is no significant difference between the segments accounting policies and the policies applied to preparing the financial statements.

Transactions between segments are conducted under normal commercial terms and conditions. Internal charges and transfer pricing are determined with reference to market rates and have been reflected in the performance of each segment. Interest income and expense arising from internal charges and transfer pricing adjustments are referred to as "inter-segment interest income/expense". Interest income and expense earned from third parties are referred to as "external interest income/expense".

Segment revenues, results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

(a) Geographical segment

The details of the geographical segments are as follows:

— Head office

— Yangtze River Delta: including Shanghai, Jiangsu, Zhejiang, Ningbo

— Pearl River Delta: including Guangdong, Shenzhen, Fujian, Xiamen

— Bohai Rim: including Beijing, Tianjin, Hebei, Shandong, Qingdao

— Central China: including Shanxi, Hubei, Henan, Hunan, Jiangxi, Hainan, Anhui

— Western China: including Chongqing, Sichuan, Guizhou, Yunnan, Shaanxi, Gansu, Qinghai, Ningxia, Xinjiang, Xinjiang Bingtuan, Tibet, Inner Mongolia, Guangxi

— Northeastern China: including Liaoning, Heilongjiang, Jilin, Dalian and

— Overseas and others: including overseas branches and subsidiaries.

AGRICULTURAL BANK OF CHINA LIMITED

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED 31 MARCH 2010 (continued)

(Amounts in millions of Renminbi, unless otherwise stated)

III. NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

33. Segment information (continued)

(a) Geographical segment (continued)

For the three-month period ended 31 March 2010

	Head Office	Yangtze River delta	Pearl River Delta	Bohai Rim	Central China	Western China	Northeastern China	Overseas and others	Segment and consolidated total
External interest income	26,277	15,044	8,040	9,477	6,870	13,135	2,136	241	81,220
External interest expense	(1,139)	(6,397)	(4,034)	(5,154)	(4,240)	(4,882)	(1,751)	(75)	(27,672)
Inter-segment interest (expense)/ income	(21,931)	3,560	3,189	4,198	4,637	4,486	1,781	80	—
Net interest income	3,207	12,207	7,195	8,521	7,267	12,739	2,166	246	53,548
Fee and commission income	1,095	2,805	1,600	1,513	1,807	1,940	338	64	11,162
Fee and commission expense	(30)	(62)	(47)	(40)	(40)	(53)	(22)	(11)	(305)
Net fee and commission income	1,065	2,743	1,553	1,473	1,767	1,887	316	53	10,857
Net trading gain/(loss)	1,078	(98)	42	(18)	45	(247)	(40)	31	793
Net gain/(loss) on financial instruments designated as at fair value through profit or loss	544	(1)	—	—	—	—	—	8	551
Net gain/(loss) on investment securities	20	—	—	—	—	(2)	—	7	25
Other operating (expense)/income, net	(120)	259	134	116	55	58	20	39	561
Operating income	5,794	15,110	8,924	10,092	9,134	14,435	2,462	384	66,335
Operating expenses	(1,055)	(5,408)	(3,595)	(3,920)	(4,046)	(6,175)	(1,736)	(112)	(26,047)
Impairment losses on assets	27	(1,354)	(831)	(1,594)	(1,690)	(2,363)	(697)	2	(8,500)
Operating profit	4,766	8,348	4,498	4,578	3,398	5,897	29	274	31,788
Profit before tax	4,766	8,348	4,498	4,578	3,398	5,897	29	274	31,788
Income tax expense									(6,809)
Profit for the period									24,979

AGRICULTURAL BANK OF CHINA LIMITED

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED 31 MARCH 2010 (continued)

(Amounts in millions of Renminbi, unless otherwise stated)

III. NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

33. Segment information (continued)

(a) Geographical segment (continued)

For the three-month period ended 31 March 2009

	Head Office	Yangtze River delta	Pearl River Delta	Bohai Rim	Central China	Western China	Northeastern China	Overseas and others	Segment and consolidated total
External interest income	24,383	13,366	6,609	7,767	5,395	10,572	1,488	224	69,804
External interest expense	(2,797)	(6,395)	(3,930)	(4,227)	(4,501)	(4,776)	(1,662)	(81)	(28,369)
Inter-segment interest (expense)/income	(18,688)	2,448	2,994	3,297	4,337	3,858	1,723	31	—
Net interest income	2,898	9,419	5,673	6,837	5,231	9,654	1,549	174	41,435
Fee and commission income	1,198	1,404	1,428	1,204	1,556	1,898	516	31	9,235
Fee and commission expense	(27)	(57)	(37)	(20)	(19)	(27)	(8)	—	(195)
Net fee and commission income	1,171	1,347	1,391	1,184	1,537	1,871	508	31	9,040
Net trading gain/(loss)	2,569	(881)	(58)	(24)	(131)	(426)	(88)	9	970
Net (loss)/ gain on financial instruments designated as at fair value through profit or loss	(253)	—	—	—	—	—	—	4	(249)
Net gain on investment securities	143	2	2	—	—	—	—	—	147
Other operating income, net	133	119	122	94	151	41	70	12	742
Operating income	6,661	10,006	7,130	8,091	6,788	11,140	2,039	230	52,085
Operating expenses	(1,051)	(4,225)	(2,522)	(3,092)	(3,440)	(4,889)	(1,398)	(98)	(20,715)
Impairment losses on assets	(574)	(1,129)	(738)	(1,245)	(1,024)	(1,838)	(523)	(6)	(7,077)
Operating profit	5,036	4,652	3,870	3,754	2,324	4,413	118	126	24,293
Profit before tax	5,036	4,652	3,870	3,754	2,324	4,413	118	126	24,293
Income tax expense									(6,259)
Profit for the period									18,034

AGRICULTURAL BANK OF CHINA LIMITED

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE MONTHS ENDED 31 MARCH 2010 (continued)

(Amounts in millions of Renminbi, unless otherwise stated)

III. NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

33. Segment information (continued)

(b) Business operating segment

The Group provides a diversified range of banking and related financial services. The products and services offered to customers are organised into four business segments:

Corporate banking

The corporate banking segment provides financial products and services to corporations, government agencies and financial institutions. The range of products and services includes corporate loans, trade financing, deposit products and other types of corporate intermediary services.

Personal banking

The personal banking segment provides financial products and services to individual customers. The range of products and services includes personal loans, deposit products, card business, personal wealth management services and other types of personal intermediary services.

Treasury operations

The Group's treasury operations conduct money market or repurchase transactions, debt instruments investment, and holding of derivative positions, for its own accounts or on behalf of customers.

Others

Others comprise equity investments and the remaining part of the Group that could not directly fall into any of the above segments, and certain assets, liabilities, income or expenses of the Head Office that could not be allocated on a reasonable basis.

AGRICULTURAL BANK OF CHINA LIMITED

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE MONTHS ENDED 31 MARCH 2010 (continued)

(Amounts in millions of Renminbi, unless otherwise stated)

III. NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

33. Segment information (continued)

(b) Business operating segment (continued)

For the three-month period ended 31 March 2010

	Corporate banking	Personal banking	Treasury operations	Others	Segment and consolidated total
External interest income	43,958	11,396	25,848	18	81,220
External interest expense	(9,190)	(17,554)	(928)	—	(27,672)
Inter-segment interest (expense)/income	(1,429)	23,182	(21,753)	—	—
Net interest income	33,339	17,024	3,167	18	53,548
Fee and commission income	3,646	7,516	—	—	11,162
Fee and commission expense	(133)	(172)	—	—	(305)
Net fee and commission income	3,513	7,344	—	—	10,857
Net trading gain	—	—	793	—	793
Net gain on financial instruments designated as at fair value through profit or loss	—	—	551	—	551
Net gain on investment securities	—	—	25	—	25
Other operating income, net	50	112	308	91	561
Operating income	36,902	24,480	4,844	109	66,335
Operating expenses	(9,728)	(13,382)	(2,844)	(93)	(26,047)
Impairment losses on assets	(6,396)	(2,169)	65	—	(8,500)
Operating profit	20,778	8,929	2,065	16	31,788
Profit before tax	20,778	8,929	2,065	16	31,788
Income tax expense					(6,809)
Profit for the period					24,979

AGRICULTURAL BANK OF CHINA LIMITED

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE MONTHS ENDED 31 MARCH 2010 (continued)

(Amounts in millions of Renminbi, unless otherwise stated)

III. NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

33. Segment information (continued)

(b) Business operating segment (continued)

For the three-month period ended 31 March 2009

	Corporate banking	Personal banking	Treasury operations	Others	Segment and consolidated total
External interest income	39,842	6,321	23,640	1	69,804
External interest expense	(7,717)	(19,986)	(666)	—	(28,369)
Inter-segment interest (expense)/income	(6,496)	23,137	(16,641)	—	—
Net interest income	25,629	9,472	6,333	1	41,435
Fee and commission income	5,702	3,533	—	—	9,235
Fee and commission expense	(44)	(151)	—	—	(195)
Net fee and commission income	5,658	3,382	—	—	9,040
Net trading gain	—	—	970	—	970
Net loss on financial instruments designated as at fair value through profit or loss	—	—	(249)	—	(249)
Net gain on investment securities	—	—	147	—	147
Other operating income, net	113	112	347	170	742
Operating income	31,400	12,966	7,548	171	52,085
Operating expenses	(7,894)	(10,318)	(2,427)	(76)	(20,715)
Impairment losses on assets	(5,773)	(908)	(396)	—	(7,077)
Operating profit	17,733	1,740	4,725	95	24,293
Profit before tax	17,733	1,740	4,725	95	24,293
Income tax expense					(6,259)
Profit for the period					18,034

(c) County Area and Urban Area segment

The Group's operating segments organised by County Area and Urban Area banking business are set out as follows:

County Area banking business

The Bank's County Area banking business aims to provide financial products and services to the rural area, agriculture industry and peasants through its outlets at the 2,048 county areas across the PRC and 22 tier-two branches. The products and services comprise mainly loans, deposits, bank cards, and agent services.

AGRICULTURAL BANK OF CHINA LIMITED

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE MONTHS ENDED 31 MARCH 2010 (continued)

(Amounts in millions of Renminbi, unless otherwise stated)

III. NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

33. Segment information (continued)

(c) County Area and Urban Area segment (continued)

Urban Area banking business

Urban Area banking business comprises all other businesses not covered by County Area banking business, overseas operations, and subsidiaries.

For the three-month period ended 31 March 2010

	County Area banking business	Urban Area banking business	Segment and consolidated total
External interest income	17,015	64,205	81,220
External interest expense	(9,867)	(17,805)	(27,672)
Inter-segment interest income/ (expense)	11,758	(11,758)	—
Net interest income	18,906	34,642	53,548
Fee and commission income	4,707	6,455	11,162
Fee and commission expense	(77)	(228)	(305)
Net fee and commission income	4,630	6,227	10,857
Net trading gain	4	789	793
Net gain on financial instruments designated as at fair value through profit or loss	—	551	551
Net gain on investment securities	13	12	25
Other operating income, net	271	290	561
Operating income	23,824	42,511	66,335
Operating expenses	(11,338)	(14,709)	(26,047)
Impairment losses on assets	(3,211)	(5,289)	(8,500)
Operating profit	9,275	22,513	31,788
Profit before tax	9,275	22,513	31,788
Income tax expense			(6,809)
Profit for the period			24,979

AGRICULTURAL BANK OF CHINA LIMITED

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE MONTHS ENDED 31 MARCH 2010 (continued)

(Amounts in millions of Renminbi, unless otherwise stated)

III. NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

33. Segment information (continued)

(c) County Area and Urban Area segment (continued)

For the three-month period ended 31 March 2009

	County Area banking business	Urban Area banking business	Segment and consolidated total
External interest income	12,855	56,949	69,804
External interest expense	(10,700)	(17,669)	(28,369)
Inter-segment interest income/ (expense)	10,881	(10,881)	—
Net interest income	13,036	28,399	41,435
Fee and commission income	2,958	6,277	9,235
Fee and commission expense	(50)	(145)	(195)
Net fee and commission income	2,908	6,132	9,040
Net trading gain	—	970	970
Net loss on financial instruments designated as at fair value through profit or loss	—	(249)	(249)
Net gain on investment securities	16	131	147
Other operating income, net	164	578	742
Operating income	16,124	35,961	52,085
Operating expenses	(8,896)	(11,819)	(20,715)
Impairment losses on assets	(2,238)	(4,839)	(7,077)
Operating profit	4,990	19,303	24,293
Profit before tax	4,990	19,303	24,293
Income tax expense			(6,259)
Profit for the period			18,034

34. Related party transactions

(1) The Bank and the MOF

As at 31 March 2010, the MOF directly owned 50% (31 December 2009: 50%) of the share capital of the Bank.

The MOF is one of the ministries under the State Council, primarily responsible for state fiscal revenue and expenditures, and taxation policies. Enterprises or legal entities under the control or supervision of the MOF are mainly financial institutions, government departments and agencies. The Group is of the opinion that none of the companies over which the MOF controls, jointly controls or exercises significant influence are considered as related party of the Group.

AGRICULTURAL BANK OF CHINA LIMITED

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE MONTHS ENDED 31 MARCH 2010 (continued)

(Amounts in millions of Renminbi, unless otherwise stated)

III. NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

34. Related party transactions (continued)

(1) The Bank and the MOF (continued)

The Group has the following balances and has entered into the following transactions with the MOF in its ordinary course of business:

Treasury bond and special government bonds

	2010 (unaudited)	2009 (audited)
As at 31 March/31 December	574,416	565,085

Receivable from the MOF

	2010 (unaudited)	2009 (audited)
As at 31 March/31 December	606,558	635,539

Interest receivable from the MOF

	2010 (unaudited)	2009 (audited)
As at 31 March/31 December	5,082	—

Structured deposits

	2010 (unaudited)	2009 (audited)
As at 31 March/31 December	—	546

Amount payable to the MOF

	2010 (unaudited)	2009 (audited)
As at 31 March/31 December	5,423	5,891

Deposits from the MOF

	2010 (unaudited)	2009 (audited)
As at 31 March/31 December	24,989	20,477

AGRICULTURAL BANK OF CHINA LIMITED

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE MONTHS ENDED 31 MARCH 2010 (continued)

(Amounts in millions of Renminbi, unless otherwise stated)

III. NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

34. Related party transactions (continued)

(1) The Bank and the MOF (continued)

Other liability—redemption of certificate treasury bonds

	2010 (unaudited)	2009 (audited)
As at 31 March/31 December	5,936	792

Net interest income

	Three months ended	
	31/3/2010 (unaudited)	31/3/2009 (unaudited)
Interest income	9,414	9,115
Interest expense	(43)	(79)
Net interest income	9,371	9,036

Fee and commission income

	Three months ended	
	31/3/2010 (unaudited)	31/3/2009 (unaudited)
Fee and commission income	587	2,198

Government bonds underwriting and redemption commitment

Government bonds underwriting and redemption commitment are disclosed in Note III.35(6).

(2) The Bank and Central Huijin Investment Ltd. ("Huijin")

Huijin is a wholly-owned subsidiary of China Investment Corporation Limited, which is incorporated in Beijing, PRC with a registered capital of RMB552,117 million. Huijin is established to hold certain equity investments as authorised by the State Council and does not engage in other commercial activities. Huijin exercises legal rights and obligations in the Bank on behalf of the PRC Government.

As at 31 March 2010, Huijin directly owned 50% (31 December 2009: 50%) of share capital of the Bank. The transactions carried out with Huijin are conducted in the normal course of business, with prices based on normal transaction prices, and under normal commercial terms.

AGRICULTURAL BANK OF CHINA LIMITED

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE MONTHS ENDED 31 MARCH 2010 (continued)

(Amounts in millions of Renminbi, unless otherwise stated)

III. NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

34. Related party transactions (continued)

(2) The Bank and Central Huijin Investment Ltd. ("Huijin") (continued)

The Group has ordinary business transactions with Huijin. The details are as follows.

	As at 31 March 2010 (unaudited)	As at 31 December 2009 (audited)
Financial liabilities at FVTPL	—	4,014

(3) The Bank and its associate

Balances with an associate

	As at 31 March 2010 (unaudited)	As at 31 December 2009 (audited)
Loans and advances to customers	300	300
Due to customers	(1)	(1)

In the opinion of management, no material impact to profit or loss arose from the transactions between the Bank and its associate.

(4) The Bank and government controlled or related entities

The Group enters into various banking transactions with government controlled or government related entities on commercial terms under normal course of business. These transactions mainly include provision of credit and guarantee, deposit placing and taking, foreign exchange related services and underwriting and provision of agency services on purchase and redemption of treasury bonds issued by the government.

(5) Key management personnel

Key management personnel are those persons who have the authority and responsibility to plan, direct and control the activities of the Group.

The remuneration of directors and other members of key management during the reporting period was as follows:

	Three months ended	
	31/3/2010 (unaudited)	31/3/2009 (unaudited)
Salaries, bonuses and staff welfare	2.38	1.88

AGRICULTURAL BANK OF CHINA LIMITED

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE MONTHS ENDED 31 MARCH 2010 (continued)

(Amounts in millions of Renminbi, unless otherwise stated)

III. NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

34. Related party transactions (continued)

(6) The Bank with the Annuity Plan

	As at 31 March 2010	As at 31 December 2009
	(unaudited)	(audited)
Due to customers	6,374	6,339

	Three months ended	
	31/3/2010	31/3/2009
	(unaudited)	(unaudited)
Interest expense	21	N/A

35. Contingent liabilities and commitments

(1) Legal proceedings

The Group is involved as defendants in certain lawsuits arising from its normal business operations. As at 31 March 2010, provisions of RMB3,039 million (31 December 2009:RMB2,974 million) were made based on court judgments or the advice of counsel. Management of the Group believes, based on legal advice, that the final result of these lawsuits will not have a material impact on the financial position or operations of the Group.

(2) Capital commitments

	As at 31 March 2010	As at 31 December 2009
	(unaudited)	(audited)
Contracted but not provided for	5,937	6,217
Authorised but not contracted for	1,169	1,102
Total	7,106	7,319

AGRICULTURAL BANK OF CHINA LIMITED

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE MONTHS ENDED 31 MARCH 2010 (continued)

(Amounts in millions of Renminbi, unless otherwise stated)

III. NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

35. Contingent liabilities and commitments (continued)

(3) Credit commitments

	As at 31 March 2010	As at 31 December 2009
	(unaudited)	(audited)
Loan commitments	851,135	744,524
—With an original maturity of less than 1 year	51,036	50,650
—With an original maturity of 1 year or above	800,099	693,874
Letters of credit	58,114	53,933
Letters of guarantee	156,943	151,355
Acceptances	279,383	271,871
Total	1,345,575	1,221,683

Credit commitments represent credit cards and general credit facility limits granted to customers. These credit facilities may be drawn in the form of loans and advances or through the issuance of letters of credit, acceptances or letters of guarantee.

(4) Operating lease commitment

As at the end of each reporting period, the Group has the following non-cancellable operating lease commitments:

	As at 31 March 2010	As at 31 December 2009
	(unaudited)	(audited)
Within 1 year	928	1,271
1 to 2 years	1,091	1,087
2 to 3 years	968	919
Above 3 years	3,615	3,174
Total	6,602	6,451

AGRICULTURAL BANK OF CHINA LIMITED

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE MONTHS ENDED 31 MARCH 2010 (continued)

(Amounts in millions of Renminbi, unless otherwise stated)

III. NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

35. Contingent liabilities and commitments (continued)

(5) Collateral

Assets pledged

The carrying amount of assets pledged as collateral under repurchase agreement as set out in Note III. 25 "Financial assets sold under repurchase agreements" by the Group is as follows:

	As at 31 March 2010	As at 31 December 2009
	(unaudited)	(audited)
Bonds	32,447	22,389
Bills	52,558	69,611
Loans and advances to customers	19,126	9,071
Total	104,131	101,071

The net book value of financial assets sold under repurchase agreements by the Group as at 31 March 2010 was RMB103,981 million (31 December 2009: RMB100,812 million). All repurchase agreements are due within 12 months from the effective date.

In addition, the bonds pledged as collateral by the Group and derivative transactions with other banks and financial institutions as at 31 March 2010 amounted to RMB6,323 million (31 December 2009: RMB8,603 million).

Collateral accepted

Part of cash and securities received as collateral can be resold or re-pledged in connection with purchase of assets under resale agreements and security lending business. The fair value of collateral accepted by the Group as at 31 March 2010 was RMB75,206 million (31 December 2009: RMB75,425 million). Of this total, the Group has an obligation to return collateral that had been sold or re-pledged by the Group with a fair value of RMB 25,214 million (31 December 2009: RMB51,107 million).

(6) Government bonds underwriting and redemption commitment

The Group is entrusted by the MOF to underwrite certain certificate treasury bonds. The investors of treasury bonds have a right to redeem the bonds at par any time prior to maturity and the Group is committed to such redemption. The redemption price is calculated as the par value of the treasury bonds plus unpaid interest in accordance with the early redemption arrangement.

III. NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

35. Contingent liabilities and commitments (continued)

(6) Government bonds underwriting and redemption commitment (continued)

As at 31 March 2010, the nominal value of treasury bonds the Group committed to redeem prior to maturity is RMB60,070 million (31 December 2009: RMB59,378 million). The original maturities of these bonds vary from 1 to 5 years. As the benchmark interest rate of deposits set by the PBOC is lower than the coupon rate of these bonds, management of the Group expects the amount of redemption before the maturity dates of those bonds will not be material to the Group.

The MOF will not provide funding for the early redemption of these bonds on a back-to-back basis, but will settle the principal and interest upon maturity.

36. Dividends

No dividend was paid or proposed during both periods. On 21 April 2010, cash dividend of RMB20 billion to its shareholders was approved at the extraordinary shareholders' general meeting.

37. Events after the end of the interim period

(1) According to "Agricultural Bank of China Limited's Share Subscription Agreement" signed on 21 April 2010 by the MOF, Huijin, the Bank, and the National Council for Social Security Fund (the "NCSSF"), the NCSSF subscribed for 10 billion share capital of the Bank, par value of RMB1 per share. After the subscription, the NCSSF held 3.70% of total share capital of the Bank.

(2) In the resolutions of the extraordinary shareholders' meeting on 21 April 2010, the profit appropriation for 2009 was set out as follows:

(i) An appropriation of RMB6,489 million to the statutory surplus reserve based on the unconsolidated profit for the year 2009 of the Bank in an amount of RMB64,892 million;

(ii) An appropriation of RMB38,386 million to the general reserve; and

(iii) A cash dividend of RMB20 billion to the MOF and Huijin.

The above item (i) relating to appropriation to the statutory surplus reserve had been included in the surplus reserve of the Bank's and the Group's financial statements as at 31 December 2009.

The above item (iii) was disclosed in Note III. 36.

(3) On 18 June 2010, 11 corporate investors have entered into cornerstone investment agreements with the Bank to subscribe H shares in the Bank at the offer price for an aggregate amount of USD5.45 billion. Details are set out in "summary of material contracts" in Appendix IX to the Prospectus.

The information set out below does not form part of the Accountants' Report prepared by the reporting accountants, Deloitte Touche Tohmatsu, Certified Public Accountants, Hong Kong as set out in Appendix I and is included herein for information purposes only.

UNAUDITED SUPPLEMENTARY FINANCIAL INFORMATION
(Amounts in millions of Renminbi, unless otherwise stated)

According to Hong Kong Listing Rule and disclosure regulations of banking industry, the Group discloses the following supplementary information:

1. Liquidity ratios

	As at 31 December		
	2007	2008	2009
RMB current assets to RMB current liabilities	37.04%	44.79%	40.99%
Foreign currency current assets to foreign currency current liabilities	130.65%	220.82%	122.54%

2. Currency concentrations

	Equivalent in millions of Renminbi			
	USD	HKD	Other	Total
As at 31 December 2007				
Spot assets	170,021	39,851	17,802	227,674
Spot liabilities	(102,544)	(39,368)	(15,692)	(157,604)
Forward purchases	140,590	11,279	11,961	163,830
Forward sales	(211,208)	(5,087)	(11,795)	(228,090)
Net options position	(75)	—	74	(1)
Net (short)/long position	(3,216)	6,675	2,350	5,809
Net structural position	(58,483)	(679)	(534)	(59,696)
As at 31 December 2008				
Spot assets	238,710	35,544	15,241	289,495
Spot liabilities	(55,332)	(34,705)	(12,917)	(102,954)
Forward purchases	132,052	2,574	12,292	146,918
Forward sales	(147,258)	(3,155)	(14,567)	(164,980)
Net options position	3	—	(3)	—
Net long position	168,175	258	46	168,479
Net structural position	(166,077)	82	(1,481)	(167,476)
As at 31 December 2009				
Spot assets	256,865	41,615	22,417	320,897
Spot liabilities	(207,227)	(41,031)	(17,763)	(266,021)
Forward purchases	61,405	5,358	3,435	70,198
Forward sales	(58,759)	(3,859)	(6,465)	(69,083)
Net options position	41	—	(10)	31
Net long position	52,325	2,083	1,614	56,022
Net structural position	(36,212)	75	(1,442)	(37,579)

3. Cross-border claims

The Group is principally engaged in business operations within Chinese Mainland, and regards all claims on third parties outside Chinese Mainland as cross-border claims.

3. Cross-border claims (continued)

Cross-border claims include deposits with central banks, deposits and placements with banks and other financial institutions, financial assets held for trading, financial assets designated as at fair value through profit or loss, loans and advances to customers, financial assets held under resale agreements, available-for-sale financial assets, held-to-maturity investments and debt securities classified as receivables.

Cross-border claims have been disclosed by different country or geographical areas. A country or geographical area is reported where it constitutes 10% or more of the aggregate amount of cross-border claims, after taking into account any risk transfers. Risk transfer is only made if the claims are guaranteed by a party in a country which is different from that of the counterparty or if the claims are on an overseas branch of a bank whose head office is located in another country.

	Banks and other financial institutions	Public sector entities	Others	Total
As at 31 December 2007				
Asia Pacific excluding Mainland China	24,071	251	22,496	46,818
—of which attributed to Hong Kong	4,038	76	16,825	20,939
Europe	47,397	643	174	48,214
North and South America	39,778	36,088	1,154	77,020
Africa	—	—	—	—
Total	111,246	36,982	23,824	172,052

	Banks and other financial institutions	Public sector entities	Others	Total
As at 31 December 2008				
Asia Pacific excluding Mainland China	14,808	257	24,857	39,922
—of which attributed to Hong Kong	3,926	76	18,011	22,013
Europe	13,502	6,480	58	20,040
North and South America	39,582	82,053	1,067	122,702
Africa	—	—	—	—
Total	67,892	88,790	25,982	182,664

	Banks and other financial institutions	Public sector entities	Others	Total
As at 31 December 2009				
Asia Pacific excluding Mainland China	20,732	269	32,533	53,534
—of which attributed to Hong Kong	2,302	77	25,631	28,010
Europe	28,554	3,749	652	32,955
North and South America	57,525	28,823	898	87,246
Africa	81	—	—	81
Total	106,892	32,841	34,083	173,816

4. Overdue assets

Gross amount of overdue loans and advances to customers:

	As at 31 December		
	2007	2008	2009
Gross loans and advances to customers which have been overdue for			
below 3 months	46,782	40,315	20,417
between 3 and 6 months	15,757	13,303	3,873
between 6 and 12 months	27,058	17,688	12,426
over 12 months	713,967	15,532	41,434
Total	803,564	86,838	78,150
Percentage			
below 3 months	5.82%	46.42%	26.12%
between 3 and 6 months	1.96%	15.32%	4.96%
between 6 and 12 months	3.37%	20.37%	15.90%
over 12 months	88.85%	17.89%	53.02%
Total	100.00%	100.00%	100.00%

The information set forth in this appendix does not form part of the Accountants' Report and the Unaudited Interim Financial Information as set forth in Appendices I and II to this prospectus, and is included herein for illustrative purposes only. For the purpose of this Appendix IV, Agricultural Bank of China Limited is referred to as the "Bank" and, together with its subsidiaries, the "Group."

The following unaudited pro forma financial information prepared in accordance with Rule 4.29 of the Listing Rules is for illustrative purposes only, and is set out here to provide investors with further information about (i) how the proposed listing might have affected the consolidated net tangible assets after completion of the Global Offering; and (ii) how the proposed listing might have affected the forecast earnings per share of the Group for the year ending December 31, 2010. Although reasonable care has been exercised in preparing the said information, prospective investors who read the information should bear in mind that these figures are inherently subject to adjustments and may not give a complete picture of the Group's financial results and positions of the financial period concerned.

(A) UNAUDITED PRO FORMA ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS

The following unaudited pro forma adjusted consolidated net tangible assets have been prepared based on the unaudited consolidated net tangible assets as at March 31, 2010 as extracted from the Unaudited Interim Financial Information, the text of which is set out in Appendix II to this prospectus, and is adjusted as described below.

The unaudited pro forma adjusted consolidated net tangible assets have been prepared for illustrative purposes only and, because of their nature, they may not give a true picture of the financial position of the Group.

The statistics in the table below do not give effect to the annual dividend for the year ended December 31, 2009 and the Special Dividend. At an extraordinary general meeting of shareholders on April 21, 2010, our shareholders approved an annual dividend of RMB20 billion for the year ended December 31, 2009 to be paid to our existing shareholders. At the same meeting, our shareholders also approved the resolution of the Special Dividend. The amount of the Special Dividend will be determined upon conclusion of the Special Audit. We will publicly announce the effect of the Special Dividend on the unaudited pro forma adjusted consolidated net tangible assets per share as of March 31, 2010 as soon as practicable upon conclusion of the Special Audit and determination of the amount of the Special Dividend. For further details relating to the Special Dividend and arrangements relating to the Special Audit, please refer to the section entitled "Financial Information—Dividend Policy".

The following unaudited pro forma adjusted consolidated net tangible assets have been prepared to show the effect on the unaudited consolidated net tangible assets as at March 31, 2010 as if the Global Offering had occurred on March 31, 2010.

	Unaudited consolidated net tangible assets attributable to equity holders of the Bank as at March 31, 2010	Estimated net proceeds from the Global Offering	Unaudited pro forma adjusted consolidated net tangible assets attributable to equity holders of the Bank	Unaudited pro forma adjusted consolidated net tangible assets per share	
	RMB million (Note 1)	RMB million (Note 2)	RMB million (Note 3)	RMB (Note 4)	HK$ (Note 4)
Based on offer price of HK$2.88 for each Offer Share	368,663	62,881	431,544	1.512	1.732
Based on offer price of HK$3.48 for each Offer Share	368,663	75,921	444,584	1.558	1.785

Notes:

(1) The consolidated net tangible assets attributable to equity holders of the Bank as of March 31, 2010 is compiled based on the Unaudited Interim Financial Information set out in Appendix II to the prospectus, which is based on the unaudited consolidated net assets attributable to equity holders of the Bank at March 31, 2010 of RMB370,154 million with an adjustment for intangible assets of RMB1,491 million at March 31, 2010.

(2) The estimated net proceeds from the Global Offering are based on the offer price of HK$2.88 per share and HK$3.48 per share after deduction of the underwriting fees and other related expenses payable by the Bank, and do not take into account any shares which may be issued upon the exercise of the over-allotment option for the Global Offering.

(3) The unaudited pro forma adjusted consolidated net tangible assets attributable to equity holders of the Bank do not take into account the effect of the profit for the period from and including April 1, 2010 to the date immediately preceding the date of the Global Offering and the distribution of such profit to the shareholders.

(4) The unaudited pro forma adjusted consolidated net tangible assets per share after the adjustments referred to in note (2) above and on the basis that 285,411,765,000 shares are issued and outstanding following the completion of the Global Offering and that the over-allotment option for the Global Offering is not exercised, without giving effect to the subscription of 10,000,000,000 shares by the SSF on April 22, 2010. If the over-allotment option for the Global Offering is exercised in full, these per share values would increase. Had effect been given to the A Share Offering in this calculation, the unaudited pro forma adjusted consolidated net tangible assets per share would have been HK$1.813 or RMB1.582 based on the Offer Prices of HK$2.88 per H share and RMB2.52 per A share and HK$1.874 or RMB1.636 based on the Offer Prices of HK$3.48 per H share and RMB2.68 per A share. This calculation is based on the assumption that there were 22,235,294,000 newly issued A shares in the A Share Offering (assuming the over-allotment option for the A Share Offering is not exercised) and the resulting net proceeds (after deduction of the estimated underwriting fees and other related expenses payable by us) of RMB55.25 billion (based on the Offer Price of RMB2.52 per A share) and RMB58.76 billion (based on the Offer Price of RMB2.68 per A share) from the A Share Offering.

(5) Details of the valuation of the Group's properties as at March 31, 2010 are set out in Appendix VI to this prospectus. The unaudited carrying value of the Group's properties as at March 31, 2010 was not substantially different from the valuation of the Group's properties as included in Appendix VI to this prospectus.

(6) The translation of Renminbi into Hong Kong dollars has been made at the rate of RMB0.8729 to HK$1.00, the PBOC rate prevailing on June 25, 2010. No representation is made that the Hong Kong dollar amounts have been, could have been or could be converted to Renminbi, or vice versa, at that rate or at any other rates or at all.

(B) UNAUDITED PRO FORMA FORECAST EARNINGS PER SHARE

The following unaudited pro forma forecast earnings per share for the year ending December 31, 2010 have been prepared in accordance with Rule 4.29 of the Listing Rules on the basis set out in the notes below for the purpose of illustrating the effect of the Global Offering, as if it had taken place on January 1, 2010. The unaudited pro forma forecast earnings per share has been prepared for illustrative purposes only and, because of its nature, it may not give a true picture of the financial results of the Group following the Global Offering.

	Forecast for the year ending December 31, 2010
Forecast consolidated profit attributable to equity holders of the Bank[1]	Not less than RMB82.91 billion
Unaudited pro forma forecast earnings per share[2]	RMB0.284 (HK$0.325)
Unaudited weighted average forecast earnings per share[3]	RMB0.298 (HK$0.341)

Notes:

(1) The forecast consolidated profit attributable to equity holders of the Bank for the year ending December 31, 2010 is extracted from the profit forecast as set out in "Profit Forecast For The Year Ending December 31, 2010" under "Financial Information". The bases and assumptions on which the above profit forecast for the year ending December 31, 2010 has been prepared are summarized in "Appendix V—Profit Forecast".

(2) The calculation of the forecast earnings per share on a pro forma basis in accordance with Listing Rules 4.29(8) is based on the forecast consolidated net profit attributable to our shareholders for the year ending December 31, 2010, and a weighted average of 292,370,669,110 shares assumed to be issued and outstanding during the year ending December 31, 2010. The weighted average of 292,370,669,110 shares is calculated based on the 260,000,000,000 shares issued and outstanding as of December 31, 2009, the 10,000,000,000 shares issued in aggregate on April 22, 2010 upon completion of the investment by the SSF and the 25,411,765,000 H shares to be issued pursuant to the Global Offering on the assumption that the Global Offering had been completed on January 1, 2010. This calculation assumes that the over-allotment option for the Global Offering will not be exercised. Had effect been given to the A Share Offering in this calculation, the forecast earnings per share on a pro forma basis would have been RMB0.264 (HK$0.302), based on the assumption that the 22,235,294,000 A shares newly issued in the A Share Offering had been issued on January 1, 2010 (assuming the over-allotment option for the A Share Offering is not exercised).

(3) The calculation of the forecast earnings per share on a weighted average basis in accordance with International Accounting Standard 33 is based on the forecast consolidated net profit attributable to our shareholders for the year ending December 31, 2010 and a weighted average of 278,724,899,411 shares issued and outstanding during the year ending December 31, 2010. The weighted average of 278,724,899,411 shares is calculated based on the 260,000,000,000 shares issued and outstanding as of December 31, 2009, the 10,000,000,000 shares issued in aggregate on April 22, 2010 upon completion of the investment by the SSF and the 25,411,765,000 H shares to be issued pursuant to the Global Offering on the assumption that the Global Offering was completed on July 16, 2010. This calculation assumes that the over-allotment option for the Global Offering will not be exercised. Had effect been given to the A Share Offering in this calculation, the forecast earnings per share on a weighted average basis would have been RMB0.287 (HK$0.329), based on the assumption that the 22,235,294,000 A shares newly issued in the A Share Offering were issued on July 15, 2010 (assuming the over-allotment option for the A Share Offering is not exercised).

(C) REPORT FROM THE REPORTING ACCOUNTANTS ON THE UNAUDITED PRO FORMA FINANCIAL INFORMATION

The following is the text of a report, prepared for the purpose of incorporation in this prospectus, received from the reporting accountants, Deloitte Touche Tohmatsu, Certified Public Accountants, Hong Kong, in respect of the unaudited pro forma financial information.

ACCOUNTANTS' REPORT ON UNAUDITED PRO FORMA FINANCIAL INFORMATION TO THE DIRECTORS OF AGRICULTURAL BANK OF CHINA LIMITED

We report on the unaudited pro forma financial information of adjusted consolidated net tangible assets and forecast earnings per share (the "Unaudited Pro Forma Financial Information") set out in Parts (A) and (B) of Appendix IV to the prospectus dated June 30, 2010 (the "Prospectus") in connection with the Global Offering of Agricultural Bank of China Limited (the "Bank") and its subsidiaries (hereinafter collectively referred to as the "Group"), which has been prepared by the directors of the Bank (the "Directors"), for illustrative purposes only, to provide information about how the Global Offering might have affected the relevant financial information of the Group presented. The basis of preparation of the Unaudited Pro Forma Financial Information is set out in Parts (A) and (B) of Appendix IV to the Prospectus.

Respective responsibilities of the Directors and reporting accountants

It is the responsibility solely of the Directors to prepare the Unaudited Pro Forma Financial Information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

It is our responsibility to form an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the Unaudited Pro Forma Financial Information and to report our opinion solely to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the Unaudited Pro Forma Financial Information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

Basis of opinion

We conducted our engagement in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 300 "Accountants' Reports on Pro Forma Financial Information in Investment Circulars" issued by the HKICPA. Our work consisted primarily of comparing the unadjusted financial information with the source documents, considering the evidence supporting the adjustments, and discussing the Unaudited Pro Forma Financial Information with the Directors. This engagement did not involve independent examination of any of the underlying financial information.

We planned and performed our work so as to obtain the information and explanations we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the Unaudited Pro Forma Financial Information has been properly compiled by the Directors on the basis stated, that such basis is consistent with the accounting policies of the Group and that the adjustments are appropriate for the purpose of the Unaudited Pro Forma Financial Information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

Our work has not been carried out in accordance with the auditing standards or other standards and practices generally accepted in the United States of America or auditing standards of the Public Company Accounting Oversight Board (United States) and, accordingly, should not be relied upon as if it has been carried out in accordance with those standards.

The Unaudited Pro Forma Financial Information is for illustrative purpose only, based on the judgments and assumptions of the Directors and, because of its hypothetical nature, does not provide any assurance or indication that any event will take place in the future and may not be indicative of:

- the financial position of the Group as at March 31, 2010 or any future dates; or
- the earnings per share of the Group for the year ending December 31, 2010 or any future period.

Opinion

In our opinion:

(a) the Unaudited Pro Forma Financial Information has been properly compiled by the Directors on the basis stated;

(b) such basis is consistent with the accounting policies of the Group; and

(c) the adjustments are appropriate for the purpose of the Unaudited Pro Forma Financial Information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

Yours faithfully,

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
June 30, 2010

Our forecast consolidated profit attributable to our equity holders of our bank for the year ending December 31, 2010 is set out in "Financial Information—Profit Forecast for the Year Ending December 31, 2010" in this prospectus.

(A) BASES AND ASSUMPTIONS

Our Directors have prepared the forecast of consolidated profit attributable to equity holders of the Bank for the year ending December 31, 2010 on the basis of the unaudited consolidated results of the Group for the three months ended March 31, 2010, and a forecast of the consolidated results of the Group for the remaining nine months ending December 31, 2010. The forecast has been prepared on a basis consistent in all material respects with the accounting policies currently adopted by our Group as set out in the Accountants' Report dated June 30, 2010, the text of which is set out in Appendix I to this prospectus, and on the following assumptions:

Basic assumptions

- There will be no material changes in the existing political, legal, fiscal, market or economic conditions in Mainland China, Hong Kong and other countries or territories in which the Group currently operates or which are otherwise material to the Group's business or operations;
- There will be no material changes in legislation, regulations or rules in Mainland China, Hong Kong or any other countries or territories in which the Group operates or with which the Group has arrangements or agreements, or which are material to the Group's business or operations;
- There will be no material changes in prevailing inflation rates and interest rates or the foreign exchange rate in Mainland China, Hong Kong or any other countries or territories in which the Group operates or which are otherwise material to the Group's business or operations;
- There will be no material change in the applicable tax rates, surcharges rates or other government levies in Mainland China, Hong Kong and other countries or territories in which the Group currently operates or which are material to the Group's business or operations;
- The Group's operations and business will not be severely interrupted by majeure events or unpredictable factors beyond the control of the management including but not limited to the occurrence of wars, natural disasters and other serious accidents; and
- During the year 2010, the PRC government will continue implementing proactive fiscal polices and appropriately loose monetary policies to maintain economic growth. The annual growth rate of Gross Domestic Product for the year 2010 is expected to be no less than 8%.

Specific assumptions

- During the year 2010, there will be no change in the benchmark interest rates of deposits and lending issued by the People's Bank of China as at December 31, 2009;
- During the year 2010, the People's Bank of China increases the required reserve ratio three times, each time by 0.5 percentage point, to 17.0%;
- As at December 31, 2010, the exchange rate of United States Dollar against Renminbi will reach USD1:RMB6.5551; and
- There will be no significant change in the re-pricing, maturity structure and geographical allocation of the Group's financial assets and liabilities at the end of year 2010 compared with the end of year 2009.

(B) LETTER FROM THE REPORTING ACCOUNTANTS

The following is the text of a letter, prepared for inclusion in this prospectus, received from the reporting accountants, Deloitte Touche Tohmatsu, Certified Public Accountants, Hong Kong, in respect of the forecast of the consolidated profit attributable to the equity holders of the Bank for the year ending December 31, 2010.

June 30, 2010
The Directors
Agricultural Bank of China Limited
China International Capital Corporation Hong Kong Securities Limited
Goldman Sachs (Asia) L.L.C.
Morgan Stanley Asia Limited
Deutsche Bank AG, Hong Kong Branch
J.P. Morgan Securities (Asia Pacific) Limited
Macquarie Capital Securities Limited
ABCI Securities Company Limited

Dear Sirs,

We have reviewed the accounting policies adopted and calculations made in arriving at the forecast of the consolidated profit of Agricultural Bank of China Limited (the "Bank") and its subsidiaries (hereinafter collectively referred to as the "Group") for the year ending December 31, 2010 attributable to equity holders of the Bank (the "Forecast"), for which the directors of the Bank are solely responsible, as set out in the prospectus dated June 30, 2010 issued by the Bank (the "Prospectus"). The Forecast has been prepared based on the results shown in the unaudited consolidated financial statements of the Group for the three months ended March 31, 2010 and a forecast of the results for the remaining nine months ending December 31, 2010.

In our opinion, the Forecast, so far as the accounting policies and calculations are concerned, has been properly compiled on the basis of the assumptions made by the directors of the Bank as set out in part (A) of Appendix V to the Prospectus and is presented on a basis consistent in all material respects with the accounting policies currently adopted by the Group as set out in the accountants' report dated June 30, 2010, as set out in Appendix I to the Prospectus.

Yours faithfully,

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

(C) LETTER FROM THE JOINT SPONSORS

The following is the text of a letter, prepared for inclusion in this prospectus by China International Capital Corporation Hong Kong Securities Limited, Goldman Sachs (Asia) L.L.C., Morgan Stanley Asia Limited, Deutsche Bank AG, Hong Kong Branch, J.P Morgan Securities (Asia Pacific) Limited, Macquarie Capital Securities Limited and ABCI Securities Company Limited in connection with the profit forecast for the year ending December 31, 2010.

China International Capital Corporation Hong Kong Securities Limited | Goldman Sachs (Asia) L.L.C. | Morgan Stanley Asia Limited | Deutsche Bank AG, Hong Kong Branch | J.P. Morgan Securities (Asia Pacific) Limited | Macquarie Capital Securities Limited | ABCI Securities Company Limited

June 30, 2010

The Directors

Agricultural Bank of China Limited

Dear Sirs,

We refer to the forecast of the consolidated net profit attributable to the equity holders of Agricultural Bank of China Limited (the "Bank") for the year ending December 31, 2010 (the "Forecast") as set out in "Financial Information—Profit Forecast for the Year Ending December 31, 2010" in the prospectus of the Bank dated June 30, 2010 (the "Prospectus").

We have discussed with you the bases and assumptions made by the Directors of the Bank as set out in Part A of Appendix V to the Prospectus upon which the Forecast has been made. We have also considered the letter dated June 30, 2010 addressed to yourselves and ourselves from Deloitte Touche Tohmatsu regarding the accounting policies and calculations upon which the Forecast has been made.

On the basis of the information comprising the Forecast and on the basis of the accounting policies and calculations adopted by you and reviewed by Deloitte Touche Tohmatsu, we are of the opinion that the Forecast, for which you as Directors of the Bank are solely responsible, has been made after due and careful enquiry.

Yours faithfully,

For and on behalf of

China International Capital Corporation Hong Kong Securities Limited	Goldman Sachs (Asia) L.L.C.	Morgan Stanley Asia Limited	Deutsche Bank AG, Hong Kong Branch	J.P. Morgan Securities (Asia Pacific) Limited	Macquarie Capital Securities Limited	ABCI Securities Company Limited
Huang Zhaohui	Douglas L. Feagin	Crawford Jamieson	Heidi Yang	David PW Lau	Karen Wong	Zhou Xingxin
Managing Director	Managing Director	Managing Director	Managing Director	Executive Director	Managing Director	Deputy General Manager
			Angelo Zhang		Jerry Tse	
			Managing Director		Managing Director	

The following is the text of a letter, summary of values and valuation certificates, prepared for the purpose of incorporation in this prospectus received from Jones Lang LaSalle Sallmanns Limited, an independent valuer, in connection with its valuation as at March 31, 2010 of the property interests of the Group. As described in section "Documents Available for Inspection" in Appendix X, a copy of the full valuation report will be made available for public inspection.



Jones Lang LaSalle Sallmanns Limited
17/F Dorset House Taikoo Place
979 King's Road Quarry Bay Hong Kong
tel +852 2169 6000 fax +852 2169 6001
Licence No: C-030171

June 30, 2010

The Board of Directors
Agricultural Bank of China Limited
No.69, Jianguomen Nei Avenue
Dongcheng District
Beijing 100005
PRC

Dear Sirs,

In accordance with your instructions to value the properties in which Agricultural Bank of China Limited (the "Company") and its subsidiaries (hereinafter together referred to as the "Group") have interests in the People's Republic of China (the "PRC"), Hong Kong and overseas countries, we confirm that we have carried out inspections, made relevant enquiries and searches and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the capital values of the property interests as at March 31, 2010 (the "date of valuation").

For the purpose of this report, we have categorized the properties in Group I, which are held and occupied by the Group in the PRC, into 45 sub-groups according to respective branches or subsidiaries. The remaining properties are classified according to their nature or location.

Our valuation of the property interests represents the market value which we would define as intended to mean "the estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arm's-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently, and without compulsion".

Land

The concept of freehold and leasehold land does not exist in China. Private land ownership in China was abolished in the collectivization movement during the 1950's. Since then, the only form of ownership in land has been "socialist public ownership" of which there are two generic types: state-owned and collectively-owned. Land was "allocated" free of charge by the state to the designated users (commonly state-owned enterprises) for an indefinite period ("allocated land"). The users in return could not in any way transfer the land to other parties. Normally, when dealing with the valuation of such land, we will deem it to have "no commercial value".

In January 1995, the "PRC, Administration of Urban Real Property Law" came into effect, reinforcing previous legislation and establishing land as a commodity. By possessing "land use rights"

users, including state-owned enterprises, could assign, lease or mortgage land. Normally, to obtain such land use rights, a premium had to be paid whereupon the allocated land could be reclassified as "granted land". The land is granted by the state and the premium is based upon the standard land prices (which are periodically reviewed) set by the Land Administration Bureau. Such land can be valued by reference to the standard land prices in each locality and prices paid in the market for it.

In occasional cases on a discretionary basis, allocated land occupied by certain state-owned enterprises can be injected by the state to those enterprises as capital investment for incorporation into a joint stock company in return for shares. We have termed such land as "state-capital-injection land" (作價出資土地). After the injection, the land use rights of the state-capital-injection land of specified tenure terms will be held by the joint stock company and a new relevant Land Use Rights Certificate will be issued to the joint stock company. The joint stock company may transfer, lease and mortgage the land use rights in accordance with the relevant land regulations and laws of the PRC in relation to granted land use rights.

We have valued portions of the property interests in Group I and property interests in Group II by the direct comparison approach assuming sale of the property interests in their existing state with the benefit of immediate vacant possession and by making reference to comparable sales transactions as available in the relevant market.

Where, due to the nature of the buildings and structures of portions of the properties in Group I and the particular location in which they are situated, there are unlikely to be relevant market comparable sales readily available, the property interests have been valued on the basis of their depreciated replacement cost.

Depreciated replacement cost is defined as "the current cost of replacing an asset with its modern equivalent asset less deductions for physical deterioration and all relevant forms of obsolescence and optimization." It is based on an estimate of the market value for the existing use of the land, plus the current cost of replacement (reproduction) of the improvements, less deductions for physical deterioration and all relevant forms of obsolescence and optimization. The depreciated replacement cost of the property interest is subject to adequate potential profitability of the concerned business.

In valuing portions of the property interests in Group I which were under development as at the date of valuation, we have assumed that they will be developed and completed in accordance with the latest development proposal provided to us by the Group. In arriving at our opinion of value, we have taken into account the construction cost and professional fees relevant to the stage of construction as at the date of valuation and the remainder of the cost and fees to be expended to complete the developments.

We have attributed no commercial value to the property interests in Group III and Group IV, which are rented by the Group, due either to the short-term nature of the lease or the prohibition against assignment or sub-letting or otherwise due to the lack of substantial profit rents.

In the PRC, Land Use Rights Certificates ("*LURC*s") are official documents issued by the local land administrative authorities at the county-level or above to evidence that the holders of those certificates have formally obtained the land use rights of the land. Building Ownership Certificates ("*BOC*s") are official documents issued by the local building administrative authorities at the county-level or above to evidence that the holders of those certificates have formally obtained the ownership

rights to the buildings. In some cities, Real Estate Title Certificates ("*RETC*s"), which combine both the functions of LURCs and BOCs, are issued by relevant government authorities instead of issuing two separate certificates. According to the legal opinion given by the Company's PRC legal advisers, both LURCs and BOCs, or RETCs, are necessary as a proof of legal title to a property.

In the valuation of the property interests in Group I which are held and occupied by the Group in the PRC, we have attributed no commercial value to certain property interests, as the Group has not obtained proper LURCs and/or BOCs, or RETCs in respect of such properties or has not obtained the construction permits of the properties which were under development. According to the legal opinion given by the Company's legal advisers, these properties can not be freely transferred, leased or mortgaged by the Group.

As at the date of valuation, the Group held 37,564 properties with a total gross floor area of approximately 30,448,180.23 sq.m. in the PRC, of which 27,511 properties with a total gross floor area of approximately 26,209,065.22 sq.m. are commercial properties, 10,053 properties with a total gross floor area of approximately 4,239,115.01 sq.m. are residential properties or for ancillary use. These properties are erected on 12,877 parcels of granted land, 12,456 parcels of state-capital-injection land, 129 parcels of land rented from the government, 328 parcels of allocated land and 1,494 parcels of land in respect of which relevant state-owned LURCs have not been obtained or the land use rights are undefined. The Group held 278 properties which were under development with a total planned gross floor area of approximately 807,133.1 sq.m. in the PRC. The Group also owned 55 properties in Hong Kong and Singapore with a total gross floor area of approximately 9,057.42 sq.m. for commercial and residential uses.

In addition, the Group also held 262 parcels of land with no buildings attached representing a total site area of approximately 897,813.91 sq.m., among which 233 parcels of land with state-owned LURCs representing a total site area of approximately 553,857.69 sq.m. are granted or state-capital-injection land; 12 parcels of land with state-owned LURCs representing a total site area of approximately 297,437.31 sq.m. are allocated land; 2 parcels of land with a total site area of approximately 1,169.3 sq.m. without LURCs are in nature of state-capital-injection land, while the relevant LURCs are currently under application. The state-owned LURCs of the remaining vacant land have not been obtained or the land use rights are undefined.

For the 27,511 commercial properties held by the Group in the PRC, the Group has obtained valid state-owned LURCs, BOCs or RETCs for 25,700 of them representing a total gross floor area of approximately 24,264,238.65 sq.m. For the remaining commercial properties, the Group has not obtained valid title certificates.

For the 278 properties held under development by the Group in the PRC, the Group has obtained valid state-owned LURCs and the relevant construction permits for 146 of them with a total planned gross floor area of approximately 309,921.61 sq.m. which are in compliance with the relevant law and regulations. For the remaining properties under development, the Group has not obtained relevant proper LURCs and/or construction permits.

As at the date of valuation, the Group also rented 8,160 properties in the PRC with a total lettable area of approximately 2,171,145.8 sq.m. and 10 properties in Hong Kong and overseas countries with a total lettable area of approximately 2,636.17 sq.m.

For the 8,160 leased properties in the PRC, the respective lessors or landlords of 3,399 properties have provided the Group with either the BOCs, RETCs or properties owner's consents to

sublet representing a total lettable area of approximately 1,024,023.61 sq.m. For the remaining leased properties, the Group has not been provided with the relevant valid title documents. Among them, the lessors of 2,313 properties with a total lettable area of approximately 582,318.34 sq.m. have provided the Group with the confirmation letters which undertake to compensate for any loss of the Group arising from any defect of their legal rights to lease the properties.

In addition to the above properties, the Group has entered into sales and purchase agreements to purchase 374 commercial and residential properties with an estimated aggregate gross floor area of approximately 684,695.68 sq.m. We have categorized these properties in Group V, which are property interests contracted to be acquired by the Group. Owing to the fact that not all the required payments had been fully paid up to the date of valuation or the properties had not been assigned to the Group, the titles of the properties were not vested in the Group. Therefore, we have attributed no commercial value to these properties.

Our valuation has been made on the assumption that the seller sells the property interests in the market without the benefit of a deferred term contract, leaseback, joint venture, management agreement or any similar arrangement, which could serve to affect the values of the property interests.

No allowance has been made in our report for any charge, mortgage or amount owing on any neither of the property interests valued nor for any expense or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the properties are free from encumbrances, restrictions and outgoings of an onerous nature, which could affect their values.

In valuing the property interests of the Group in Hong Kong held under the Government Leases expiring before June 30, 1997, we have taken into account the stipulations contained in Annex III of the Joint Declaration of the Government of the United Kingdom and the Government of the People's Republic of China on the question of Hong Kong and the New Territories Leases (Extension) Ordinance 1988 that such leases have been extended without premium until June 30, 2047 and that a rent of three per cent of the then rateable value is charged per annum from the date of extension.

In valuing the property interests, we have complied with all requirements contained in Chapter 5 and Practice Note 12 to the Rules Governing the Listing of Securities issued by The Stock Exchange of Hong Kong Limited, except for those in respect of which a waiver has been applied for and granted in respect of Rules 5.01, 5.06(1) to (3), 19A.27(4), and paragraph 3(a) of Practice Note 16 to the Rules Governing the Listing of Securities and paragraph 34(2) of the Third Schedule of the Companies Ordinance; the RICS Valuation Standards published by the Royal Institution of Chartered Surveyors; the HKIS Valuation Standards on Properties published by the Hong Kong Institute of Surveyors; and the International Valuation Standards published by the International Valuation Standards Council.

As the Company is in compliance with paragraph 3(b) of Practice Note 16 to the Rules Governing the Listing of Securities issued by The Stock Exchange of Hong Kong Limited, the Company has obtained an exemption to exclude the full details of the individual leased properties under operating lease from the valuation certificates in our valuation report to this prospectus, of which a summary is included in the Summary of Values and the Valuation Certificates for leased properties.

We have relied to a very considerable extent on the information given by the Group and have accepted advice given to us on such matters as tenure, planning approvals, statutory notices, easements, particulars of occupancy, lettings, and all other relevant matters.

We have been, in some instances, provided by the Group with extracts of the title documents relating to the properties in the PRC and have caused searches to be made at the Hong Kong Land Registry in respect of Hong Kong properties and have caused searches on the title in respect of overseas properties if available. Where possible, we have searched the original documents to verify the existing titles to the property interests in the PRC and any material encumbrances that might be attached to the properties or any lease amendments which may not appear on the copies handed to us. We have relied considerably on the advice given by the Company's PRC legal advisors, DeHeng Law Offices, concerning the validity of the property interests in the PRC.

We have not carried out detailed measurements to verify the correctness of the areas in respect of the properties but have assumed that the areas shown on the title documents and official site plans handed to us are correct. All documents and contracts have been used as reference only and all dimensions, measurements and areas are approximations. No on-site measurement has been taken.

We have inspected the exterior and, where possible, the interior of the properties. However, we have not carried out investigation to determine the suitability of the ground conditions and services for any development thereon. Our valuation has been prepared on the assumption that these aspects are satisfactory and that no unexpected cost and delay will be incurred during construction. Moreover, no structural survey has been made, but in the course of our inspection, we did not note any serious defect. We are not, however, able to report whether the properties are free of rot, infestation or any other structural defect. No tests were carried out on any of the services.

We have had no reason to doubt the truth and accuracy of the information provided to us by the Group. We have also sought confirmation from the Group that no material factors have been omitted from the information supplied. We consider that we have been provided with sufficient information to arrive an informed view, and we have no reason to suspect that any material information has been withheld.

Unless otherwise stated, all monetary figures stated in this report are in Renminbi (RMB). The exchange rates adopted in our valuations are approximately HKD1 = RMB0.8792, SGD1 = RMB4.8731, JPY100 = RMB7.3421, GBP1 = RMB10.2978, USD1 = RMB6.8263, KRW100 = RMB0.5893, AUD1 = RMB6.2472 and EUR1 = RMB9.1588, which were approximately the prevailing exchange rates as at the date of valuation.

Our valuation is summarized below and the valuation certificates are attached.

Yours faithfully,
for and on behalf of
Jones Lang LaSalle Sallmanns Limited
Paul L. Brown
B.Sc. FRICS FHKIS
Director

Note: Paul L. Brown is a Chartered Surveyor who has 27 years' experience in the valuation of properties in the PRC and 30 years of property valuation experience in Hong Kong, the United Kingdom, as well as relevant valuation experience in the Asia-Pacific region, Germany and the United Stated.

SUMMARY OF VALUES

Group I—Property interests held and occupied by the Group in the PRC

No.	Property	Capital value in existing state as at March 31, 2010
		RMB
1.	Various properties of Beijing Municipality Branch of the Company located in Beijing, the PRC	2,389,451,000
2.	Various properties of Tianjin Municipality Branch of the Company located in Tianjin, the PRC	2,520,239,000
3.	Various properties of Hebei Province Branch of the Company located in Hebei Province, the PRC	2,938,069,000
4.	Various properties of Shanxi Province Branch of the Company located in Shanxi Province, the PRC	1,876,872,000
5.	Various properties of Inner Mongolia Autonomous Region Branch of the Company located in Inner Mongolia Autonomous Region, the PRC	1,285,092,000
6.	Various properties of Liaoning Province Branch of the Company located in Liaoning Province, the PRC	2,546,868,000
7.	Various properties of Jilin Province Branch of the Company located in Jilin Province, the PRC	1,620,373,000
8.	Various properties of Heilongjiang Province Branch of the Company located in Heilongjiang Province, the PRC	1,690,675,000
9.	Various properties of Shanghai Municipality Branch of the Company located in Shanghai, the PRC	5,180,823,000
10.	Various properties of Jiangsu Province Branch of the Company located in Jiangsu Province, the PRC	9,277,126,000
11.	Various properties of Zhejiang Province Branch of the Company located in Zhejiang Province, the PRC	7,388,884,000
12.	Various properties of Anhui Province Branch of the Company located in Anhui Province, the PRC	2,599,557,000
13.	Various properties of Fujian Province Branch of the Company located in Fujian Province, the PRC	2,552,669,000
14.	Various properties of Jiangxi Province Branch of the Company located in Jiangxi Province, the PRC	2,315,225,000
15.	Various properties of Shandong Province Branch of the Company located in Shandong Province, the PRC	4,398,440,000
16.	Various properties of Henan Province Branch of the Company located in Henan Province, the PRC	3,695,621,000
17.	Various properties of Hubei Province Branch of the Company located in Hubei Province, the PRC	3,580,858,000
18.	Various properties of Hunan Province Branch of the Company located in Hunan Province, the PRC	3,381,270,000
19.	Various properties of Guangdong Province Branch of the Company located in Guangdong Province, the PRC	6,284,935,000
20.	Various properties of Guangxi Autonomous Region Branch of the Company located in Guangxi Zhuang Autonomous Region, the PRC	3,482,195,000

No.	Property	Capital value in existing state as at March 31, 2010
		RMB
21.	Various properties of Hainan Province Branch of the Company located in Hainan Province, the PRC	622,416,000
22.	Various properties of Sichuan Province Branch of the Company located in Sichuan Province, the PRC	3,937,750,000
23.	Various properties of Guizhou Province Branch of the Company located in Guizhou Province, the PRC	1,246,153,000
24.	Various properties of Yunnan Province Branch of the Company located in Yunnan Province, the PRC	2,323,691,000
25.	Various properties of Tibet Autonomous Region Branch of the Company located in Tibet Autonomous Region and Sichuan Province, the PRC	840,741,000
26.	Various properties of Shaanxi Province Branch of the Company located in Shaanxi Province, the PRC	1,485,061,000
27.	Various properties of Gansu Province Branch of the Company located in Gansu Province, the PRC	1,093,353,000
28.	Various properties of Qinghai Province Branch of the Company located in Qinghai Province, the PRC	427,677,000
29.	Various properties of Ningxia Autonomous Region Branch of the Company located in Ningxia Hui Autonomous Region, the PRC	472,010,000
30.	Various properties of Xinjiang Autonomous Region Branch of the Company located in Xinjiang Uygur Autonomous Region, the PRC	1,072,242,000
31.	Various properties of Chongqing Municipality Branch of the Company located in Chongqing, the PRC	1,822,824,000
32.	Various properties of The Xinjiang Production and Construction Corps Branch of the Company located in Xinjiang Uygur Autonomous Region, the PRC	732,184,000
33.	Various properties of City of Dalian Branch of the Company located in Dalian City, Liaoning Province, the PRC	1,271,870,000
34.	Various properties of City of Ningbo Branch of the Company located in Ningbo and Hangzhou Cities, Zhejiang Province, the PRC	1,758,024,000
35.	Various properties of City of Xiamen Branch of the Company located in Xiamen City, Fujian Province, the PRC	737,136,000
36.	Various properties of City of Qingdao Branch of the Company located in Qingdao City, Shandong Province, the PRC	1,206,952,000
37.	Various properties of City of Shenzhen Branch of the Company located in Shenzhen City, Guangdong Province, the PRC	1,376,454,000
38.	Various properties of Wuhan Training Base of the Company located in Wuhan City, Hubei Province, the PRC	151,538,000
39.	Various properties of Tianjin Training Base of the Company located at No. 88, Weijin South Road, Nankai District, Tianjin, the PRC	128,058,000
40.	Various properties of Changchun Training Base of the Company located at Qianjin Avenue, Chaoyang District, Changchun City, Jilin Province, the PRC	136,172,000
41.	Various properties of Discounted Bills Department of the Company located in Ziguang Mansion, No. 341 Shangcheng Road, Pudong New Area, Shanghai, the PRC	14,369,000

No.	Property	Capital value in existing state as at March 31, 2010
		RMB
42.	Various properties of Shanghai Data Center of the Company located in Jinqiao Yifang Yayuan, Lane No. 777, Linghe Road, Pudong New Area, Shanghai, the PRC	381,098,000
43.	Various properties of Beijing Hongluoyuan Training Base of the Company located in Beijing, the PRC	549,957,000
44.	Various properties of Jingchuan Hotel of the Company located at No. 144 West Section 1, 1st Ring Road, Qingyang District, Chengdu City, Sichuan Province, the PRC	No commercial value
45.	Various properties of the head office of the Company located in Beijing, the PRC	449,313,000
	Sub-total:	**95,242,285,000**

Group II—Property interests owned and occupied by the Group in Hong Kong and Singapore

No.	Property	Capital value in existing state as at March 31, 2010
		RMB
46.	55 properties located in Hong Kong and Singapore	766,914,000
	Sub-total:	**766,914,000**

Group III—Property interests rented and occupied by the Group in the PRC

No.	Property	Capital value in existing state as at March 31, 2010
		RMB
47.	Various leased properties located in the PRC	No commercial value
	Sub-total:	**Nil**

Group IV—Property interests rented and occupied by the Group in Hong Kong and Overseas Countries

No.	Property	Capital value in existing state as at March 31, 2010
		RMB
48.	10 leased properties located in Hong Kong, Tokyo, London, New York, Seoul, Sydney and Frankfurt	No commercial value
	Sub-total:	**Nil**

Group V—Property interests contracted to be acquired by the Group in the PRC

No.	Property	Capital value in existing state as at March 31, 2010
		RMB
49.	Various properties located in the PRC	No commercial value
	Sub-total:	**Nil**
	Grand Total:	**96,009,199,000**

VALUATION CERTIFICATE

Group I—Property interests held and occupied by the Group in the PRC

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at March 31, 2010
				RMB
1.	Various properties of Beijing Municipality Branch of the Company located in Beijing the PRC	The properties comprise 208 commercial properties, 13 residential properties and 57 ancillary properties (278 in total) completed in various stages between 1949 and 2009. The properties have a total gross floor area of approximately 318,273.27 sq.m. The details for each use are listed as follows: Use / Gross Floor Area (sq.m.) Commercial 280,537.75 Residential 3,997.38 Ancillary 33,738.14 **Total: 318,273.27**	The properties are currently occupied by the Group for commercial, residential and ancillary purposes, except for a portion of these properties which is currently rented to various parties (Refer to note 7).	2,389,451,000

Notes:

1. *For 206 items of the properties, the Group has obtained relevant BOCs and LURCs under the name of either Agricultural Bank of China (the predecessor of the Company, the "Former Entity") or the Company.*

   According to the opinion given by the Company's PRC legal advisers, which contains, inter alias, the following:

   (a) The relevant land use rights are granted for 179 properties with a total gross floor area of approximately 206,977.63 sq.m. The Group has the legal rights to occupy, use, transfer, lease, mortgage or otherwise legally dispose of such properties.

   (b) The relevant land use rights are allocated for 27 properties with a total gross floor area of approximately 27,725.14 sq.m. The Group has the legal rights to occupy and use such properties. After obtaining relevant state-owned LURCs in nature of granted land or land rented from the government, the Group will be entitled to transfer, lease, mortgage or otherwise legally dispose of such properties.

2. *For 7 items of the properties with a total gross floor area of approximately 1,696.06 sq.m, the Group has obtained relevant LURCs under the name of either the Former Entity or the Company but without proper BOCs. The relevant land use rights are allocated or granted.*

   According to the opinion given by the Company's PRC legal advisers, the Group can occupy and use such properties. After obtaining relevant BOCs and state-owned LURCs in nature of granted land or land rented from the government (for allocated land), the Group will be entitled to transfer, lease, mortgage or otherwise legally dispose of such properties.

3. *For 20 items of the properties with a total gross floor area of approximately 10,823.78 sq.m., the Group has obtained relevant BOCs under the name of either the Former Entity or the Company but without proper LURCs.*

   According to the opinion given by the Company's PRC legal advisers, the Group has the legal rights to occupy and use such properties and will be entitled to transfer, lease, mortgage or otherwise legally dispose of such properties after obtaining relevant state-owned LURCs.

4. *For the remaining 45 items of the properties representing a total gross floor area of approximately 71,050.66 sq.m., neither state-owned LURCs nor BOCs have been obtained.*

   According to the opinion given by the Company's PRC legal advisers, whether the Group has legally obtained the building ownership rights and land use rights of such properties cannot be ascertained.

5. *For the properties mentioned in notes 1(b) and 2 to 4, we have attributed no commercial value to them due to the absence of proper title certificates and based on the relevant legal opinion. However, for reference purpose, we are of the opinion that the total capital value of these properties as at the date of valuation would be RMB1,088,732,000 assuming all valid title certificates of these properties have been obtained and they could be freely transferred.*

6. *According to the opinion given by the Company's PRC legal advisers, the Group is applying for changing the registered names on the title certificates to its current name, and there is no material legal impediment for the applications. In addition, as advised by the Company, the Group is able to obtain substitute properties to maintain the Group's operations if it has to move out from those properties due to title defect, the relocation shall not have any material adverse effect on the Group's operations and financial status.*

7. *Pursuant to 5 Tenancy Agreements, a portion of the properties with a total lettable area of approximately 3,105 sq.m. is rented to various parties for various terms with the expiry dates between May 20, 2010 and September 30, 2012 at a total current annual rental of RMB574,248.*

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at March 31, 2010
				RMB
2.	Various properties of Tianjin Municipality Branch of the Company located in Tianjin the PRC	The properties comprise 435 commercial properties, 7 residential properties and 92 ancillary properties (534 in total) completed in various stages between 1976 and 2010. The properties have a total gross floor area of approximately 391,466.16 sq.m. The details for each use are listed as follows: Use / Gross Floor Area (sq.m.) Commercial 346,399.36 Residential 4,149.66 Ancillary 40,917.14 **Total: ..... 391,466.16** The properties also comprise a parcel of vacant land with a site area of approximately 42,462 sq.m.	The properties are currently occupied by the Group for commercial, residential and ancillary purposes, except for a portion of these properties which is currently rented to various parties (Refer to note 7).	2,520,239,000

Notes:

1. *For 503 items of the properties and the vacant land, the Group has obtained relevant BOCs, RETCs and LURCs under the name of either Agricultural Bank of China (the predecessor of the Company, the "Former Entity") or the Company.*

   According to the opinion given by the Company's PRC legal advisers, which contains, inter alias, the following:

   (a) The relevant land use rights are granted or state-capital-injected for 495 properties with a total gross floor area of approximately 366,660.26 sq.m. and are granted for the vacant land. The Group has the legal rights to occupy, use, transfer, lease, mortgage or otherwise legally dispose of such properties.

   (b) The relevant land use rights are allocated for 8 properties with a total gross floor area of approximately 7,349.03 sq.m. The Group has the legal rights to occupy and use such properties. After obtaining relevant state-owned LURCs in nature of granted land or land rented from the government, the Group will be entitled to transfer, lease, mortgage or otherwise legally dispose of such properties.

2. *For 1 item of the properties with a gross floor area of approximately 58.56 sq.m., the Group has obtained relevant LURC in nature of granted land under the name of the Former Entity but without proper BOC.*

   According to the opinion given by the Company's PRC legal advisers, the Group can occupy and use such property. After obtaining relevant BOC, the Group will be entitled to transfer, lease, mortgage or otherwise legally dispose of such property.

3. *For 25 items of the properties with a total gross floor area of approximately 15,710.98 sq.m., the Group has obtained relevant BOCs or RETCs under the name of either the Former Entity or the Company but without proper LURCs.*

   According to the opinion given by the Company's PRC legal advisers, which contains, inter alias, the following:

   (a) 8 properties with a total gross floor area of approximately 2,226.43 sq.m. are situated on the state-capital-injection land. However, the relevant LURCs of such properties are currently under application. There will be no material legal impediment for the Group to obtain relevant state-owned LURCs of such properties. The Group has the legal rights to occupy, use and lease such properties and will be entitled to transfer, mortgage or otherwise legally dispose of such properties after obtaining the state-owned LURCs in nature of state-capital-injection land.

   (b) For the remaining properties, the Group has the legal rights to occupy and use such properties and will be entitled to transfer, lease, mortgage or otherwise legally dispose of such properties after obtaining relevant state-owned LURCs.

4. *For the remaining 5 items of the properties representing a total gross floor area of approximately 1,687.33 sq.m., neither state-owned LURCs nor BOCs have been obtained.*

   According to the opinion given by the Company's PRC legal advisers, which contains, inter alias, the following:

   (a) 2 properties with a total gross floor area of approximately 236.26 sq.m. are situated on the state-capital-injection land. However, the relevant LURCs of such properties are currently under application. The Group can occupy, use and lease such properties and will be entitled to transfer, mortgage or otherwise legally dispose of such properties after obtaining relevant BOCs and the state-owned LURCs in nature of state-capital-injection land.

(b) For the remaining properties, whether the Group has legally obtained the building ownership rights and land use rights of such properties cannot be ascertained.

5. *For the properties mentioned in notes 1(b), 2 to 4, we have attributed no commercial value to them due to the absence of proper title certificates and based on the relevant legal opinion. However, for reference purpose, we are of the opinion that the total capital value of these properties as at the date of valuation would be RMB134,944,000 assuming all valid title certificates of these properties have been obtained and they could be freely transferred.*

6. *According to the opinion given by the Company's PRC legal advisers, the Group is applying for changing the registered names on the title certificates to its current name, and there is no material legal impediment for the applications. In addition, as advised by the Company, the Group is able to obtain substitute properties to maintain the Group's operations if it has to move out from those properties due to title defect, the relocation shall not have any material adverse effect on the Group's operations and financial status.*

7. *Pursuant to 18 Tenancy Agreements, a portion of the properties with a total lettable area of approximately 12,316 sq.m. is rented to various parties for various terms with the expiry dates between December 1, 2009 and January 1, 2018 at a total current annual rental of approximately RMB1,052,438. As at the date of valuation, 2 tenancy agreements in relation to the properties with a total lettable area of approximately 3,065 sq.m. have expired, and as advised by the Company, these tenancy agreements are currently being renewed.*

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at March 31, 2010
				RMB
3.	Various properties of Hebei Province Branch of the Company located in Hebei Province the PRC	The properties comprise 1,111 commercial properties, 82 residential properties and 535 ancillary properties (1,728 in total) completed in various stages between 1971 and 2009. The properties have a total gross floor area of approximately 1,306,796.34 sq.m. The details for each use are listed as follows: Use / Gross Floor Area (sq.m.) Commercial 1,147,423.52 Residential 19,363.42 Ancillary 140,009.40 **Total: ..... 1,306,796.34** The properties also comprise 4 parcels of vacant land with a total site area of approximately 15,437 sq.m. and 5 buildings under construction ("CIP") as at the date of valuation. The CIP has a total planned gross floor area of approximately 4,549.22 sq.m. and is scheduled to be completed between April 2010 and November 2010.	The properties are currently occupied by the Group for commercial, residential and ancillary purposes, except for the CIP which was under construction as at the date of valuation and a portion of these properties which is currently rented to various parties (Refer to note 8).	2,938,069,000

Notes:

1. *For 1,663 items of the properties and the vacant land, the Group has obtained relevant BOCs and LURCs under the name of either Agricultural Bank of China (the predecessor of the Company, the "Former Entity") or the Company.*

   According to the opinion given by the Company's PRC legal advisers, which contains, inter alias, the following:

   (a) The relevant land use rights are granted, state-capital-injected or rented from the government for 1,651 properties with a total gross floor area of approximately 1,251,869.16 sq.m. and are granted or state-capital-injected for the vacant land. The Group has the legal rights to occupy, use, transfer, lease, mortgage or otherwise legally dispose of such properties.

   (b) The relevant land use rights are allocated for 12 properties with a total gross floor area of approximately 3,231.91 sq.m. The Group has the legal rights to occupy and use such properties. After obtaining relevant state-owned LURCs in nature of granted land or land rented from the government, the Group will be entitled to transfer, lease, mortgage or otherwise legally dispose of such properties.

2. *For 7 items of the properties with a total gross floor area of approximately 3,825.72 sq.m., the Group has obtained relevant LURCs under the name of either the Former Entity or the Company but without proper BOCs. The relevant land use rights are granted or state-capital-injected.*

   According to the opinion given by the Company's PRC legal advisers, the Group can occupy and use such properties. After obtaining relevant BOCs, the Group will be entitled to transfer, lease, mortgage or otherwise legally dispose of such properties.

3. *For 35 items of the properties with a total gross floor area of approximately 30,986 sq.m., the Group has obtained relevant BOCs under the name of either the Former Entity or the Company but without proper LURCs.*

   According to the opinion given by the Company's PRC legal advisers, which contains, inter alias, the following:

   (a) 12 properties with a total gross floor area of approximately 16,040.49 sq.m. are situated on the state-capital-injection land. However, the relevant LURCs of such properties are currently under application. There will be no material legal impediment for the Group to obtain relevant state-owned LURCs of such properties. The Group has the legal rights to occupy, use and lease such properties and will be entitled to transfer, mortgage or otherwise legally dispose of such properties after obtaining the state-owned LURCs in nature of state-capital-injection land.

(b) For the remaining properties, the Group has the legal rights to occupy and use such properties and will be entitled to transfer, lease, mortgage or otherwise legally dispose of such properties after obtaining relevant state-owned LURCs.

4. For the remaining 23 items of the properties representing a total gross floor area of approximately 16,883.55 sq.m., neither state-owned LURCs nor BOCs have been obtained.

According to the opinion given by the Company's PRC legal advisers, whether the Group has legally obtained the building ownership rights and land use rights of such properties cannot be ascertained.

5. According to the opinion given by the Company's PRC legal advisers in terms of the CIP of the properties, which contains, inter alias, the following:

(a) The Group has obtained state-owned LURCs and the relevant construction permits for a portion of the CIP with a total planned gross floor area of approximately 3,149.38 sq.m. There will be no material legal impediment for the Group to apply for relevant BOCs after such portion has passed the completion and acceptance inspection.

(b) For the rest portion of the CIP, state-owned LURCs have been obtained by the Group but lack of necessary construction permits. It cannot be ascertained whether the construction works are legally commenced.

6. For the properties mentioned in notes 1(b), 2 to 4, and 5(b), we have attributed no commercial value to them due to the absence of proper title certificates and based on the relevant legal opinion. However, for reference purpose, we are of the opinion that the total capital value of these properties as at the date of valuation would be RMB173,331,000 assuming all valid title certificates of these properties have been obtained and they could be freely transferred.

7. According to the opinion given by the Company's PRC legal advisers, the Group is applying for changing the registered names on the title certificates to its current name, and there is no material legal impediment for the applications. In addition, as advised by the Company, the Group is able to obtain substitute properties to maintain the Group's operations if it has to move out from those properties due to title defect, the relocation shall not have any material adverse effect on the Group's operations and financial status.

8. Pursuant to 91 Tenancy Agreements, a portion of the properties with a total lettable area of approximately 39,598 sq.m. is rented to various parties for various terms with the expiry dates between September 1, 2008 and March 1, 2031 at a total current annual rental of approximately RMB3,937,204. As at the date of valuation, 14 tenancy agreements in relation to the properties with a total lettable area of approximately 2,767 sq.m. have expired, and as advised by the Company, these tenancy agreements are currently being renewed.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at March 31, 2010
				RMB
4.	Various properties of Shanxi Province Branch of the Company located in Shanxi Province the PRC	The properties comprise 577 commercial properties, 18 residential properties and 123 ancillary properties (718 in total) completed in various stages between 1967 and 2009. The properties have a total gross floor area of approximately 783,971.91 sq.m. The details for each use are listed as follows: Use / Gross Floor Area (sq.m.) Commercial 688,839.64 Residential 9,593.67 Ancillary 85,538.60 **Total: ..... 783,971.91** The properties also comprise a parcel of vacant land with a site area of approximately 124 sq.m. and 2 buildings under construction ("CIP") as at the date of valuation. The CIP has a total planned gross floor area of approximately 5,191.36 sq.m. and is scheduled to be completed in June 2010 and August 2010.	The properties are currently occupied by the Group for commercial, residential and ancillary purposes, except for the CIP which was under construction as at the date of valuation and a portion of these properties which is currently rented to various parties (Refer to note 8).	1,876,872,000

Notes:

1. *For 681 items of the properties and the vacant land, the Group has obtained relevant BOCs and LURCs under the name of either Agricultural Bank of China (the predecessor of the Company, the "Former Entity") or the Company.*

   According to the opinion given by the Company's PRC legal advisers, which contains, inter alias, the following:

   (a) The relevant land use rights are granted or state-capital-injected for 667 properties with a total gross floor area of approximately 681,878.12 sq.m. and are granted for the vacant land. The Group has the legal rights to occupy, use, transfer, lease, mortgage or otherwise legally dispose of such properties.

   (b) The relevant land use rights are allocated for 14 properties with a total gross floor area of approximately 54,912.55 sq.m. The Group has the legal rights to occupy and use such properties. After obtaining relevant state-owned LURCs in nature of granted land or land rented from the government, the Group will be entitled to transfer, lease, mortgage or otherwise legally dispose of such properties.

2. *For 4 items of the properties with a total gross floor area of approximately 8,763.25 sq.m., the Group has obtained relevant LURCs under the name of either the Former Entity or the Company but without proper BOCs. The relevant land use rights are allocated or granted.*

   According to the opinion given by the Company's PRC legal advisers, the Group can occupy and use such properties. After obtaining relevant BOCs and state-owned LURCs in nature of granted land or land rented from the government (for allocated land), the Group will be entitled to transfer, lease, mortgage or otherwise legally dispose of such properties.

3. *For 16 items of the properties with a total gross floor area of approximately 19,095.72 sq.m., the Group has obtained relevant BOCs under the name of either the Former Entity or the Company but without proper LURCs.*

   According to the opinion given by the Company's PRC legal advisers, the Group has the legal rights to occupy and use such properties and will be entitled to transfer, lease, mortgage or otherwise legally dispose of such properties after obtaining relevant state-owned LURCs.

4. *For the remaining 17 items of the properties representing a total gross floor area of approximately 19,322.27 sq.m., neither state-owned LURCs nor BOCs have been obtained.*

   According to the opinion given by the Company's PRC legal advisers, whether the Group has legally obtained the building ownership rights and land use rights of such properties cannot be ascertained.

5. *For the CIP of the properties, the Group has obtained state-owned LURCs and the relevant construction permits. According to the opinion given by the Company's PRC legal advisers, there will be no material legal impediment for the Group to apply for relevant BOCs after such portion has passed the completion and acceptance inspection.*

6. *For the properties mentioned in notes 1(b) and 2 to 4, we have attributed no commercial value to them due to the absence of proper title certificates and based on the relevant legal opinion. However, for reference purpose, we are of the opinion that the total capital value of these properties as at the date of valuation would be RMB499,075,000 assuming all valid title certificates of these properties have been obtained and they could be freely transferred.*

7. *According to the opinion given by the Company's PRC legal advisers, the Group is applying for changing the registered names on the title certificates to its current name, and there is no material legal impediment for the applications. In addition, as advised by the Company, the Group is able to obtain substitute properties to maintain the Group's operations if it has to move out from those properties due to title defect, the relocation shall not have any material adverse effect on the Group's operations and financial status.*

8. *Pursuant to 53 Tenancy Agreements, a portion of the properties with a total lettable area of approximately 19,240 sq.m. is rented to various parties for various terms with the expiry dates between April 30, 2009 and November 30, 2030 at a total current annual rental of approximately RMB2,656,570. As at the date of valuation, 4 tenancy agreements in relation to the properties with a total lettable area of approximately 573 sq.m. have expired, and as advised by the Company, these tenancy agreements are currently being renewed.*

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at March 31, 2010
				RMB
5.	Various properties of Inner Mongolia Autonomous Region Branch of the Company located in Inner Mongolia Autonomous Region the PRC	The properties comprise 758 commercial properties, 20 residential properties and 104 ancillary properties (882 in total) completed in various stages between 1979 and 2009. The properties have a total gross floor area of approximately 522,908.95 sq.m. The details for each use are listed as follows: Use / Gross Floor Area (sq.m.) Commercial 471,403.18 Residential 3,953.96 Ancillary 47,551.81 **Total: ..... 522,908.95** The properties also comprise 2 parcels of vacant land with a total site area of approximately 9,333.3 sq.m. and a building under construction ("CIP") as at the date of valuation. The CIP has a planned gross floor area of approximately 1,900.32 sq.m. and is scheduled to be completed in December 2010.	The properties are currently occupied by the Group for commercial, residential and ancillary purposes, except for the CIP which was under construction as at the date of valuation and a portion of these properties which is currently rented to various parties (Refer to note 8).	1,285,092,000

Notes:

1. *For 845 items of the properties and a parcel of vacant land, the Group has obtained relevant BOCs and LURCs under the name of either Agricultural Bank of China (the predecessor of the Company, the "Former Entity") or the Company.*

   According to the opinion given by the Company's PRC legal advisers, which contains, inter alias, the following:

   (a) The relevant land use rights are granted, state-capital-injected or rented from the government for 842 properties with a total gross floor area of approximately 498,550.78 sq.m. and are granted for a parcel of vacant land with a site area of approximately 5,333.3 sq.m. The Group has the legal rights to occupy, use, transfer, lease, mortgage or otherwise legally dispose of such properties.

   (b) The relevant land use rights are allocated for 3 properties with a total gross floor area of approximately 3,562.29 sq.m. The Group has the legal rights to occupy and use such properties. After obtaining relevant state-owned LURCs in nature of granted land or land rented from the government, the Group will be entitled to transfer, lease, mortgage or otherwise legally dispose of such properties.

2. *For 14 items of the properties with a total gross floor area of approximately 9,584.82 sq.m., the Group has obtained relevant LURCs under the name of either the Former Entity or the Company but without proper BOCs. The relevant land use rights are granted or state-capital-injected.*

   According to the opinion given by the Company's PRC legal advisers, the Group can occupy and use such properties. After obtaining relevant BOCs, the Group will be entitled to transfer, lease, mortgage or otherwise legally dispose of such properties.

3. *For 9 items of the properties with a total gross floor area of approximately 6,887.04 sq.m., the Group has obtained relevant BOCs under the name of either the Former Entity or the Company but without proper LURCs.*

   According to the opinion given by the Company's PRC legal advisers, which contains, inter alias, the following:

   (a) A property with a gross floor area of approximately 3,916.01 sq.m. is situated on the state-capital-injection land. However, the relevant LURC of such property is currently under application. There will be no material legal impediment for the Group to obtain relevant state-owned LURC of such property. The Group has the legal rights to occupy, use and lease such property and will be entitled to transfer, mortgage or otherwise legally dispose of such property after obtaining the state-owned LURC in nature of state-capital-injection land.

(b) For the remaining properties, the Group has the legal rights to occupy and use such properties and will be entitled to transfer, lease, mortgage or otherwise legally dispose of such properties after obtaining relevant state-owned LURCs.

4. *For the remaining 14 items of the properties representing a total gross floor area of approximately 4,324.02 sq.m. and a parcel of vacant land with a site area of approximately 4,000 sq.m., neither state-owned LURCs nor BOCs have been obtained.*

   According to the opinion given by the Company's PRC legal advisers, whether the Group has legally obtained the building ownership rights and/or land use rights of such properties cannot be ascertained.

5. *For the CIP of the properties, the Group has obtained the state-owned LURC and relevant construction permits. According to the opinion given by the Company's PRC legal advisers, there will be no material legal impediment for the Group to apply for relevant BOC after such portion has passed the completion and acceptance inspection.*

6. *For the properties mentioned in notes 1(b) and 2 to 4, we have attributed no commercial value to them due to the absence of proper title certificates and based on the relevant legal opinion. However, for reference purpose, we are of the opinion that the total capital value of these properties as at the date of valuation would be RMB170,358,000 assuming all valid title certificates of these properties have been obtained and they could be freely transferred.*

7. *According to the opinion given by the Company's PRC legal advisers, the Group is applying for changing the registered names on the title certificates to its current name, and there is no material legal impediment for the applications. In addition, as advised by the Company, the Group is able to obtain substitute properties to maintain the Group's operations if it has to move out from those properties due to title defect, the relocation shall not have any material adverse effect on the Group's operations and financial status.*

8. *Pursuant to 14 Tenancy Agreements, a portion of the properties with a total lettable area of approximately 2,691 sq.m. is rented to various parties for various terms with the expiry dates between March 31, 2010 and March 31, 2013 at a total current annual rental of approximately RMB491,000.*

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at March 31, 2010
				RMB
6.	Various properties of Liaoning Province Branch of the Company located in Liaoning Province the PRC	The properties comprise 810 commercial properties, 10 residential properties and 182 ancillary properties (1,002 in total) completed in various stages between 1974 and 2009. The properties have a total gross floor area of approximately 762,003.99 sq.m. The details for each use are listed as follows: Use / Gross Floor Area (sq.m.) Commercial 715,802.97 Residential 4,464.12 Ancillary 41,736.90 **Total: ..... 762,003.99** The properties also comprise a parcel of vacant land with a site area of approximately 4,918 sq.m. and a building under construction ("CIP") as at the date of valuation. The CIP has a planned gross floor area of approximately 6,000 sq.m. and is scheduled to be completed in June 2010.	The properties are currently occupied by the Group for commercial, residential and ancillary purposes, except for the CIP which was under construction as at the date of valuation and a portion of these properties which is currently rented to various parties (Refer to note 8).	2,546,868,000

Notes:

1. *For 945 items of the properties and the vacant land, the Group has obtained relevant BOCs and LURCs under the name of either Agricultural Bank of China (the predecessor of the Company, the "Former Entity") or the Company.*

   According to the opinion given by the Company's PRC legal advisers, which contains, inter alias, the following:

   (a) The relevant land use rights are granted, state-capital-injected or rented from the government for 943 properties with a total gross floor area of approximately 718,784.27 sq.m. and are state-capital-injected for the vacant land. The Group has the legal rights to occupy, use, transfer, lease, mortgage or otherwise legally dispose of such properties.

   (b) The relevant land use rights are allocated for 2 properties with a total gross floor area of approximately 5,884 sq.m. The Group has the legal rights to occupy and use such properties. After obtaining relevant state-owned LURCs in nature of granted land or land rented from the government, the Group will be entitled to transfer, lease, mortgage or otherwise legally dispose of such properties.

2. *For 6 items of the properties with a total gross floor area of approximately 3,827.43 sq.m., the Group has obtained relevant LURCs under the name of either the Former Entity or the Company but without proper BOCs. The relevant land use rights are granted or state-capital-injected.*

   According to the opinion given by the Company's PRC legal advisers, the Group can occupy and use such properties. After obtaining relevant BOCs, the Group will be entitled to transfer, lease, mortgage or otherwise legally dispose of such properties.

3. *For 22 items of the properties with a total gross floor area of approximately 11,649.92 sq.m., the Group has obtained relevant BOCs under the name of either the Former Entity or the Company but without proper LURCs.*

   According to the opinion given by the Company's PRC legal advisers, which contains, inter alias, the following:

   (a) 5 properties with a total gross floor area of approximately 2,049.08 sq.m. are situated on the state-capital-injection land. However, the relevant LURCs of such properties are currently under application. There will be no material legal impediment for the Group to obtain relevant state-owned LURCs of such properties. The Group has the legal rights to occupy, use and lease such properties and will be entitled to transfer, mortgage or otherwise legally dispose of such properties after obtaining state-owned LURCs in nature of state-capital-injection land.

   (b) For the remaining properties, the Group has the legal rights to occupy and use such properties and will be entitled to transfer, lease, mortgage or otherwise legally dispose of such properties after obtaining relevant state-owned LURCs.

4. *For the remaining 29 items of the properties representing a total gross floor area of approximately 21,858.37 sq.m., neither state-owned LURCs nor BOCs have been obtained.*

   According to the opinion given by the Company's PRC legal advisers, which contains, inter alias, the following:

   (a) *10 properties with a total gross floor area of approximately 4,103.57 sq.m. are situated on the state-capital-injection land. However, the relevant LURCs of such properties are currently under application. The Group can occupy, use and lease such properties and will be entitled to transfer, mortgage or otherwise legally dispose of such properties after obtaining relevant BOCs and the state-owned LURCs in nature of state-capital-injection land.*

   (b) *For the remaining properties, whether the Group has legally obtained the building ownership rights and land use rights of such properties cannot be ascertained.*

5. *For the CIP of the properties, the Group has obtained the state-owned LURC and relevant construction permits. According to the opinion given by the Company's PRC legal advisers, there will be no material legal impediment for the Group to apply for relevant BOC after such portion has passed the completion and acceptance inspection.*

6. *For the properties mentioned in notes 1(b) and 2 to 4, we have attributed no commercial value to them due to the absence of proper title certificates and based on the relevant legal opinion. However, for reference purpose, we are of the opinion that the total capital value of these properties as at the date of valuation would be RMB233,526,000 assuming all valid title certificates of these properties have been obtained and they could be freely transferred.*

7. *According to the opinion given by the Company's PRC legal advisers, the Group is applying for changing the registered names on the title certificates to its current name, and there is no material legal impediment for the applications. In addition, as advised by the Company, the Group is able to obtain substitute properties to maintain the Group's operations if it has to move out from those properties due to title defect, the relocation shall not have any material adverse effect on the Group's operations and financial status.*

8. *Pursuant to 15 Tenancy Agreements, a portion of the properties with a total lettable area of approximately 6,179 sq.m. is rented to various parties for various terms with the expiry dates between December 31, 2009 and November 14, 2015 at a total current annual rental of approximately RMB1,281,340. As at the date of valuation, a tenancy agreement in relation to a property with a lettable area of approximately 460 sq.m. has expired, and as advised by the Company, the tenancy agreement is currently being renewed.*

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at March 31, 2010
				RMB
7.	Various properties of Jilin Province Branch of the Company located in Jilin Province the PRC	The properties comprise 729 commercial properties, 5 residential properties and 207 ancillary properties (941 in total) completed in various stages between 1954 and 2010. The properties have a total gross floor area of approximately 554,523.4 sq.m. The details for each use are listed as follows: Use / Gross Floor Area (sq.m.) Commercial 498,887.72 Residential 1,027.45 Ancillary 54,608.23 **Total: . . . . 554,523.40** The properties also comprise a building under construction ("CIP") as at the date of valuation. The CIP has a planned gross floor area of approximately 2,427 sq.m. and is scheduled to be completed in November 2010.	The properties are currently occupied by the Group for commercial, residential and ancillary purposes, except for the CIP which was under construction as at the date of valuation and a portion of these properties which is currently rented to various parties (Refer to note 7).	1,620,373,000

Notes:

1. *For 897 items of the properties, the Group has obtained relevant BOCs and LURCs under the name of either Agricultural Bank of China (the predecessor of the Company, the "Former Entity") or the Company.*

   According to the opinion given by the Company's PRC legal advisers, which contains, inter alias, the following:

   (a) *The relevant land use rights are granted, state-capital-injected or rented from the government for 892 properties with a total gross floor area of approximately 526,465.72 sq.m. The Group has the legal rights to occupy, use, transfer, lease, mortgage or otherwise legally dispose of such properties.*

   (b) *The relevant land use rights are allocated for 5 properties with a total gross floor area of approximately 3,220.09 sq.m. The Group has the legal rights to occupy and use such properties. After obtaining relevant state-owned LURCs in nature of granted land or land rented from the government, the Group will be entitled to transfer, lease, mortgage or otherwise legally dispose of such properties.*

2. *For 29 items of the properties with a total gross floor area of approximately 17,017.62 sq.m., the Group has obtained relevant BOCs under the name of either the Former Entity or the Company but without proper LURCs.*

   According to the opinion given by the Company's PRC legal advisers, which contains, inter alias, the following:

   (a) *3 properties with a total gross floor area of approximately 2,434.20 sq.m. are situated on the state-capital-injection land. However, the relevant LURCs of such properties are currently under application. There will be no material legal impediment for the Group to obtain relevant state-owned LURCs of such properties. The Group has the legal rights to occupy, use and lease such properties and will be entitled to transfer, mortgage or otherwise legally dispose of such properties after obtaining state-owned LURCs in nature of state-capital-injection land.*

   (b) *For the remaining properties, the Group has the legal rights to occupy and use such properties and will be entitled to transfer, lease, mortgage or otherwise legally dispose of such properties after obtaining relevant state-owned LURCs.*

3. *For the remaining 15 items of the properties representing a total gross floor area of approximately 7,819.97 sq.m., neither state-owned LURCs nor BOCs have been obtained.*

According to the opinion given by the Company's PRC legal advisers, whether the Group has legally obtained the building ownership rights and land use rights of such properties cannot be ascertained.

4. *For the CIP of the properties, the Group has obtained the state-owned LURC and relevant construction permits. According to the opinion given by the Company's PRC legal advisers, there will be no material legal impediment for the Group to apply for relevant BOC after such portion has passed the completion and acceptance inspection.*

5. *For the properties mentioned in notes 1(b), 2 and 3, we have attributed no commercial value to them due to the absence of proper title certificates and based on the relevant legal opinion. However, for reference purpose, we are of the opinion that the total capital value of these properties as at the date of valuation would be RMB153,918,000 assuming all valid title certificates of these properties have been obtained and they could be freely transferred.*

6. *According to the opinion given by the Company's PRC legal advisers, the Group is applying for changing the registered names on the title certificates to its current name, and there is no material legal impediment for the applications. In addition, as advised by the Company, the Group is able to obtain substitute properties to maintain the Group's operations if it has to move out from those properties due to title defect, the relocation shall not have any material adverse effect on the Group's operations and financial status.*

7. *Pursuant to 16 Tenancy Agreements, a portion of the properties with a total lettable area of approximately 5,374 sq.m. is rented to various parties for various terms with the expiry dates between March 31, 2010 and January 1, 2020 at a total current annual rental of approximately RMB826,034.*

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at March 31, 2010
				RMB
8.	Various properties of Heilongjiang Province Branch of the Company located in Heilongjiang Province the PRC	The properties comprise 748 commercial properties, 28 residential properties and 249 ancillary properties (1,025 in total) in total completed in various stages between 1982 and 2010. The properties have a total gross floor area of approximately 780,241.02 sq.m. The details for each use are listed as follows: Use / Gross Floor Area (sq.m.) Commercial 661,182.01 Residential 4,795.66 Ancillary 114,263.35 **Total: ..... 780,241.02** The properties also comprise a parcel of vacant land with a site area of approximately 777.98 sq.m. and a building under construction ("CIP") as at the date of valuation. The CIP has a planned gross floor area of approximately 2,628 sq.m. and is scheduled to be completed in June 2010.	The properties are currently occupied by the Group for commercial, residential and ancillary purposes, except for the CIP which was under construction as at the date of valuation and a portion of these properties which is currently rented to various parties (Refer to note 8).	1,690,675,000

Notes:

1. *For 941 items of the properties, the Group has obtained relevant BOCs and LURCs under the name of either Agricultural Bank of China (the predecessor of the Company, the "Former Entity") or the Company.*

   According to the opinion given by the Company's PRC legal advisers, which contains, inter alias, the following:

   (a) The relevant land use rights are granted, state-capital-injected or rented from the government for 931 properties with a total gross floor area of approximately 703,456.52 sq.m. The Group has the legal rights to occupy, use, transfer, lease, mortgage or otherwise legally dispose of such properties.

   (b) The relevant land use rights are allocated for 10 properties with a total gross floor area of approximately 5,552.13 sq.m. The Group has the legal rights to occupy and use such properties. After obtaining relevant state-owned LURCs in nature of granted land or land rented from the government, the Group will be entitled to transfer, lease, mortgage or otherwise legally dispose of such properties.

2. *For 5 items of the properties with a total gross floor area of approximately 2,384.22 sq.m, the Group has obtained relevant LURCs under the name of the Company but without proper BOCs. The relevant land use rights are state-capital-injected.*

   According to the opinion given by the Company's PRC legal advisers, the Group can occupy and use such properties. After obtaining relevant BOCs, the Group will be entitled to transfer, lease, mortgage or otherwise legally dispose of such properties.

3. *For 48 items of the properties with a total gross floor area of approximately 46,091.85 sq.m., the Group has obtained relevant BOCs under the name of either the Former Entity or the Company but without proper LURCs.*

   According to the opinion given by the Company's PRC legal advisers, which contains, inter alias, the following:

   (a) 18 properties with a total gross floor area of approximately 8,165.22 sq.m. are situated on the state-capital-injection land. However, the relevant LURCs of such properties are currently under application. There will be no material legal impediment for the Group to obtain relevant state-owned LURCs of such properties. The Group has the legal rights to occupy, use and lease such properties and will be entitled to transfer, mortgage or otherwise legally dispose of such properties after obtaining the state-owned LURCs in nature of state-capital-injection land.

   (b) For the remaining properties, the Group has the legal rights to occupy and use such properties and will be entitled to transfer, lease, mortgage or otherwise legally dispose of such properties after obtaining relevant state-owned LURCs.

4. *For the remaining 31 items of the properties representing a total gross floor area of approximately 22,756.3 sq.m. and the vacant land, neither state-owned LURCs nor BOCs have been obtained.*

   According to the opinion given by the Company's PRC legal advisers, whether the Group has legally obtained the building ownership rights and land use rights of such properties cannot be ascertained.

5. *For the CIP of the properties which is situated on the state-capital-injection land, the Group has obtained the relevant construction permits, but the relevant LURC of such property is currently under application. According to the opinion given by the Company's PRC legal advisers, there will be no material legal impediment for the Group to apply for relevant BOC after such portion has passed the completion and acceptance inspection.*

6. *For the properties mentioned in notes 1(b) and 2 to 5, we have attributed no commercial value to them due to the absence of proper title certificates and based on the relevant legal opinion. However, for reference purpose, we are of the opinion that the total capital value of these properties as at the date of valuation would be RMB349,071,000 assuming all valid title certificates of these properties have been obtained and they could be freely transferred.*

7. *According to the opinion given by the Company's PRC legal advisers, the Group is applying for changing the registered names on the title certificates to its current name, and there is no material legal impediment for the applications. In addition, as advised by the Company, the Group is able to obtain substitute properties to maintain the Group's operations if it has to move out from those properties due to title defect, the relocation shall not have any material adverse effect on the Group's operations and financial status.*

8. *Pursuant to 21 Tenancy Agreements, a portion of the properties with a total lettable area of approximately 9,256 sq.m. is rented to various parties for various terms with the expiry dates between January 1, 2010 and May 1, 2012 at a total current annual rental of approximately RMB1,193,240. As at the date of valuation, 2 tenancy agreements in relation to the properties with a total lettable area of approximately 938 sq.m. have expired, and as advised by the Company, these tenancy agreements are currently being renewed.*

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at March 31, 2010
				RMB
9.	Various properties of Shanghai Municipality Branch of the Company located in Shanghai the PRC	The properties comprise 367 commercial properties, 34 residential properties and 47 ancillary properties (448 in total) completed in various stages between 1936 and 2009. The properties have a total gross floor area of approximately 732,393.63 sq.m. The details for each use are listed as follows: Use / Gross Floor Area (sq.m.) Commercial 638,716.07 Residential 5,268.27 Ancillary 88,409.29 **Total: ..... 732,393.63** The properties also comprise a building under construction ("CIP") as at the date of valuation. The CIP has a planned gross floor area of approximately 18,713 sq.m. and is scheduled to be completed in March 2011.	The properties are currently occupied by the Group for commercial, residential and ancillary purposes, except for the CIP which was under construction as at the date of valuation and a portion of these properties which is currently rented to various parties (Refer to note 8).	5,180,823,000

Notes:

1. *For 365 items of the properties, the Group has obtained relevant BOCs, RETCs and LURCs under the name of either Agricultural Bank of China (the predecessor of the Company, the "Former Entity") or the Company.*

   According to the opinion given by the Company's PRC legal advisers, which contains, inter alias, the following:

   (a) The relevant land use rights are granted, state-capital-injected or rented from the government for 341 properties with a total gross floor area of approximately 491,926.87 sq.m. The Group has the legal rights to occupy, use, transfer, lease, mortgage or otherwise legally dispose of such properties.

   (b) The relevant land use rights are allocated for 24 properties with a total gross floor area of approximately 37,162.66 sq.m. The Group has the legal rights to occupy and use such properties. After obtaining relevant state-owned LURCs in nature of granted land or land rented from the government, the Group will be entitled to transfer, lease, mortgage or otherwise legally dispose of such properties.

2. *For 3 items of the properties with a total gross floor area of approximately 125,043.68 sq.m, the Group has obtained relevant LURCs or RETC under the name of the Former Entity but without proper BOCs. The relevant land use rights are allocated or granted.*

   According to the opinion given by the Company's PRC legal advisers, the Group can occupy and use such properties. After obtaining relevant BOCs and state-owned LURCs in nature of granted land or land rented from the government (for allocated land), the Group will be entitled to transfer, lease, mortgage or otherwise legally dispose of such properties.

3. *For 15 items of the properties with a total gross floor area of approximately 19,099.47 sq.m., the Group has obtained relevant BOCs or RETCs under the name of either the Former Entity or the Company but without proper LURCs.*

   According to the opinion given by the Company's PRC legal advisers, which contains, inter alias, the following:

   (a) 2 properties with a total gross floor area of approximately 468.05 sq.m. are situated on the state-capital-injection land. However, the relevant LURCs of such properties are currently under application. There will be no material legal impediment for the Group to obtain relevant state-owned LURCs of such properties. The Group has the legal rights to occupy, use and lease such properties and will be entitled to transfer, mortgage or otherwise legally dispose of such properties after obtaining the state-owned LURCs in nature of state-capital-injection land.

   (b) For the remaining properties, the Group has the legal rights to occupy and use such properties and will be entitled to transfer, lease, mortgage or otherwise legally dispose of such properties after obtaining relevant state-owned LURCs.

4. *For the remaining 65 items of the properties representing a total gross floor area of approximately 59,160.95 sq.m., neither state-owned LURCs nor BOCs have been obtained.*

   According to the opinion given by the Company's PRC legal advisers, whether the Group has legally obtained the building ownership rights and land use rights of such properties cannot be ascertained.

5. *For the CIP of the properties, the Group has obtained RETC and the relevant construction permits. According to the opinion given by the Company's PRC legal advisers, there will be no material legal impediment for the Group to apply for relevant BOC after such portion has passed the completion and acceptance inspection.*

6. *For the properties mentioned in notes 1(b), 2 to 4, we have attributed no commercial value to them due to the absence of proper title certificates and based on the relevant legal opinion. However, for reference purpose, we are of the opinion that the total capital value of these properties as at the date of valuation would be RMB2,351,259,000 assuming all valid title certificates of these properties have been obtained and they could be freely transferred.*

7. *According to the opinion given by the Company's PRC legal advisers, the Group is applying for changing the registered names on the title certificates to its current name, and there is no material legal impediment for the applications. In addition, as advised by the Company, the Group is able to obtain substitute properties to maintain the Group's operations if it has to move out from those properties due to title defect, the relocation shall not have any material adverse effect on the Group's operations and financial status.*

8. *Pursuant to 84 Tenancy Agreements, a portion of the properties with a total lettable area of approximately 41,197 sq.m. is rented to various parties for various terms with the expiry dates between December 31, 2009 and December 31, 2025 at a total current annual rental of approximately RMB20,187,166. As at the date of valuation, 2 tenancy agreements in relation to the properties with a total lettable area of approximately 4,220 sq.m. have expired, and as advised by the Company, these tenancy agreements are currently being renewed.*

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at March 31, 2010
				RMB
10.	Various properties of Jiangsu Province Branch of the Company located in Jiangsu Province the PRC	The properties comprise 1,867 commercial properties, 266 residential properties and 189 ancillary properties (2,322 in total) completed in various stages between 1940 and 2010. The properties have a total gross floor area of approximately 2,144,474.01 sq.m. The details for each use are listed as follows: Use / Gross Floor Area (sq.m.) Commercial 1,945,132.44 Residential 84,027.70 Ancillary 115,313.87 **Total: . . . . 2,144,474.01** The properties also comprise 6 parcels of vacant land with a total site area of approximately 17,919.14 sq.m. and 12 buildings under construction ("CIP") as at the date of valuation. The CIP has a total planned gross floor area of approximately 27,131.67 sq.m. and is scheduled to be completed between March 2010 and May 2013.	The properties are currently occupied by the Group for commercial, residential and ancillary purposes, except for the CIP which was under construction as at the date of valuation and a portion of these properties which is currently rented to various parties (Refer to note 8).	9,277,126,000

Notes:

1. *For 2,223 items of the properties and the vacant land, the Group has obtained relevant BOCs and LURCs under the name of either Agricultural Bank of China (the predecessor of the Company, the "Former Entity") or the Company.*

   According to the opinion given by the Company's PRC legal advisers, which contains, inter alias, the following:

   (a) The relevant land use rights are granted, state-capital-injected or rented from the government for 2,204 properties with a total gross floor area of approximately 2,055,804.55 sq.m. and are granted or state-capital-injected for the vacant land. The Group has the legal rights to occupy, use, transfer, lease, mortgage or otherwise legally dispose of such properties.

   (b) The relevant land use rights are allocated for 19 properties with a total gross floor area of approximately 15,173.77 sq.m. The Group has the legal rights to occupy and use such properties. After obtaining relevant state-owned LURCs in nature of granted land or land rented from the government, the Group will be entitled to transfer, lease, mortgage or otherwise legally dispose of such properties.

2. *For 12 items of the properties with a total gross floor area of approximately 21,075.95 sq.m, the Group has obtained relevant LURCs under the name of either the Former Entity or the Company but without proper BOCs. The relevant land use rights are granted, state-capital-injected or rented from the government.*

   According to the opinion given by the Company's PRC legal advisers, the Group can occupy and use such properties. After obtaining relevant BOCs, the Group will be entitled to transfer, lease, mortgage or otherwise legally dispose of such properties.

3. *For 36 items of the properties with a total gross floor area of approximately 18,275.85 sq.m., the Group has obtained relevant BOCs under the name of either the Former Entity or the Company but without proper LURCs.*

According to the opinion given by the Company's PRC legal advisers, which contains, inter alias, the following:

(a) 6 properties with a total gross floor area of approximately 5,922.38 sq.m. are situated on the state-capital-injection land. However, the relevant LURCs of such properties are currently under application. There will be no material legal impediment for the Group to obtain relevant state-owned LURCs of such properties. The Group has the legal rights to occupy, use and lease such properties and will be entitled to transfer, mortgage or otherwise legally dispose of such properties after obtaining the state-owned LURCs in nature of state-capital-injection land.

(b) For the remaining properties, the Group has the legal rights to occupy and use such properties and will be entitled to transfer, lease, mortgage or otherwise legally dispose of such properties after obtaining relevant state-owned LURCs.

4. For the remaining 51 items of the properties representing a total gross floor area of approximately 34,143.89 sq.m., neither state-owned LURCs nor BOCs have been obtained.

According to the opinion given by the Company's PRC legal advisers, which contains, inter alias, the following:

(a) 2 properties with a total gross floor area of approximately 1,350.56 sq.m. are situated on the state-capital-injection land. However, the relevant LURCs of such properties are currently under application. The Group can occupy, use and lease such properties and will be entitled to transfer, mortgage or otherwise legally dispose of such properties after obtaining relevant BOCs and the state-owned LURCs in nature of state-capital-injection land.

(b) For the remaining properties, whether the Group has legally obtained the building ownership rights and land use rights of such properties cannot be ascertained.

5. According to the opinion given by the Company's PRC legal advisers in terms of the CIP of the properties, which contains, inter alias, the following:

(a) The Group has obtained state-owned LURCs and the relevant construction permits for a portion of the CIP with a total planned gross floor area of approximately 16,230.67 sq.m. There will be no material legal impediment for the Group to apply for relevant BOCs after such portion has passed the completion and acceptance inspection.

(b) For the rest portion of the CIP, either state-owned LURC and/or the necessary construction permits have not been obtained by the Group. It cannot be ascertained whether the construction works are legally commenced.

6. For the properties mentioned in notes 1(b), 2 to 4 and 5(b), we have attributed no commercial value to them due to the absence of proper title certificates and based on the relevant legal opinion. However, for reference purpose, we are of the opinion that the total capital value of these properties as at the date of valuation would be RMB360,663,000 assuming all valid title certificates of these properties have been obtained and they could be freely transferred.

7. According to the opinion given by the Company's PRC legal advisers, the Group is applying for changing the registered names on the title certificates to its current name, and there is no material legal impediment for the applications. In addition, as advised by the Company, the Group is able to obtain substitute properties to maintain the Group's operations if it has to move out from those properties due to title defect, the relocation shall not have any material adverse effect on the Group's operations and financial status.

8. Pursuant to 194 Tenancy Agreements, a portion of the properties with a total lettable area of approximately 50,124 sq.m. is rented to various parties for various terms with the expiry dates between December 31, 2009 and September 23, 2023 at a total current annual rental of approximately RMB13,673,382. As at the date of valuation, 7 tenancy agreements in relation to the properties with a total lettable area of approximately 2,568 sq.m. have expired, and as advised by the Company, these tenancy agreements are currently being renewed.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at March 31, 2010
				RMB
11.	Various properties of Zhejiang Province Branch of the Company located in Zhejiang Province the PRC	The properties comprise 1,137 commercial properties, 161 residential properties and 135 ancillary properties (1,433 in total) completed in various stages between 1963 and 2009. The properties have a total gross floor area of approximately 1,355,791.22 sq.m. The details for each use are listed as follows: Use / Gross Floor Area (sq.m.) Commercial 1,230,643.74 Residential 34,141.49 Ancillary 91,005.99 **Total: ..... 1,355,791.22** The properties also comprise 9 parcels of vacant land with a total site area of approximately 96,589.51 sq.m. and 3 buildings under construction ("CIP") as at the date of valuation. The CIP has a total planned gross floor area of approximately 3,225 sq.m. and is scheduled to be completed between May 2010 and November 2010.	The properties are currently occupied by the Group for commercial, residential and ancillary purposes, except for the CIP which was under construction as at the date of valuation and a portion of these properties which is currently rented to various parties (Refer to note 8).	7,388,884,000

Notes:

1. *For 1,376 items of the properties and 6 parcels of vacant land, the Group has obtained relevant BOCs and LURCs under the name of either Agricultural Bank of China (the predecessor of the Company, the "Former Entity") or the Company.*

   According to the opinion given by the Company's PRC legal advisers, which contains, inter alias, the following:

   (a) The relevant land use rights are granted, state-capital-injected or rented from the government for 1,366 properties with a total gross floor area of approximately 1,292,940.79 sq.m. and are granted for 6 parcels of vacant land with a total site area of approximately 87,895.59 sq.m. The Group has the legal rights to occupy, use, transfer, lease, mortgage or otherwise legally dispose of such properties.

   (b) The relevant land use rights are allocated for 10 properties with a total gross floor area of approximately 18,357.37 sq.m. The Group has the legal rights to occupy and use such properties. After obtaining relevant state-owned LURCs in nature of granted land or land rented from the government, the Group will be entitled to transfer, lease, mortgage or otherwise legally dispose of such properties.

2. *For 4 items of the properties with a total gross floor area of approximately 6,704.50 sq.m, the Group has obtained relevant LURCs under the name of the Former Entity but without proper BOCs. The relevant land use rights are allocated or granted.*

   According to the opinion given by the Company's PRC legal advisers, the Group can occupy and use such properties. After obtaining relevant BOCs and state-owned LURCs in nature of granted land or land rented from the government (for allocated land), the Group will be entitled to transfer, lease, mortgage or otherwise legally dispose of such properties.

3. *For 26 items of the properties with a total gross floor area of approximately 18,937.32 sq.m., the Group has obtained relevant BOCs under the name of either the Former Entity or the Company but without proper LURCs.*

   According to the opinion given by the Company's PRC legal advisers, which contains, inter alias, the following:

   (a) 5 properties with a total gross floor area of approximately 6,501.34 sq.m. are situated on the state-capital-injection land. However, the relevant LURCs of such properties are currently under application. There will be no material legal impediment for

the Group to obtain relevant state-owned LURCs of such properties. The Group has the legal rights to occupy, use and lease such properties and will be entitled to transfer, mortgage or otherwise legally dispose of such properties after obtaining the state-owned LURCs in nature of state-capital-injection land.

(b) For the remaining properties, the Group has the legal rights to occupy and use such properties and will be entitled to transfer, lease, mortgage or otherwise legally dispose of such properties after obtaining relevant state-owned LURCs.

4. For the remaining 27 items of the properties representing a total gross floor area of approximately 18,851.24 sq.m. and 3 parcels of vacant land with a total site area of approximately 8,693.92 sq.m., neither state-owned LURCs nor BOCs have been obtained.

According to the opinion given by the Company's PRC legal advisers, whether the Group has legally obtained the building ownership rights and land use rights of such properties cannot be ascertained.

5. For the CIP of the properties, either state-owned LURCs and/or necessary construction permits have not been obtained by the Group. According to the opinion given by the Company's PRC legal advisers, it cannot be ascertained whether the construction works are legally commenced.

6. For the properties mentioned in notes 1(b) and 2 to 5, we have attributed no commercial value to them due to the absence of proper title certificates and based on the relevant legal opinion. However, for reference purpose, we are of the opinion that the total capital value of these properties as at the date of valuation would be RMB471,010,000 assuming all valid title certificates of these properties have been obtained and they could be freely transferred.

7. According to the opinion given by the Company's PRC legal advisers, the Group is applying for changing the registered names on the title certificates to its current name, and there is no material legal impediment for the applications. In addition, as advised by the Company, the Group is able to obtain substitute properties to maintain the Group's operations if it has to move out from those properties due to title defect, the relocation shall not have any material adverse effect on the Group's operations and financial status.

8. Pursuant to 231 Tenancy Agreements, a portion of the properties with a total lettable area of approximately 67,102 sq.m. is rented to various parties for various terms with the expiry dates between June 30, 2009 and December 31, 2015 at a total current annual rental of approximately RMB17,973,854. As at the date of valuation, 29 tenancy agreements in relation to the properties with a total lettable area of approximately 4,840 sq.m. have expired, and as advised by the Company, these tenancy agreements are currently being renewed.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at March 31, 2010
				RMB
12.	Various properties of Anhui Province Branch of the Company located in Anhui Province the PRC	The properties comprise 1,107 commercial properties, 158 residential properties and 167 ancillary properties (1,432 in total) completed in various stages between 1970 and 2010. The properties have a total gross floor area of approximately 977,136.68 sq.m. The details for each use are listed as follows: Use / Gross Floor Area (sq.m.) Commercial 870,079.11 Residential 48,017.57 Ancillary 59,040.00 **Total: ..... 977,136.68** The properties also comprise 9 parcels of vacant land with a total site area of approximately 31,207.02 sq.m. and 7 buildings under construction ("CIP") as at the date of valuation. The CIP has a total planned gross floor area of approximately 11,692.2 sq.m. and is scheduled to be completed between April 2010 and December 2011.	The properties are currently occupied by the Group for commercial, residential and ancillary purposes, except for the CIP which was under construction as at the date of valuation and a portion of these properties which is currently rented to various parties (Refer to note 8).	2,599,557,000

Notes:

1. *For 1,394 items of the properties and 8 parcels of vacant land, the Group has obtained relevant BOCs, RETCs and LURCs under the name of either Agricultural Bank of China (the predecessor of the Company, the "Former Entity") or the Company.*

   According to the opinion given by the Company's PRC legal advisers, which contains, inter alias, the following:

   (a) The relevant land use rights are granted or state-capital-injected for 1,388 properties with a total gross floor area of approximately 946,927.97 sq.m. and 7 parcels of vacant land with a total site area of approximately 22,187.02 sq.m. The Group has the legal rights to occupy, use, transfer, lease, mortgage or otherwise legally dispose of such properties.

   (b) The relevant land use rights are allocated for 6 properties with a total gross floor area of approximately 6,519.59 sq.m. and a parcel of vacant land with a site area of approximately 3,020 sq.m. The Group has the legal rights to occupy and use such properties. After obtaining relevant state-owned LURCs in nature of granted land or land rented from the government, the Group will be entitled to transfer, lease, mortgage or otherwise legally dispose of such properties.

2. *For 15 items of the properties with a total gross floor area of approximately 14,647.53 sq.m, the Group has obtained relevant LURCs under the name of the Company but without proper BOCs. The relevant land use rights are granted or state-capital-injected.*

   According to the opinion given by the Company's PRC legal advisers, the Group can occupy and use such properties. After obtaining relevant BOCs, the Group will be entitled to transfer, lease, mortgage or otherwise legally dispose of such properties.

3. *For 5 items of the properties with a total gross floor area of approximately 1,757.27 sq.m., the Group has obtained relevant BOCs under the name of the Company but without proper LURCs.*

   According to the opinion given by the Company's PRC legal advisers, the Group has the legal rights to occupy and use such properties and will be entitled to transfer, lease, mortgage or otherwise legally dispose of such properties after obtaining relevant state-owned LURCs.

4. *For the remaining 18 items of the properties representing a total gross floor area of approximately 7,284.32 sq.m. and a parcel of vacant land with a site area of approximately 6,000 sq.m., neither state-owned LURCs nor BOCs have been obtained.*

According to the opinion given by the Company's PRC legal advisers, whether the Group has legally obtained the building ownership rights and land use rights of such properties cannot be ascertained.

5. *According to the opinion given by the Company's PRC legal advisers in terms of the CIP of the properties, which contains, inter alias, the following:*

   (a) The Group has obtained state-owned LURCs and the relevant construction permits for a portion of the CIP with a total planned gross floor area of approximately 4,509 sq.m. There will be no material legal impediment for the Group to apply for relevant BOCs after such portion has passed the completion and acceptance inspection.

   (b) For the rest portion of the CIP, state-owned LURCs have been obtained by the Group but lack of necessary construction permits. It cannot be ascertained whether the construction works are legally commenced.

6. *For the properties mentioned in notes 1(b), 2 to 4 and 5(b), we have attributed no commercial value to them due to the absence of proper title certificates and based on the relevant legal opinion. However, for reference purpose, we are of the opinion that the total capital value of these properties as at the date of valuation would be RMB148,558,000 assuming all valid title certificates of these properties have been obtained and they could be freely transferred.*

7. *According to the opinion given by the Company's PRC legal advisers, the Group is applying for changing the registered names on the title certificates to its current name, and there is no material legal impediment for the applications. In addition, as advised by the Company, the Group is able to obtain substitute properties to maintain the Group's operations if it has to move out from those properties due to title defect, the relocation shall not have any material adverse effect on the Group's operations and financial status.*

8. *Pursuant to 93 Tenancy Agreements, a portion of the properties with a total lettable area of approximately 27,546 sq.m. is rented to various parties for various terms with the expiry dates between August 31, 2009 and December 31, 2018 at a total current annual rental of approximately RMB3,317,904. As at the date of valuation, 15 tenancy agreements in relation to the properties with a total lettable area of approximately 1,219 sq.m. have expired, and as advised by the Company, these tenancy agreements are currently being renewed.*

VALUATION CERTIFICATE

<table>
<tr><th>No.</th><th>Property</th><th>Description and tenure</th><th>Particulars of occupancy</th><th>Capital value in existing state as at March 31, 2010</th></tr>
<tr><td></td><td></td><td></td><td></td><td>RMB</td></tr>
<tr><td>13.</td><td>Various properties of Fujian Province Branch of the Company located in Fujian Province the PRC</td><td>The properties comprise 847 commercial properties, 234 residential properties and 156 ancillary properties (1,237 in total) completed in various stages between 1972 and 2010.

The properties have a total gross floor area of approximately 980,116.36 sq.m. The details for each use are listed as follows:

Use — Gross Floor Area (sq.m.)
Commercial 799,563.94
Residential 81,754.01
Ancillary 98,798.41
Total: 980,116.36

The properties also comprise 9 parcels of vacant land with a total site area of approximately 20,861.11 sq.m. and 8 buildings under construction (“CIP”) as at the date of valuation. The CIP has a total planned gross floor area of approximately 26,661.27 sq.m. and is scheduled to be completed between March 2010 and December 2010.</td><td>The properties are currently occupied by the Group for commercial, residential and ancillary purposes, except for the CIP which was under construction as at the date of valuation and a portion of these properties which is currently rented to various parties (Refer to note 8).</td><td>2,552,669,000</td></tr>
</table>

Notes:

1. *For 1,206 items of the properties and 8 parcels of vacant land, the Group has obtained relevant BOCs and LURCs under the name of either Agricultural Bank of China (the predecessor of the Company, the “Former Entity”) or the Company.*

   According to the opinion given by the Company’s PRC legal advisers, which contains, inter alias, the following:

   (a) *The relevant land use rights are granted or state-capital-injected for 1,204 properties with a total gross floor area of approximately 942,953.57 sq.m. and 8 parcels of vacant land with a total site area of approximately 11,394.4 sq.m. The Group has the legal rights to occupy, use, transfer, lease, mortgage or otherwise legally dispose of such properties.*

   (b) *The relevant land use rights are allocated for 2 properties with a total gross floor area of approximately 3,434.13 sq.m. The Group has the legal rights to occupy and use such properties. After obtaining relevant state-owned LURCs in nature of granted land or land rented from the government, the Group will be entitled to transfer, lease, mortgage or otherwise legally dispose of such properties.*

2. *For 4 items of the properties with a total gross floor area of approximately 3,338.9 sq.m, the Group has obtained relevant LURCs under the name of either the Former Entity or the Company but without proper BOCs. The relevant land use rights are allocated or state-capital-injected.*

   According to the opinion given by the Company’s PRC legal advisers, the Group can occupy and use such properties. After obtaining relevant BOCs and state-owned LURCs in nature of granted land or land rented from the government (for allocated land), the Group will be entitled to transfer, lease, mortgage or otherwise legally dispose of such properties.

3. *For 7 items of the properties with a total gross floor area of approximately 3,475.93 sq.m., the Group has obtained relevant BOCs under the name of the Company but without proper LURCs.*

   According to the opinion given by the Company’s PRC legal advisers, the Group has the legal rights to occupy and use such properties and will be entitled to transfer, lease, mortgage or otherwise legally dispose of such properties after obtaining relevant state-owned LURCs.

4. *For the remaining 20 items of the properties representing a total gross floor area of approximately 26,913.83 sq.m. and a parcel of vacant land with a site area of approximately 9,466.71 sq.m., neither state-owned LURCs nor BOCs have been obtained.*

According to the opinion given by the Company's PRC legal advisers, whether the Group has legally obtained the building ownership rights and land use rights of such properties cannot be ascertained.

5. *According to the opinion given by the Company's PRC legal advisers in terms of the CIP of the properties, which contains, inter alias, the following:*

   (a) The Group has obtained state-owned LURCs and the relevant construction permits for a portion of the CIP with a total planned gross floor area of approximately 4,267 sq.m. There will be no material legal impediment for the Group to apply for relevant BOCs after such portion has passed the completion and acceptance inspection.

   (b) For the rest portion of the CIP, either state-owned LURCs or necessary construction permits have not been obtained by the Group. It cannot be ascertained whether the construction works are legally commenced.

6. *For the properties mentioned in notes 1(b), 2 to 4 and 5(b), we have attributed no commercial value to them due to the absence of proper title certificates and based on the relevant legal opinion. However, for reference purpose, we are of the opinion that the total capital value of these properties as at the date of valuation would be RMB183,944,000 assuming all valid title certificates of these properties have been obtained and they could be freely transferred.*

7. *According to the opinion given by the Company's PRC legal advisers, the Group is applying for changing the registered names on the title certificates to its current name, and there is no material legal impediment for the applications. In addition, as advised by the Company, the Group is able to obtain substitute properties to maintain the Group's operations if it has to move out from those properties due to title defect, the relocation shall not have any material adverse effect on the Group's operations and financial status.*

8. *Pursuant to 88 Tenancy Agreements, a portion of the properties with a total lettable area of approximately 18,032 sq.m. is rented to various parties for various terms with the expiry dates between December 31, 2009 and December 31, 2019 at a total current annual rental of approximately RMB3,612,532. As at the date of valuation, 7 tenancy agreements in relation to the properties with a total lettable area of approximately 2,016 sq.m. have expired, and as advised by the Company, these tenancy agreements are currently being renewed.*

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at March 31, 2010
				RMB
14.	Various properties of Jiangxi Province Branch of the Company located in Jiangxi Province the PRC	The properties comprise 874 commercial properties, 106 residential properties and 170 ancillary properties (1,150 in total) completed in various stages between 1950 and 2010. The properties have a total gross floor area of approximately 978,183.88 sq.m. The details for each use are listed as follows: Use / Gross Floor Area (sq.m.) Commercial 851,300.33 Residential 51,003.10 Ancillary 75,880.45 **Total: ..... 978,183.88** The properties also comprise 3 parcels of vacant land with a total site area of approximately 4,390.15 sq.m. and 26 buildings under construction ("CIP") as at the date of valuation. The CIP has a total planned gross floor area of approximately 29,800.38 sq.m. and is scheduled to be completed between May 2010 and December 2010.	The properties are currently occupied by the Group for commercial, residential and ancillary purposes, except for the CIP which was under construction as at the date of valuation and a portion of these properties which is currently rented to various parties (Refer to note 8).	2,315,225,000

Notes:

1. *For 1,127 items of the properties with a total gross floor area of approximately 940,846.72 sq.m. and the vacant land the Group has obtained relevant BOCs and/or LURCs under the name of the Company.*

   According to the opinion given by the Company's PRC legal advisers, the relevant land use rights are granted or state-capital-injected. The Group has the legal rights to occupy, use, transfer, lease, mortgage or otherwise legally dispose of such properties.

2. *For 2 items of the properties with a total gross floor area of approximately 661 sq.m, the Group has obtained relevant LURCs under the name of the Company but without proper BOCs. The relevant land use rights are granted or state-capital-injected.*

   According to the opinion given by the Company's PRC legal advisers, the Group can occupy and use such properties. After obtaining relevant BOCs, the Group will be entitled to transfer, lease, mortgage or otherwise legally dispose of such properties.

3. *For 8 items of the properties with a total gross floor area of approximately 29,637.48 sq.m., the Group has obtained relevant BOCs under the name of the Company but without proper LURCs.*

   According to the opinion given by the Company's PRC legal advisers, which contains, inter alias, the following:

   (a) 5 properties with a total gross floor area of approximately 28,617.33 sq.m. are situated on the state-capital-injection land. However, the relevant LURCs of such properties are currently under application. There will be no material legal impediment for the Group to obtain relevant state-owned LURCs of such properties. The Group has the legal rights to occupy, use and lease such properties and will be entitled to transfer, mortgage or otherwise legally dispose of such properties after obtaining the state-owned LURCs in nature of state-capital-injection land.

   (b) For the remaining properties, the Group has the legal rights to occupy and use such properties and will be entitled to transfer, lease, mortgage or otherwise legally dispose of such properties after obtaining relevant state-owned LURCs.

4. For the remaining 13 items of the properties representing a total gross floor area of approximately 7,038.68 sq.m., neither state-owned LURCs nor BOCs have been obtained.

According to the opinion given by the Company's PRC legal advisers, which contains, inter alias, the following:

(a) A property with a gross floor area of approximately 30 sq.m. is situated on the state-capital-injection land. However, the relevant LURC of such property is currently under application. The Group has the legal rights to occupy, use and lease such property and will be entitled to transfer, mortgage or otherwise legally dispose of such property after obtaining relevant BOC and the state-owned LURC in nature of state-capital-injection land.

(b) For the remaining properties, whether the Group has legally obtained the building ownership rights and land use rights of such properties cannot be ascertained.

5. According to the opinion given by the Company's PRC legal advisers in terms of the CIP of the properties, which contains, inter alias, the following:

(a) The Group has obtained state-owned LURCs and the relevant construction permits for a portion of the CIP with a total planned gross floor area of approximately 17,448.1 sq.m. There will be no material legal impediment for the Group to apply for relevant BOCs after such portion has passed the completion and acceptance inspection.

(b) For the rest portion of the CIP, state-owned LURCs have been obtained by the Group but lack of necessary construction permits. It cannot be ascertained whether the construction works are legally commenced.

6. For the properties mentioned in notes 2 to 4 and 5(b), we have attributed no commercial value to them due to the absence of proper title certificates and based on the relevant legal opinion. However, for reference purpose, we are of the opinion that the total capital value of these properties as at the date of valuation would be RMB419,034,000 assuming all valid title certificates of these properties have been obtained and they could be freely transferred.

7. According to the opinion given by the Company's PRC legal advisers, the Group is applying for changing the registered names on the title certificates to its current name, and there is no material legal impediment for the applications. In addition, as advised by the Company, the Group is able to obtain substitute properties to maintain the Group's operations if it has to move out from those properties due to title defect, the relocation shall not have any material adverse effect on the Group's operations and financial status.

8. Pursuant to 121 Tenancy Agreements, a portion of the properties with a total lettable area of approximately 24,481 sq.m. is rented to various parties for various terms with the expiry dates between May 31, 2007 and September 9, 2018 at a total current annual rental of approximately RMB3,186,966. As at the date of valuation, 51 tenancy agreements in relation to the properties with a total lettable area of approximately 6,853 sq.m. have expired, and as advised by the Company, these tenancy agreements are currently being renewed.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at March 31, 2010
				RMB
15.	Various properties of Shandong Province Branch of the Company located in Shandong Province the PRC	The properties comprise 1,710 commercial properties, 199 residential properties and 899 ancillary properties (2,808 in total) completed in various stages between 1970 and 2010. The properties have a total gross floor area of approximately 1,996,561.17 sq.m. The details for each use are listed as follows: Use / Gross Floor Area (sq.m.) Commercial 1,674,800.30 Residential 73,491.49 Ancillary 248,269.38 **Total: ..... 1,996,561.17** The properties also comprise 8 parcels of vacant land with a total site area of approximately 16,180.17 sq.m. and 12 buildings under construction ("CIP") as at the date of valuation. The CIP has a total planned gross floor area of approximately 21,957.16 sq.m. and is scheduled to be completed between April 2010 and November 2010.	The properties are currently occupied by the Group for commercial, residential and ancillary purposes, except for the CIP which was under construction as at the date of valuation and a portion of these properties which is currently rented to various parties (Refer to note 8).	4,398,440,000

Notes:

1. *For 2,672 items of the properties and the vacant land, the Group has obtained relevant BOCs, and LURCs under the name of either Agricultural Bank of China (the predecessor of the Company, the "Former Entity") or the Company.*

   According to the opinion given by the Company's PRC legal advisers, which contains, inter alias, the following:

   (a) The relevant land use rights are granted, state-capital-injected or rented from the government for 2,659 properties with a total gross floor area of approximately 1,889,316.9 sq.m. and are granted or state-capital-injected for the vacant land. The Group has the legal rights to occupy, use, transfer, lease, mortgage or otherwise legally dispose of such properties.

   (b) The relevant land use rights are allocated for 13 properties with a total gross floor area of approximately 6,536.71 sq.m. The Group has the legal rights to occupy and use such properties. After obtaining relevant state-owned LURCs in nature of granted land or land rented from the government, the Group will be entitled to transfer, lease, mortgage or otherwise legally dispose of such properties.

2. *For 3 items of the properties with a total gross floor area of approximately 1,752.2 sq.m, the Group has obtained relevant LURCs under the name of the Company but without proper BOCs. The relevant land use rights are granted or state-capital-injected.*

   According to the opinion given by the Company's PRC legal advisers, the Group can occupy and use such properties. After obtaining relevant BOCs, the Group will be entitled to transfer, lease, mortgage or otherwise legally dispose of such properties.

3. *For 59 items of the properties with a total gross floor area of approximately 32,691.17 sq.m., the Group has obtained relevant BOCs under the name of either the Former Entity or the Company but without proper LURCs.*

   According to the opinion given by the Company's PRC legal advisers, which contains, inter alias, the following:

   (a) 9 properties with a total gross floor area of approximately 3,818.82 sq.m. are situated on the state-capital-injection land. However, the relevant LURCs of such properties are currently under application. There will be no material legal impediment for

the Group to obtain relevant state-owned LURCs of such properties. The Group has the legal rights to occupy, use and lease such properties and will be entitled to transfer, mortgage or otherwise legally dispose of such properties after obtaining the state-owned LURCs in nature of state-capital-injection land.

(b) For the remaining properties, the Group has the legal rights to occupy and use such properties and will be entitled to transfer, lease, mortgage or otherwise legally dispose of such properties after obtaining relevant state-owned LURCs.

4. For the remaining 74 items of the properties representing a total gross floor area of approximately 66,264.19 sq.m., neither state-owned LURCs nor BOCs have been obtained.

According to the opinion given by the Company's PRC legal advisers, which contains, inter alias, the following:

(a) 2 properties with a total gross floor area of approximately 1,386.02 sq.m. are situated on the state-capital-injection land. However, the relevant LURCs of such properties are currently under application. The Group can occupy, use and lease such properties and will be entitled to transfer, mortgage or otherwise legally dispose of such properties after obtaining relevant BOCs and the state-owned LURCs in nature of state-capital-injection land.

(b) For the remaining properties, whether the Group has legally obtained the building ownership rights and land use rights of such properties cannot be ascertained.

5. According to the opinion given by the Company's PRC legal advisers in terms of the CIP of the properties, which contains, inter alias, the following:

(a) The Group has obtained state-owned LURCs and the relevant construction permits for a portion of the CIP with a total planned gross floor area of approximately 15,690.41 sq.m. There will be no material legal impediment for the Group to apply for relevant BOCs after such portion has passed the completion and acceptance inspection.

(b) For a portion of the CIP with a total planned gross floor area of approximately 3,392.5 sq.m., the relevant land use rights are allocated or the relevant LURCs in nature of state-capital-injection land are currently under application, and the relevant construction permits have been obtained by the Group. There will be no material legal impediment for the Group to apply for relevant BOCs after such portion has passed the completion and acceptance inspection.

(c) For the rest portion of the CIP, state-owned LURCs have been obtained by the Group but lack of necessary construction permits. It cannot be ascertained whether the construction works are legally commenced.

6. For the properties mentioned in notes 1(b), 2 to 4, 5(b) and 5(c), we have attributed no commercial value to them due to the absence of proper title certificates and based on the relevant legal opinion. However, for reference purpose, we are of the opinion that the total capital value of these properties as at the date of valuation would be RMB358,496,000 assuming all valid title certificates of these properties have been obtained and they could be freely transferred.

7. According to the opinion given by the Company's PRC legal advisers, the Group is applying for changing the registered names on the title certificates to its current name, and there is no material legal impediment for the applications. In addition, as advised by the Company, the Group is able to obtain substitute properties to maintain the Group's operations if it has to move out from those properties due to title defect, the relocation shall not have any material adverse effect on the Group's operations and financial status.

8. Pursuant to 229 Tenancy Agreements, a portion of the properties with a total lettable area of approximately 69,047 sq.m. is rented to various parties for various terms with the expiry dates between March 31, 2010 and March 31, 2029 at a total current annual rental of approximately RMB10,706,736.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at March 31, 2010
				RMB
16.	Various properties of Henan Province Branch of the Company located in Henan Province the PRC	The properties comprise 1,473 commercial properties, 81 residential properties and 230 ancillary properties (1,784 in total) completed in various stages between 1952 and 2009. The properties have a total gross floor area of approximately 1,906,206.18 sq.m. The details for each use are listed as follows: Use / Gross Floor Area (sq.m.) Commercial 1,708,361.15 Residential 53,435.34 Ancillary 144,409.69 **Total: ..... 1,906,206.18** The properties also comprise 10 parcels of vacant land with a total site area of approximately 271,302.3 sq.m. and 12 buildings under construction ("CIP") as at the date of valuation. The CIP has a total planned gross floor area of approximately 15,092.36 sq.m. and is scheduled to be completed between March 2010 and December 2010.	The properties are currently occupied by the Group for commercial, residential and ancillary purposes, except for the CIP which was under construction as at the date of valuation and a portion of these properties which is currently rented to various parties (Refer to note 8).	3,695,621,000

Notes:

1. *For 1670 items of the properties and 9 parcels of vacant land, the Group has obtained relevant BOCs, RETCs and LURCs under the name of either Agricultural Bank of China (the predecessor of the Company, the "Former Entity") or the Company.*

   According to the opinion given by the Company's PRC legal advisers, which contains, inter alias, the following:

   (a) The relevant land use rights are granted or state-capital-injected for 1,618 properties with a total gross floor area of approximately 1,688,477.18 sq.m. and 8 parcels of vacant land with a total site area of approximately 37,917.8 sq.m. The Group has the legal rights to occupy, use, transfer, lease, mortgage or otherwise legally dispose of such properties.

   (b) The relevant land use rights are allocated for 52 properties with a total gross floor area of approximately 58,362.73 sq.m. and a parcel of vacant land with a site area of approximately 233,334.5 sq.m. The Group has the legal rights to occupy and use such properties. After obtaining relevant state-owned LURCs in nature of granted land or land rented from the government, the Group will be entitled to transfer, lease, mortgage or otherwise legally dispose of such properties.

2. *For 14 items of the properties with a total gross floor area of approximately 6,856.16 sq.m., the Group has obtained relevant LURCs under the name of either the Former Entity or the Company but without proper BOCs. The relevant land use rights are allocated, granted or state-capital-injected.*

   According to the opinion given by the Company's PRC legal advisers, the Group can occupy and use such properties. After obtaining relevant BOCs and state-owned LURCs in nature of granted land or land rented from the government (for allocated land), the Group will be entitled to transfer, lease, mortgage or otherwise legally dispose of such properties.

3. *For 54 items of the properties with a total gross floor area of approximately 50,762.29 sq.m., the Group has obtained relevant BOCs under the name of either the Former Entity or the Company but without proper LURCs.*

   According to the opinion given by the Company's PRC legal advisers, which contains, inter alias, the following:

   (a) 4 properties with a total gross floor area of approximately 1,266.42 sq.m. are situated on the state-capital-injection land. However, the relevant LURCs of such properties are currently under application. There will be no material legal impediment for the Group to

obtain relevant state-owned LURCs of such properties. The Group has the legal rights to occupy, use and lease such properties and will be entitled to transfer, mortgage or otherwise legally dispose of such properties after obtaining the state-owned LURCs in nature of state-capital-injection land.

(b) For the remaining properties, the Group has the legal rights to occupy and use such properties and will be entitled to transfer, lease, mortgage or otherwise legally dispose of such properties after obtaining relevant state-owned LURCs.

4. For the remaining 46 items of the properties representing a total gross floor area of approximately 101,747.82 sq.m. and a parcel of vacant land with a site area of approximately 50 sq.m., neither state-owned LURCs nor BOCs have been obtained.

According to the opinion given by the Company's PRC legal advisers, whether the Group has legally obtained the building ownership rights and land use rights of such properties cannot be ascertained.

5. According to the opinion given by the Company's PRC legal advisers in terms of the CIP of the properties, which contains, inter alias, the following:

(a) The Group has obtained state-owned LURCs and the relevant construction permits for a portion of the CIP with a total planned gross floor area of approximately 7,075 sq.m. There will be no material legal impediment for the Group to apply for relevant BOCs after such portion has passed the completion and acceptance inspection.

(b) For a portion of the CIP with a planned gross floor area of approximately 699.36 sq.m., the relevant land use rights are allocated, and the relevant construction permits have been obtained by the Group. There will be no material legal impediment for the Group to apply for relevant BOC after such portion has passed the completion and acceptance inspection.

(c) For the rest portion of the CIP, state-owned LURCs have been obtained by the Group but lack of necessary construction permits. It cannot be ascertained whether the construction works are legally commenced.

6. For the properties mentioned in notes 1(b), 2 to 4, 5(b) and 5(c), we have attributed no commercial value to them due to the absence of proper title certificates and based on the relevant legal opinion. However, for reference purpose, we are of the opinion that the total capital value of these properties as at the date of valuation would be RMB705,447,000 assuming all valid title certificates of these properties have been obtained and they could be freely transferred.

7. According to the opinion given by the Company's PRC legal advisers, the Group is applying for changing the registered names on the title certificates to its current name, and there is no material legal impediment for the applications. In addition, as advised by the Company, the Group is able to obtain substitute properties to maintain the Group's operations if it has to move out from those properties due to title defect, the relocation shall not have any material adverse effect on the Group's operations and financial status.

8. Pursuant to 424 Tenancy Agreements, a portion of the properties with a total lettable area of approximately 183,710 sq.m. is rented to various parties for various terms with the expiry dates between December 31, 2009 and September 1, 2020 at a total current annual rental of approximately RMB18,425,305. As at the date of valuation, 51 tenancy agreements in relation to the properties with a total lettable area of approximately 6,857 sq.m. have expired, and as advised by the Company, these tenancy agreements are currently being renewed.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at March 31, 2010
				RMB
17.	Various properties of Hubei Province Branch of the Company located in Hubei Province the PRC	The properties comprise 1,171 commercial properties, 116 residential properties and 143 ancillary properties (1,430 in total) completed in various stages between 1957 and 2009. The properties have a total gross floor area of approximately 1,398,496.99 sq.m. The details for each use are listed as follows: Use / Gross Floor Area (sq.m.) Commercial 1,242,428.88 Residential 56,068.96 Ancillary 99,999.15 **Total: ..... 1,398,496.99** The properties also comprise 10 parcels of vacant land with a total site area of approximately 30,758.12 sq.m. and 10 buildings under construction ("CIP") as at the date of valuation. The CIP has a total planned gross floor area of approximately 19,120 sq.m. and is scheduled to be completed between May 2010 and December 2012.	The properties are currently occupied by the Group for commercial, residential and ancillary purposes, except for the CIP which was under construction as at the date of valuation and a portion of these properties which is currently rented to various parties (Refer to note 8).	3,580,858,000

Notes:

1. *For 1,374 items of the properties and 9 parcels of vacant land, the Group has obtained relevant BOCs and LURCs under the name of either Agricultural Bank of China (the predecessor of the Company, the "Former Entity") or the Company.*

   According to the opinion given by the Company's PRC legal advisers, which contains, inter alias, the following:

   (a) The relevant land use rights are granted, state-capital-injected or rented from the government for 1,340 properties with a total gross floor area of approximately 1,288,638.72 sq.m. and are granted or state-capital-injected for the 9 parcels of vacant land with a total site area of approximately 30,708.12 sq.m. The Group has the legal rights to occupy, use, transfer, lease, mortgage or otherwise legally dispose of such properties.

   (b) The relevant land use rights are allocated for 34 properties with a total gross floor area of approximately 33,743.7 sq.m. The Group has the legal rights to occupy and use such properties. After obtaining relevant state-owned LURCs in nature of granted land or land rented from the government, the Group will be entitled to transfer, lease, mortgage or otherwise legally dispose of such properties.

2. *For 6 items of the properties with a total gross floor area of approximately 16,730.27 sq.m., the Group has obtained relevant LURCs under the name of either the Former Entity or the Company but without proper BOCs. The relevant land use rights are granted or state-capital-injected.*

   According to the opinion given by the Company's PRC legal advisers, the Group can occupy and use such properties. After obtaining relevant BOCs, the Group will be entitled to transfer, lease, mortgage or otherwise legally dispose of such properties.

3. *For 38 items of the properties with a total gross floor area of approximately 50,987.6 sq.m., the Group has obtained relevant BOCs under the name of either the Former Entity or the Company but without proper LURCs.*

   According to the opinion given by the Company's PRC legal advisers, which contains, inter alias, the following:

   (a) 31 properties with a total gross floor area of approximately 47,004.17 sq.m. are situated on the state-capital-injection land. However, the relevant LURCs of such properties are currently under application. There will be no material legal impediment for

the Group to obtain relevant state-owned LURCs of such properties. The Group has the legal rights to occupy, use and lease such properties and will be entitled to transfer, mortgage or otherwise legally dispose of such properties after obtaining the state-owned LURCs in nature of state-capital-injection land.

(b) For the remaining properties, the Group has the legal rights to occupy and use such properties and will be entitled to transfer, lease, mortgage or otherwise legally dispose of such properties after obtaining relevant state-owned LURCs.

4. For the remaining 12 items of the properties representing a total gross floor area of approximately 8,396.7 sq.m. and a parcel of vacant land with a site area of approximately 50 sq.m., neither state-owned LURCs nor BOCs have been obtained.

According to the opinion given by the Company's PRC legal advisers, which contains, inter alias, the following:

(a) A property with a gross floor area of approximately 200 sq.m. is situated on the state-capital-injection land. However, the relevant LURC of such property is currently under application. The Group can occupy, use and lease such property and will be entitled to transfer, mortgage or otherwise legally dispose of such property after obtaining relevant BOC and the state-owned LURC in nature of state-capital-injection land.

(b) For the remaining properties, whether the Group has legally obtained the building ownership rights and land use rights of such properties cannot be ascertained.

5. According to the opinion given by the Company's PRC legal advisers in terms of the CIP of the properties, which contains, inter alias, the following:

(a) The Group has obtained state-owned LURCs and the relevant construction permits for a portion of the CIP with a total planned gross floor area of approximately 12,520 sq.m. There will be no material legal impediment for the Group to apply for relevant BOCs after such portion has passed the completion and acceptance inspection.

(b) For the rest portion of the CIP, either state-owned LURC or necessary construction permits have not been obtained by the Group. It cannot be ascertained whether the construction works are legally commenced.

6. For the properties mentioned in notes 1(b), 2 to 4 and 5(b), we have attributed no commercial value to them due to the absence of proper title certificates and based on the relevant legal opinion. However, for reference purpose, we are of the opinion that the total capital value of these properties as at the date of valuation would be RMB440,682,000 assuming all valid title certificates of these properties have been obtained and they could be freely transferred.

7. According to the opinion given by the Company's PRC legal advisers, the Group is applying for changing the registered names on the title certificates to its current name, and there is no material legal impediment for the applications. In addition, as advised by the Company, the Group is able to obtain substitute properties to maintain the Group's operations if it has to move out from those properties due to title defect, the relocation shall not have any material adverse effect on the Group's operations and financial status.

8. Pursuant to 343 Tenancy Agreements, a portion of the properties with a total lettable area of approximately 88,258 sq.m. is rented to various parties for various terms with the expiry dates between June 30, 2006 and April 11, 2021 at a total current annual rental of approximately RMB13,167,348. As at the date of valuation, 136 tenancy agreements in relation to the properties with a total lettable area of approximately 40,023 sq.m. have expired, and as advised by the Company, these tenancy agreements are currently being renewed.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at March 31, 2010
				RMB
18.	Various properties of Hunan Province Branch of the Company located in Hunan Province the PRC	The properties comprise 1,095 commercial properties, 219 residential properties and 231 ancillary properties (1,545 in total) completed in various stages between 1964 and 2009. The properties have a total gross floor area of approximately 1,284,175.46 sq.m. The details for each use are listed as follows: Use / Gross Floor Area (sq.m.) Commercial 1,036,222.51 Residential 107,687.03 Ancillary 140,265.92 **Total: ..... 1,284,175.46** The properties also comprise 4 parcels of vacant land with a total site area of approximately 4,023.16 sq.m. and 17 buildings under construction ("CIP") as at the date of valuation. The CIP has a total planned gross floor area of approximately 37,089.8 sq.m. and is scheduled to be completed between April 2010 and December 2011.	The properties are currently occupied by the Group for commercial, residential and ancillary purposes, except for the CIP which was under construction as at the date of valuation and a portion of these properties which is currently rented to various parties (Refer to note 8).	3,381,270,000

Notes:

1. *For 1,504 items of the properties and the vacant land, the Group has obtained relevant BOCs and LURCs under the name of either Agricultural Bank of China (the predecessor of the Company, the "Former Entity") or the Company.*

   According to the opinion given by the Company's PRC legal advisers, which contains, inter alias, the following:

   (a) The relevant land use rights are granted or state-capital-injected for 1,494 properties with a total gross floor area of approximately 1,256,926.67 sq.m. and the vacant land. The Group has the legal rights to occupy, use, transfer, lease, mortgage or otherwise legally dispose of such properties.

   (b) The relevant land use rights are allocated for 10 properties with a total gross floor area of approximately 9,378.96 sq.m. The Group has the legal rights to occupy and use such properties. After obtaining relevant state-owned LURCs in nature of granted land or land rented from the government, the Group will be entitled to transfer, lease, mortgage or otherwise legally dispose of such properties.

2. *For 7 items of the properties with a total gross floor area of approximately 5,083.94 sq.m., the Group has obtained relevant LURCs under the name of either the Former Entity or the Company but without proper BOCs. The relevant land use rights are allocated, granted or state-capital-injected.*

   According to the opinion given by the Company's PRC legal advisers, the Group can occupy and use such properties. After obtaining relevant BOCs and state-owned LURCs in nature of granted land or land rented from the government (for allocated land), the Group will be entitled to transfer, lease, mortgage or otherwise legally dispose of such properties.

3. *For 15 items of the properties with a total gross floor area of approximately 3,355.91 sq.m., the Group has obtained relevant BOCs under the name of either the Former Entity or the Company but without proper LURCs.*

   According to the opinion given by the Company's PRC legal advisers, which contains, inter alias, the following:

   (a) A property with a gross floor area of approximately 1,428.84 sq.m. is situated on the state-capital-injection land. However, the relevant LURC of such property is currently under application. There will be no material legal impediment for the Group to obtain

relevant state-owned LURC of such property. The Group has the legal rights to occupy, use and lease such properties and will be entitled to transfer, mortgage or otherwise legally dispose of such property after obtaining the state-owned LURC in nature of state-capital-injection land.

(b) For the remaining properties, the Group has the legal rights to occupy and use such properties and will be entitled to transfer, lease, mortgage or otherwise legally dispose of such properties after obtaining relevant state-owned LURCs.

4. For the remaining 19 items of the properties representing a total gross floor area of approximately 9,429.98 sq.m., neither state-owned LURCs nor BOCs have been obtained.

According to the opinion given by the Company's PRC legal advisers, which contains, inter alias, the following:

(a) 4 properties with a total gross floor area of approximately 3,156.81 sq.m. are situated on the state-capital-injection land. However, the relevant LURCs of such properties are currently under application. The Group can occupy, use and lease such properties and will be entitled to transfer, mortgage or otherwise legally dispose of such property after obtaining relevant BOCs and the state-owned LURCs in nature of state-capital-injection land.

(b) For the remaining properties, whether the Group has legally obtained the building ownership rights and land use rights of such properties cannot be ascertained.

5. According to the opinion given by the Company's PRC legal advisers in terms of the CIP of the properties, which contains, inter alias, the following:

(a) The Group has obtained state-owned LURCs and the relevant construction permits for a portion of the CIP with a total planned gross floor area of approximately 28,319.8 sq.m. There will be no material legal impediment for the Group to apply for relevant BOCs after such portion has passed the completion and acceptance inspection.

(b) For the rest portion of the CIP, state-owned LURCs have been obtained by the Group but lack of necessary construction permits. It cannot be ascertained whether the construction works are legally commenced.

6. For the properties mentioned in notes 1(b), 2 to 4 and 5(b), we have attributed no commercial value to them due to the absence of proper title certificates and based on the relevant legal opinion. However, for reference purpose, we are of the opinion that the total capital value of these properties as at the date of valuation would be RMB176,052,000 assuming all valid title certificates of these properties have been obtained and they could be freely transferred.

7. According to the opinion given by the Company's PRC legal advisers, the Group is applying for changing the registered names on the title certificates to its current name, and there is no material legal impediment for the applications. In addition, as advised by the Company, the Group is able to obtain substitute properties to maintain the Group's operations if it has to move out from those properties due to title defect, the relocation shall not have any material adverse effect on the Group's operations and financial status.

8. Pursuant to 339 Tenancy Agreements, a portion of the properties with a total lettable area of approximately 86,280 sq.m. is rented to various parties for various terms with the expiry dates between May 31, 2009 and October 31, 2020 at a total current annual rental of approximately RMB15,608,204. As at the date of valuation, 15 tenancy agreements in relation to the properties with a total lettable area of approximately 7,355 sq.m. have expired, and as advised by the Company, these tenancy agreements are currently being renewed.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at March 31, 2010
				RMB
19.	Various properties of Guangdong Province Branch of the Company located in Guangdong Province the PRC	The properties comprise 1,617 commercial properties, 227 residential properties and 139 ancillary properties (1,983 in total) completed in various stages between 1980 and 2010. The properties have a total gross floor area of approximately 1,752,574.23 sq.m. The details for each use are listed as follows: Use / Gross Floor Area (sq.m.) Commercial 1,602,892.90 Residential 79,965.72 Ancillary 69,715.61 **Total: ..... 1,752,574.23** The properties also comprise 8 parcels of vacant land with a total site area of approximately 25,106.85 sq.m. and 10 buildings under construction ("CIP") as at the date of valuation. The CIP has a total planned gross floor area of approximately 61,601.14 sq.m. and is scheduled to be completed between May 2010 and December 2013.	The properties are currently occupied by the Group for commercial, residential and ancillary purposes, except for the CIP which was under construction and a portion of these properties which is currently rented to various parties (Refer to note 8).	6,284,935,000

Notes:

1. *For 1,795 items of the properties and 7 parcels of vacant land, the Group has obtained relevant BOCs, RETCs and LURCs under the name of either Agricultural Bank of China (the predecessor of the Company, the "Former Entity") or the Company.*

   According to the opinion given by the Company's PRC legal advisers, which contains, inter alias, the following:

   (a) The relevant land use rights are granted or state-capital-injected for 1,769 properties with a total gross floor area of approximately 1,515,761.89 sq.m. and 6 parcels of vacant land with a total site area of approximately 10,377.85 sq.m. The Group has the legal rights to occupy, use, transfer, lease, mortgage or otherwise legally dispose of such properties.

   (b) The relevant land use rights are allocated for 26 properties with a total gross floor area of approximately 19,257 sq.m. and a parcel of vacant land with a site area of approximately 10,518 sq.m. The Group has the legal rights to occupy and use such properties. After obtaining relevant state-owned LURCs in nature of granted land or land rented from the government, the Group will be entitled to transfer, lease, mortgage or otherwise legally dispose of such properties.

2. *For 12 items of the properties with a total gross floor area of approximately 31,227.01 sq.m., the Group has obtained relevant LURCs under the name of either the Former Entity or the Company but without proper BOCs. The relevant land use rights are allocated, granted or state-capital-injected.*

   According to the opinion given by the Company's PRC legal advisers, the Group can occupy and use such properties. After obtaining relevant BOCs and state-owned LURCs in nature of granted land or land rented from the government (for allocated land), the Group will be entitled to transfer, lease, mortgage or otherwise legally dispose of such properties.

3. *For 70 items of the properties with a total gross floor area of approximately 84,069.6 sq.m., the Group has obtained relevant BOCs under the name of either the Former Entity or the Company but without proper LURCs.*

   According to the opinion given by the Company's PRC legal advisers, which contains, inter alias, the following:

   (a) 30 properties with a total gross floor area of approximately 39,471.24 sq.m. are situated on the state-capital-injection land. However, the relevant LURCs of such properties are currently under application. There will be no material legal impediment for the Group to obtain relevant state-owned LURCs of such properties. The Group has the legal rights to occupy, use and lease such properties and will be entitled to transfer, mortgage or otherwise legally dispose of such properties after obtaining the state-owned LURCs in nature of state-capital-injection land.

(b) For the remaining properties, the Group has the legal rights to occupy and use such properties and will be entitled to transfer, lease, mortgage or otherwise legally dispose of such properties after obtaining relevant state-owned LURCs.

4. For the remaining 106 items of the properties representing a total gross floor area of approximately 102,258.73 sq.m. and a parcel of vacant land with a site area of approximately 4,211 sq.m., neither state-owned LURCs nor BOCs have been obtained.

According to the opinion given by the Company's PRC legal advisers, which contains, inter alias, the following:

(a) A property with a gross floor area of approximately 160 sq.m. is situated on the state-capital-injection land. However, the relevant LURC of such property is currently under application. The Group can occupy, use and lease such property and will be entitled to transfer, mortgage or otherwise legally dispose of such property after obtaining relevant BOC and the state-owned LURC in nature of state-capital-injection land.

(b) For the remaining properties, whether the Group has legally obtained the building ownership rights and land use rights of such properties cannot be ascertained.

5. According to the opinion given by the Company's PRC legal advisers in terms of the CIP of the properties, which contains, inter alias, the following:

(a) The Group has obtained state-owned LURCs and the relevant construction permits for a portion of the CIP with a total planned gross floor area of approximately 14,768.51 sq.m. There will be no material legal impediment for the Group to apply for relevant BOCs after such portion has passed the completion and acceptance inspection.

(b) For a portion of the CIP with a planned gross floor area of approximately 270 sq.m., the relevant LURC in nature of state-capital-injection land is currently under application, and the relevant construction permits have been obtained by the Group. There will be no material legal impediment for the Group to apply for relevant BOC after such portion has passed the completion and acceptance inspection.

(c) For the rest portion of the CIP, either state-owned LURCs and/or necessary construction permits have not been obtained by the Group. It cannot be ascertained whether the construction works are legally commenced.

6. For the properties mentioned in notes 1(b), 2 to 4, 5(b) and 5(c), we have attributed no commercial value to them due to the absence of proper title certificates and based on the relevant legal opinion. However, for reference purpose, we are of the opinion that the total capital value of these properties as at the date of valuation would be RMB1,124,923,000 assuming all valid title certificates of these properties have been obtained and they could be freely transferred.

7. According to the opinion given by the Company's PRC legal advisers, the Group is applying for changing the registered names on the title certificates to its current name, and there is no material legal impediment for the applications. In addition, as advised by the Company, the Group is able to obtain substitute properties to maintain the Group's operations if it has to move out from those properties due to title defect, the relocation shall not have any material adverse effect on the Group's operations and financial status.

8. Pursuant to 117 Tenancy Agreements, a portion of the properties with a total lettable area of approximately 51,865 sq.m. is rented to various parties for various terms with the expiry dates between April 30, 2007 and March 31, 2024 at a total current annual rental of approximately RMB8,335,542. As at the date of valuation, 4 tenancy agreements in relation to the properties with a total lettable area of approximately 869 sq.m. have expired, and as advised by the Company, these tenancy agreements are currently being renewed.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at March 31, 2010
				RMB
20.	Various properties of Guangxi Autonomous Region Branch of the Company located in Guangxi Zhuang Autonomous Region the PRC	The properties comprise 1,000 commercial properties, 371 residential properties and 120 ancillary properties (1,491 in total) completed in various stages between 1978 and 2009. The properties have a total gross floor area of approximately 1,261,090 sq.m. The details for each use are listed as follows: Use / Gross Floor Area (sq.m.) Commercial 928,400.77 Residential 247,965.84 Ancillary 84,723.39 **Total: ..... 1,261,090.00** The properties also comprise 13 parcels of vacant land with a total site area of approximately 28,173.02 sq.m. and 8 buildings under construction ("CIP") as at the date of valuation. The CIP has a total planned gross floor area of approximately 42,351.84 sq.m. and is scheduled to be completed between April 2010 and July 2011.	The properties are currently occupied by the Group for commercial, residential and ancillary purposes, except for the CIP which was under construction and a portion of these properties which is currently rented to various parties (Refer to note 8).	3,482,195,000

Notes:

1. *For 1,440 items of the properties and the vacant land, the Group has obtained relevant BOCs and LURCs under the name of either Agricultural Bank of China (the predecessor of the Company, the "Former Entity") or the Company.*

   According to the opinion given by the Company's PRC legal advisers, which contains, inter alias, the following:

   (a) The relevant land use rights are granted or state-capital-injected for 1,416 properties with a total gross floor area of approximately 1,200,039.95 sq.m. and the vacant land. The Group has the legal rights to occupy, use, transfer, lease, mortgage or otherwise legally dispose of such properties.

   (b) The relevant land use rights are allocated for 24 properties with a total gross floor area of approximately 35,139.54 sq.m. The Group has the legal rights to occupy and use such properties. After obtaining relevant state-owned LURCs in nature of granted land or land rented from the government, the Group will be entitled to transfer, lease, mortgage or otherwise legally dispose of such properties.

2. *For 7 items of the properties with a total gross floor area of approximately 6,251 sq.m., the Group has obtained relevant LURCs under the name of either the Former Entity or the Company but without proper BOCs. The relevant land use rights are allocated, granted or state-capital-injected.*

   According to the opinion given by the Company's PRC legal advisers, the Group can occupy and use such properties. After obtaining relevant BOCs and state-owned LURCs in nature of granted land or land rented from the government (for allocated land), the Group will be entitled to transfer, lease, mortgage or otherwise legally dispose of such properties.

3. *For 16 items of the properties with a total gross floor area of approximately 3,248.6 sq.m., the Group has obtained relevant BOCs under the name of either the Former Entity or the Company but without proper LURCs.*

   According to the opinion given by the Company's PRC legal advisers, the Group has the legal rights to occupy and use such properties and will be entitled to transfer, lease, mortgage or otherwise legally dispose of such properties after obtaining relevant state-owned LURCs.

4. *For the remaining 28 items of the properties representing a total gross floor area of approximately 16,410.91 sq.m., neither state-owned LURCs nor BOCs have been obtained.*

   According to the opinion given by the Company's PRC legal advisers, whether the Group has legally obtained the building ownership rights and land use rights of such properties cannot be ascertained.

5. *According to the opinion given by the Company's PRC legal advisers in terms of the CIP of the properties, which contains, inter alias, the following:*

   (a) The Group has obtained state-owned LURCs and the relevant construction permits for a portion of the CIP with a total planned gross floor area of approximately 34,626.35 sq.m. There will be no material legal impediment for the Group to apply for relevant BOCs after such portion has passed the completion and acceptance inspection.

   (b) For the rest portion of the CIP, state-owned LURCs have been obtained by the Group but lack of necessary construction permits. It cannot be ascertained whether the construction works are legally commenced.

6. *For the properties mentioned in notes 1(b), 2 to 4 and 5(b), we have attributed no commercial value to them due to the absence of proper title certificates and based on the relevant legal opinion. However, for reference purpose, we are of the opinion that the total capital value of these properties as at the date of valuation would be RMB307,371,000 assuming all valid title certificates of these properties have been obtained and they could be freely transferred.*

7. *According to the opinion given by the Company's PRC legal advisers, the Group is applying for changing the registered names on the title certificates to its current name, and there is no material legal impediment for the applications. In addition, as advised by the Company, the Group is able to obtain substitute properties to maintain the Group's operations if it has to move out from those properties due to title defect, the relocation shall not have any material adverse effect on the Group's operations and financial status.*

8. *Pursuant to 139 Tenancy Agreements, a portion of the properties with a total lettable area of approximately 43,820 sq.m. is rented to various parties for various terms with the expiry dates between March 31, 2009 and September 30, 2021 at a total current annual rental of approximately RMB3,565,597. As at the date of valuation, 41 tenancy agreements in relation to the properties with a total lettable area of approximately 3,130 sq.m. have expired, and as advised by the Company, these tenancy agreements are currently being renewed.*

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at March 31, 2010
				RMB
21.	Various properties of Hainan Province Branch of the Company located in Hainan Province the PRC	The properties comprise 212 commercial properties, 119 residential properties and 16 ancillary properties (347 in total) completed in various stages between 1944 and 2009. The properties have a total gross floor area of approximately 201,079.81 sq.m. The details for each use are listed as follows: Use / Gross Floor Area (sq.m.) Commercial 166,090.28 Residential 24,513.15 Ancillary 10,476.38 **Total: ..... 201,079.81** The properties also comprise 4 parcels of vacant land with a total site area of approximately 15,095.12 sq.m. and a building under construction ("CIP") as at the date of valuation. The CIP has a planned gross floor area of approximately 20,542.96 sq.m. and is scheduled to be completed in May 2010.	The properties are currently occupied by the Group for commercial, residential and ancillary purposes, except for the CIP which was under construction and a portion of these properties which is currently rented to various parties (Refer to note 8).	622,416,000

Notes:

1. *For 336 items of the properties with a total gross floor area of approximately 192,804.15 sq.m. and 3 parcels of vacant land with a total site area of approximately 15,042.12 sq.m., the Group has obtained relevant BOCs, RETCs and LURCs under the name of the Company.*

   According to the opinion given by the Company's PRC legal advisers, the relevant land use rights are granted or state-capital-injected. The Group has the legal rights to occupy, use, transfer, lease, mortgage or otherwise legally dispose of such properties.

2. *For 4 items of the properties with a total gross floor area of approximately 6,181.09 sq.m, the Group has obtained relevant LURCs under the name of the Company but without proper BOCs. The relevant land use rights are granted.*

   According to the opinion given by the Company's PRC legal advisers, the Group can occupy and use such properties. After obtaining relevant BOCs, the Group will be entitled to transfer, lease, mortgage or otherwise legally dispose of such properties.

3. *For 1 item of the properties with a gross floor area of approximately 157.28 sq.m., the Group has obtained relevant BOC under the name of the Company but without proper LURC.*

   According to the opinion given by the Company's PRC legal advisers, the Group has the legal rights to occupy and use such property and will be entitled to transfer, lease, mortgage or otherwise legally dispose of such property after obtaining relevant state-owned LURC.

4. *For the remaining 6 items of the properties representing a total gross floor area of approximately 1,937.29 sq.m. and a parcel of vacant land with a site area of approximately 53 sq.m., neither state-owned LURCs nor BOCs have been obtained.*

   According to the opinion given by the Company's PRC legal advisers, whether the Group has legally obtained the building ownership rights and land use rights of such properties cannot be ascertained.

5. *For the CIP of the properties, the relevant construction permits and proper LURC have not been obtained by the Group. According to the opinion given by the Company's PRC legal advisers, it cannot be ascertained whether the construction works are legally commenced.*

6. *For the properties mentioned in notes 2 to 5, we have attributed no commercial value to them due to the absence of proper title certificates and based on the relevant legal opinion. However, for reference purpose, we are of the opinion that the total capital value of these properties as at the date of valuation would be RMB49,177,000 assuming all valid title certificates of these properties have been obtained and they could be freely transferred.*

7. *According to the opinion given by the Company's PRC legal advisers, the Group is applying for changing the registered names on the title certificates to its current name, and there is no material legal impediment for the applications. In addition, as advised by the Company, the Group is able to obtain substitute properties to maintain the Group's operations if it has to move out from those properties due to title defect, the relocation shall not have any material adverse effect on the Group's operations and financial status.*

8. *Pursuant to 13 Tenancy Agreements, a portion of the properties with a total lettable area of approximately 1,023 sq.m. is rented to various parties for various terms with the expiry dates between December 31, 2010 and April 28, 2018 at a total current annual rental of approximately RMB277,660.*

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at March 31, 2010
				RMB
22.	Various properties of Sichuan Province Branch of the Company located in Sichuan Province the PRC	The properties comprise 1,995 commercial properties, 527 residential properties and 413 ancillary properties (2,935 in total) completed in various stages between 1953 and 2010. The properties have a total gross floor area of approximately 1,757,665.27 sq.m. The details for each use are listed as follows: Use / Gross Floor Area (sq.m.) Commercial 1,435,439.75 Residential 157,024.45 Ancillary 165,201.07 **Total: ..... 1,757,665.27** The properties also comprise 62 parcels of vacant land with a total site area of approximately 80,346.15 sq.m. and 18 buildings under construction ("CIP") as at the date of valuation. The CIP has a total planned gross floor area of approximately 211,117.72 sq.m. and is scheduled to be completed between April 2010 and June 2011.	The properties are currently occupied by the Group for commercial, residential and ancillary purposes, except for the CIP which was under construction as at the date of valuation and a portion of these properties which is currently rented to various parties (Refer to note 8).	3,937,750,000

Notes:

1. *For 2,850 items of the properties and 60 parcels of vacant land, the Group has obtained relevant BOCs and LURCs under the name of either Agricultural Bank of China (the predecessor of the Company, the "Former Entity") or the Company.*

   According to the opinion given by the Company's PRC legal advisers, which contains, inter alias, the following:

   (a) The relevant land use rights are granted or state-capital-injected for 2,802 properties with a total gross floor area of approximately 1,690,857.54 sq.m. and 56 parcels of land with a total site area of approximately 61,667.15 sq.m. The Group has the legal rights to occupy, use, transfer, lease, mortgage or otherwise legally dispose of such properties.

   (b) The relevant land use rights are allocated for 48 properties with a total gross floor area of approximately 23,581.64 sq.m. and 4 parcels of land with a total site area of approximately 12,969 sq.m. The Group has the legal rights to occupy and use such properties. After obtaining relevant state-owned LURCs in nature of granted land or land rented from the government, the Group will be entitled to transfer, lease, mortgage or otherwise legally dispose of such properties.

2. *For 14 items of the properties with a total gross floor area of approximately 9,133.96 sq.m., the Group has obtained relevant LURCs under the name of either the Former Entity or the Company but without proper BOCs. The relevant land use rights are allocated, granted or state-capital-injected.*

   According to the opinion given by the Company's PRC legal advisers, the Group can occupy and use such properties. After obtaining relevant BOCs and state-owned LURCs in nature of granted land or land rented from the government (for allocated land), the Group will be entitled to transfer, lease, mortgage or otherwise legally dispose of such properties.

3. *For 42 items of the properties with a total gross floor area of approximately 15,761.79 sq.m., the Group has obtained relevant BOCs under the name of either the Former Entity or the Company but without proper LURCs.*

   According to the opinion given by the Company's PRC legal advisers, which contains, inter alias, the following:

   (a) 5 properties with a total gross floor area of approximately 6,407.09 sq.m. are situated on the state-capital-injection land. However, the relevant LURCs of such properties are currently under application. There will be no material legal impediment for the Group to

obtain relevant state-owned LURCs of such properties. The Group has the legal rights to occupy, use and lease such properties and will be entitled to transfer, mortgage or otherwise legally dispose of such properties after obtaining the state-owned LURCs in nature of state-capital-injection land.

(b) For the remaining properties, the Group has the legal rights to occupy and use such properties and will be entitled to transfer, lease, mortgage or otherwise legally dispose of such properties after obtaining relevant state-owned LURCs.

4. For the remaining 29 items of the properties representing a total gross floor area of approximately 18,330.34 sq.m. and 2 parcels of vacant land with a total site area of approximately 5,710 sq.m., neither state-owned LURCs nor BOCs have been obtained.

According to the opinion given by the Company's PRC legal advisers, whether the Group has legally obtained the building ownership rights and land use rights of such properties cannot be ascertained.

5. According to the opinion given by the Company's PRC legal advisers in terms of the CIP of the properties, which contains, inter alias, the following:

(a) The Group has obtained state-owned LURCs and the relevant construction permits for a portion of the CIP with a total planned gross floor area of approximately 8,830.15 sq.m. There will be no material legal impediment for the Group to apply for relevant BOCs after such portion has passed the completion and acceptance inspection.

(b) For a portion of the CIP with a planned gross floor area of approximately 898 sq.m., the relevant land use rights are allocated, and the relevant construction permits have been obtained by the Group. There will be no material legal impediment for the Group to apply for relevant BOC after such portion has passed the completion and acceptance inspection.

(c) For the rest portion of the CIP, either state-owned LURCs and/or necessary construction permits have not been obtained by the Group. It cannot be ascertained whether the construction works are legally commenced.

6. For the properties mentioned in notes 1(b), 2 to 4, 5(b) and 5(c), we have attributed no commercial value to them due to the absence of proper title certificates and based on the relevant legal opinion. However, for reference purpose, we are of the opinion that the total capital value of these properties as at the date of valuation would be RMB358,386,000 assuming all valid title certificates of these properties have been obtained and they could be freely transferred.

7. According to the opinion given by the Company's PRC legal advisers, the Group is applying for changing the registered names on the title certificates to its current name, and there is no material legal impediment for the applications. In addition, as advised by the Company, the Group is able to obtain substitute properties to maintain the Group's operations if it has to move out from those properties due to title defect, the relocation shall not have any material adverse effect on the Group's operations and financial status.

8. Pursuant to 545 Tenancy Agreements, a portion of the properties with a total lettable area of approximately 108,912 sq.m. is rented to various parties for various terms with the expiry dates between March 31, 2009 and December 31, 2023 at a total current annual rental of approximately RMB9,892,030. As at the date of valuation, 240 tenancy agreements in relation to the properties with a total lettable area of approximately 28,185 sq.m. have expired, and as advised by the Company, these tenancy agreements are currently being renewed.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at March 31, 2010
				RMB
23.	Various properties of Guizhou Province Branch of the Company located in Guizhou Province the PRC	The properties comprise 503 commercial properties, 83 residential properties and 66 ancillary properties (652 in total) completed in various stages between 1968 and 2009. The properties have a total gross floor area of approximately 525,658.96 sq.m. The details for each use are listed as follows: Use / Gross Floor Area (sq.m.) Commercial 468,817.00 Residential 23,513.43 Ancillary 33,328.53 **Total: ..... 525,658.96** The properties also comprise 3 parcels of vacant land with a total site area of approximately 4,106.91 sq.m. and a building under construction ("CIP") as at the date of valuation. The CIP has a planned gross floor area of approximately 2,090 sq.m. and is scheduled to be completed in August 2010.	The properties are currently occupied by the Group for commercial, residential and ancillary purposes, except for the CIP which was under construction as at the date of valuation and a portion of these properties which is currently rented to various parties (Refer to note 8).	1,246,153,000

Notes:

1. *For 615 items of the properties and the vacant land, the Group has obtained relevant BOCs and LURCs under the name of either Agricultural Bank of China (the predecessor of the Company, the "Former Entity") or the Company.*

   According to the opinion given by the Company's PRC legal advisers, which contains, inter alias, the following:

   (a) The relevant land use rights are granted or state-capital-injected for 604 properties with a total gross floor area of approximately 470,099.33 sq.m. and the vacant land. The Group has the legal rights to occupy, use, transfer, lease, mortgage or otherwise legally dispose of such properties.

   (b) The relevant land use rights are allocated for 11 properties with a total gross floor area of approximately 19,610.16 sq.m. The Group has the legal rights to occupy and use such properties. After obtaining relevant state-owned LURCs in nature of granted land or land rented from the government, the Group will be entitled to transfer, lease, mortgage or otherwise legally dispose of such properties.

2. *For 5 items of the properties with a total gross floor area of approximately 5,709.39 sq.m., the Group has obtained relevant LURCs under the name of either the Former Entity or the Company but without proper BOCs. The relevant land use rights are allocated, granted or state-capital-injected.*

   According to the opinion given by the Company's PRC legal advisers, the Group can occupy and use such properties. After obtaining relevant BOCs and state-owned LURCs in nature of granted land or land rented from the government (for allocated land), the Group will be entitled to transfer, lease, mortgage or otherwise legally dispose of such properties.

3. *For 18 items of the properties with a total gross floor area of approximately 9,021.92 sq.m., the Group has obtained relevant BOCs under the name of either the Former Entity or the Company but without proper LURCs.*

   According to the opinion given by the Company's PRC legal advisers, which contains, inter alias, the following:

   (a) A property with a gross floor area of approximately 146.22 sq.m. is situated on the state-capital-injection land. However, the relevant LURC of such property is currently under application. There will be no material legal impediment for the Group to obtain relevant state-owned LURC of such property. The Group has the legal rights to occupy, use and lease such property and will be entitled to transfer, mortgage or otherwise legally dispose of such property after obtaining the state-owned LURC in nature of state-capital-injection land.

(b) The remaining properties, the Group has the legal rights to occupy and use such properties and will be entitled to transfer, lease, mortgage or otherwise legally dispose of such properties after obtaining relevant state-owned LURCs.

4. *For the remaining 14 items of the properties representing a total gross floor area of approximately 21,218.16 sq.m., neither state-owned LURCs nor BOCs have been obtained.*

   According to the opinion given by the Company's PRC legal advisers, whether the Group has legally obtained the building ownership rights and land use rights of such properties cannot be ascertained.

5. *According to the opinion given by the Company's PRC legal advisers in terms of the CIP of the properties, the Group has obtained state-owned LURC and the relevant construction permits for the CIP property. There will be no material legal impediment for the Group to apply for relevant BOC after such property has passed the completion and acceptance inspection.*

6. *For the properties mentioned in notes 1(b) and 2 to 4, we have attributed no commercial value to them due to the absence of proper title certificates and based on the relevant legal opinion. However, for reference purpose, we are of the opinion that the total capital value of these properties as at the date of valuation would be RMB196,368,000 assuming all valid title certificates of these properties have been obtained and they could be freely transferred.*

7. *According to the opinion given by the Company's PRC legal advisers, the Group is applying for changing the registered names on the title certificates to its current name, and there is no material legal impediment for the applications. In addition, as advised by the Company, the Group is able to obtain substitute properties to maintain the Group's operations if it has to move out from those properties due to title defect, the relocation shall not have any material adverse effect on the Group's operations and financial status.*

8. *Pursuant to 182 Tenancy Agreements, a portion of the properties with a total lettable area of approximately 32,606 sq.m. is rented to various parties for various terms with the expiry dates between December 31, 2009 and June 5, 2019 at a total current annual rental of approximately RMB4,735,689. As at the date of valuation, 6 tenancy agreements in relation to the properties with a total lettable area of approximately 450 sq.m. have expired, and as advised by the Company, these tenancy agreements are currently being renewed.*

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at March 31, 2010
				RMB
24.	Various properties of Yunnan Province Branch of the Company located in Yunnan Province the PRC	The properties comprise 749 commercial properties, 35 residential properties and 155 ancillary properties (939 in total) completed in various stages between 1962 and 2010. The properties have a total gross floor area of approximately 1,000,648.32 sq.m. The details for each use are listed as follows: Use / Gross Floor Area (sq.m.) Commercial 884,866.66 Residential 31,324.48 Ancillary 84,457.18 **Total: ..... 1,000,648.32** The properties also comprise 19 parcels of vacant land with a total site area of approximately 29,761.92 sq.m. and 25 buildings under construction ("CIP") as at the date of valuation. The CIP has a total planned gross floor area of approximately 33,428.59 sq.m. and is scheduled to be completed between March 2010 and December 2011.	The properties are currently occupied by the Group for commercial, residential and ancillary purposes, except for the CIP which was under construction as at the date of valuation and a portion of these properties which is currently rented to various parties (Refer to note 9).	2,323,691,000

Notes:

1. *For 888 items of the properties and 18 parcels of vacant land, the Group has obtained relevant BOCs and LURCs under the name of either Agricultural Bank of China (the predecessor of the Company, the "Former Entity") or the Company.*

   According to the opinion given by the Company's PRC legal advisers, which contains, inter alias, the following:

   (a) The relevant land use rights are granted or state-capital-injected for 882 properties with a total gross floor area of approximately 954,940.13 sq.m. and the 18 parcels of land with a total site area of approximately 29,274.32 sq.m. The Group has the legal rights to occupy, use, transfer, lease, mortgage or otherwise legally dispose of such properties.

   (b) The relevant land use rights are allocated for 6 properties with a total gross floor area of approximately 3,740.23 sq.m. The Group has the legal rights to occupy and use such properties. After obtaining relevant state-owned LURCs in nature of granted land or land rented from the government, the Group will be entitled to transfer, lease, mortgage or otherwise legally dispose of such properties.

2. *For 11 items of the properties with a total gross floor area of approximately 13,057.33 sq.m., the Group has obtained relevant LURCs under the name of either the Former Entity or the Company but without proper BOCs. The relevant land use rights are allocated, granted or state-capital-injected.*

   According to the opinion given by the Company's PRC legal advisers, the Group can occupy and use such properties. After obtaining relevant BOCs and state-owned LURCs in nature of granted land or land rented from the government (for allocated land), the Group will be entitled to transfer, lease, mortgage or otherwise legally dispose of such properties.

3. *For 26 items of the properties with total gross floor area of approximately 18,884.26 sq.m., the Group has obtained relevant BOCs under the name of either the Former Entity or the Company but without proper LURCs.*

   According to the opinion given by the Company's PRC legal advisers, which contains, inter alias, the following:

   (a) A property with a gross floor area of approximately 344.73 sq.m. is situated on the state-capital-injection land. However, the relevant LURC of such property is currently under application. There will be no material legal impediment for the Group to obtain relevant state-owned LURC of such property. The Group has the legal rights to occupy, use and lease such property and will be entitled to transfer, mortgage or otherwise legally dispose of such property after obtaining the state-owned LURC in nature of state-capital-injection land.

(b) The remaining properties, the Group has the legal rights to occupy and use such properties and will be entitled to transfer, lease, mortgage or otherwise legally dispose of such properties after obtaining relevant state-owned LURCs.

4. *For the remaining 14 items of the properties representing a total gross floor area of approximately 10,026.37 sq.m., neither state-owned LURCs nor BOCs have been obtained.*

   According to the opinion given by the Company's PRC legal advisers, whether the Group has legally obtained the building ownership rights and land use rights of such properties cannot be ascertained.

5. *There is a parcel of vacant land with a site area of approximately 487.6 sq.m. without state-owned LURC which is in process of application by way of state-capital-injection.*

   According to the opinion given by the Company's PRC legal advisers, there will be no material legal impediment for the Group to obtain relevant state-owned LURC. The Group has the legal rights to occupy and use such vacant land and will be entitled to transfer, lease, mortgage or otherwise legally dispose of such land after obtaining state-owned LURCs in nature of state-capital-injection land.

6. *According to the opinion given by the Company's PRC legal advisers in terms of the CIP of the properties, which contains, inter alias, the following:*

   (a) The Group has obtained state-owned LURCs and the relevant construction permits for a portion of the CIP with a total planned gross floor area of approximately 29,315.61 sq.m. There will be no material legal impediment for the Group to apply for relevant BOCs after such portion has passed the completion and acceptance inspection.

   (b) For a portion of the CIP with a planned gross floor area of approximately 577.98 sq.m., the relevant land use rights are allocated, and the relevant construction permits have been obtained by the Group. There will be no material legal impediment for the Group to apply for relevant BOC after such portion has passed the completion and acceptance inspection.

   (c) For the rest portion of the CIP, either state-owned LURCs and/or necessary construction permits have not been obtained by the Group. It cannot be ascertained whether the construction works are legally commenced.

7. *For the properties mentioned in notes 1(b), 2 to 5, 6(b) and 6(c), we have attributed no commercial value to them due to the absence of proper title certificates and based on the relevant legal opinion. However, for reference purpose, we are of the opinion that the total capital value of these properties as at the date of valuation would be RMB196,470,000 assuming all valid title certificates of these properties have been obtained and they could be freely transferred.*

8. *According to the opinion given by the Company's PRC legal advisers, the Group is applying for changing the registered names on the title certificates to its current name, and there is no material legal impediment for the applications. In addition, as advised by the Company, the Group is able to obtain substitute properties to maintain the Group's operations if it has to move out from those properties due to title defect, the relocation shall not have any material adverse effect on the Group's operations and financial status.*

9. *Pursuant to 189 Tenancy Agreements, a portion of the properties with a total lettable area of approximately 80,436 sq.m. is rented to various parties for various terms with the expiry dates between January 10, 2010 and May 31, 2021 at a total current annual rental of approximately RMB6,485,609. As at the date of valuation, 5 tenancy agreements in relation to the properties with a total lettable area of approximately 888 sq.m. have expired, and as advised by the Company, these tenancy agreements are currently being renewed.*

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at March 31, 2010
				RMB
25.	Various properties of Tibet Autonomous Region Branch of the Company located in Tibet Autonomous Region and Sichuan Province the PRC	The properties comprise 505 commercial properties, 166 residential properties and 16 ancillary properties (687 in total) completed in various stages between 1985 and 2010. The properties have a total gross floor area of approximately 495,477.45 sq.m. The details for each use are listed as follows: **Use** / **Gross Floor Area (sq.m.)** Commercial 344,520.37 Residential 140,959.04 Ancillary 9,998.04 **Total: ..... 495,477.45** The properties also comprise 4 parcels of vacant land with a total site area of approximately 15,484.5 sq.m. and 31 buildings under construction ("CIP") as at the date of valuation. The CIP has a total planned gross floor area of approximately 27,994 sq.m. and is scheduled to be completed between March 2010 and October 2010.	The properties are currently occupied by the Group for commercial, residential and ancillary purposes, except for the CIP which was under construction as at the date of valuation.	840,741,000

Notes:

1. *For 673 items of the properties and 3 parcels of vacant land, the Group has obtained relevant BOCs and LURCs under the name of either Agricultural Bank of China (the predecessor of the Company, the "Former Entity") or the Company.*

   According to the opinion given by the Company's PRC legal advisers, which contains, inter alias, the following:

   (a) The relevant land use rights are granted or state-capital-injected for 661 properties with a total gross floor area of approximately 440,975.85 sq.m. and the 3 parcels of vacant land with a total site area of approximately 12,684.5 sq.m. The Group has the legal rights to occupy, use, transfer, lease, mortgage or otherwise legally dispose of such properties.

   (b) The relevant land use rights are allocated for 12 properties with a total gross floor area of approximately 37,321.93 sq.m. The Group has the legal rights to occupy and use such properties. After obtaining relevant state-owned LURCs in nature of granted land or land rented from the government, the Group will be entitled to transfer, lease, mortgage or otherwise legally dispose of such properties.

2. *For the remaining 14 items of the properties with a total gross floor area of approximately 17,179.67 sq.m., the Group has obtained relevant BOCs under the name of either the Former Entity or the Company but without proper LURCs.*

   According to the opinion given by the Company's PRC legal advisers, which contains, inter alias, the following:

   (a) 8 properties with a total gross floor area of approximately 15,235.94 sq.m. are situated on the state-capital-injection land. However, the relevant LURCs of such properties are currently under application. There will be no material legal impediment for the Group to obtain relevant state-owned LURCs of such properties. The Group has the legal rights to occupy, use and lease such properties and will be entitled to transfer, mortgage or otherwise legally dispose of such properties after obtaining the state-owned LURCs in nature of state-capital-injection land.

   (b) For the remaining properties, the Group has the legal rights to occupy and use such properties and will be entitled to transfer, lease, mortgage or otherwise legally dispose of such properties after obtaining relevant state-owned LURCs.

3. *There is a parcel of vacant land with a site area of approximately 2,800 sq.m., without proper LURC obtained.*

According to the opinion given by the Company's PRC legal advisers, whether the Group has legally obtained the land use rights of such property cannot be ascertained

4. *According to the opinion given by the Company's PRC legal advisers in terms of the CIP of the properties, which contains, inter alias, the following:*

   (a) The Group has obtained state-owned LURCs and the relevant construction permits for a portion of the CIP with a total planned gross floor area of approximately 14,761.97 sq.m. There will be no material legal impediment for the Group to apply for relevant BOCs after such portion has passed the completion and acceptance inspection.

   (b) For the rest portion of the CIP, either proper state-owned LURCs and/or necessary construction permits have not been obtained by the Group. It cannot be ascertained whether the construction works are legally commenced.

5. *For the properties mentioned in notes 1(b), 2, 3 and 4(b), we have attributed no commercial value to them due to the absence of proper title certificates and based on the relevant legal opinion. However, for reference purpose, we are of the opinion that the total capital value of these properties as at the date of valuation would be RMB166,976,000 assuming all valid title certificates of these properties have been obtained and they could be freely transferred.*

6. *According to the opinion given by the Company's PRC legal advisers, the Group is applying for changing the registered names on the title certificates to its current name, and there is no material legal impediment for the applications. In addition, as advised by the Company, the Group is able to obtain substitute properties to maintain the Group's operations if it has to move out from those properties due to title defect, the relocation shall not have any material adverse effect on the Group's operations and financial status.*

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at March 31, 2010
				RMB
26.	Various properties of Shaanxi Province Branch of the Company located in Shaanxi Province the PRC	The properties comprise 710 commercial properties, 69 residential properties and 181 ancillary properties (960 in total) completed in various stages between 1966 and 2010. The properties have a total gross floor area of approximately 709,479.7 sq.m. The details for each use are listed as follows: Use / Gross Floor Area (sq.m.) Commercial 595,747.90 Residential 38,954.17 Ancillary 74,777.63 **Total: ..... 709,479.70** The properties also comprise 8 parcels of vacant land with a total site area of approximately 28,094.33 sq.m. and 12 buildings under construction ("CIP") as at the date of valuation. The CIP has a total planned gross floor area of approximately 28,943.63 sq.m. and is scheduled to be completed between April 2010 and November 2011.	The properties are currently occupied by the Group for commercial, residential and ancillary purposes, except for the CIP which was under construction as at the date of valuation and a portion of these properties which is currently rented to various parties (Refer to note 9).	1,485,061,000

Notes:

1. *For 872 items of the properties and 7 parcels of vacant land, the Group has obtained relevant BOCs and LURCs under the name of either Agricultural Bank of China (the predecessor of the Company, the "Former Entity") or the Company.*

   According to the opinion given by the Company's PRC legal advisers, which contains, inter alias, the following:

   (a) The relevant land use rights are granted or state-capital-injected for 865 properties with a total gross floor area of approximately 647,958.25 sq.m. and 5 parcels of land with a total site area of approximately 11,404.33 sq.m. The Group has the legal rights to occupy, use, transfer, lease, mortgage or otherwise legally dispose of such properties.

   (b) The relevant land use rights are allocated for 7 properties with a total gross floor area of approximately 2,779.14 sq.m. and 2 parcels of land with a total site area of approximately 16,008.3 sq.m. The Group has the legal rights to occupy and use such properties. After obtaining relevant state-owned LURCs in nature of granted land or land rented from the government, the Group will be entitled to transfer, lease, mortgage or otherwise legally dispose of such properties.

2. *For 10 items of the properties with a total gross floor area of approximately 6,045.59 sq.m., the Group has obtained relevant LURCs under the name of either the Former Entity or the Company but without proper BOCs. The relevant land use rights are allocated, granted or state-capital-injected.*

   According to the opinion given by the Company's PRC legal advisers, the Group can occupy and use such properties. After obtaining relevant BOCs and state-owned LURCs in nature of granted land or land rented from the government (for allocated land), the Group will be entitled to transfer, lease, mortgage or otherwise legally dispose of such properties.

3. *For 56 items of the properties with a total gross floor area of approximately 34,069.27 sq.m., the Group has obtained relevant BOCs under the name of either the Former Entity or the Company but without proper LURCs.*

   According to the opinion given by the Company's PRC legal advisers, which contains, inter alias, the following:

   (a) 26 properties with a total gross floor area of approximately 14,770.19 sq.m. are situated on the state-capital-injection land. However, the relevant LURCs of such properties are currently under application. There will be no material legal impediment for the Group to obtain relevant state-owned LURCs of such properties. The Group has the legal rights to occupy, use and lease such

properties and will be entitled to transfer, mortgage or otherwise legally dispose of such properties after obtaining the state-owned LURCs in nature of state-capital-injection land.

(b) For the remaining properties, the Group has the legal rights to occupy and use such properties and will be entitled to transfer, lease, mortgage or otherwise legally dispose of such properties after obtaining relevant state-owned LURCs.

4. *For the remaining 22 items of the properties representing a total gross floor area of approximately 18,627.45 sq.m., neither state-owned LURCs nor BOCs have been obtained.*

   According to the opinion given by the Company's PRC legal advisers, whether the Group has legally obtained the building ownership rights and land use rights of such properties cannot be ascertained.

5. *There is a parcel of vacant land with a site area of approximately 681.7 sq.m. without state-owned LURC which is in process of application by way of state-capital-injection.*

   According to the opinion given by the Company's PRC legal advisers, there will be no material legal impediment for the Group to obtain relevant state-owned LURC. The Group has the legal rights to occupy and use such vacant land and will be entitled to transfer, lease, mortgage or otherwise legally dispose of such land after obtaining state-owned LURC in nature of state-capital-injection land.

6. *According to the opinion given by the Company's PRC legal advisers in terms of the CIP of the properties, which contains, inter alias, the following:*

   (a) The Group has obtained state-owned LURCs and the relevant construction permits for a portion of the CIP with a total planned gross floor area of approximately 19,068.55 sq.m. There will be no material legal impediment for the Group to apply for relevant BOCs after such portion has passed the completion and acceptance inspection.

   (b) For the remaining portion of the CIP, state-owned LURCs have been obtained by the Group but lack of necessary construction permits. It cannot be ascertained whether the construction works are legally commenced.

7. *For the properties mentioned in notes 1(b), 2 to 5 and 6(b), we have attributed no commercial value to them due to the absence of proper title certificates and based on the relevant legal opinion. However, for reference purpose, we are of the opinion that the total capital value of these properties as at the date of valuation would be RMB240,488,000 assuming all valid title certificates of these properties have been obtained and they could be freely transferred.*

8. *According to the opinion given by the Company's PRC legal advisers, the Group is applying for changing the registered names on the title certificates to its current name, and there is no material legal impediment for the applications. In addition, as advised by the Company, the Group is able to obtain substitute properties to maintain the Group's operations if it has to move out from those properties due to title defect, the relocation shall not have any material adverse effect on the Group's operations and financial status.*

9. *Pursuant to 75 Tenancy Agreements, a portion of the properties with a total lettable area of approximately 36,123 sq.m. is rented to various parties for various terms with the expiry dates between December 31, 2009 and September 30, 2015 at a total current annual rental of approximately RMB8,679,446. As at the date of valuation, 6 tenancy agreements in relation to the properties with a total lettable area of approximately 1,917 sq.m. have expired, and as advised by the Company, these tenancy agreements are currently being renewed.*

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at March 31, 2010
				RMB
27.	Various properties of Gansu Province Branch of the Company located in Gansu Province the PRC	The properties comprise 553 commercial properties, 37 residential properties and 124 ancillary properties (714 in total) completed in various stages between 1979 and 2010. The properties have a total gross floor area of approximately 505,184.78 sq.m. The details for each use are listed as follows: Use / Gross Floor Area (sq.m.) Commercial 456,904.57 Residential 5,409.87 Ancillary 42,870.34 **Total: ..... 505,184.78** The properties also comprise 45 parcels of vacant land with a total site area of approximately 43,024.2 sq.m. and 10 buildings under construction ("CIP") as at the date of valuation. The CIP has a total planned gross floor area of approximately 24,281.96 sq.m. and is scheduled to be completed between May 2010 and December 2011.	The properties are currently occupied by the Group for commercial, residential and ancillary purposes, except for the CIP which was under construction as at the date of valuation and a portion of these properties which is currently rented to various parties (Refer to note 8).	1,093,353,000

Notes:

1. *For 691 items of the properties and the vacant land, the Group has obtained relevant BOCs and LURCs under the name of either Agricultural Bank of China (the predecessor of the Company, the "Former Entity") or the Company.*

   According to the opinion given by the Company's PRC legal advisers, which contains, inter alias, the following:

   (a) The relevant land use rights are granted and state-capital-injected for the 691 properties with a total gross floor area of approximately 481,176.23 sq.m. and 43 parcels of vacant land with a total site area of approximately 41,461.15 sq.m. The Group has the legal rights to occupy, use, transfer, lease, mortgage or otherwise legally dispose of such properties.

   (b) The relevant land use rights are allocated for 2 parcels of vacant land with a total site area of approximately 1,563.05 sq.m. After obtaining relevant state-owned LURCs in nature of granted land or land rented from the government, the Group will be entitled to transfer, lease, mortgage or otherwise legally dispose of such properties.

2. *For 1 item of the properties with a gross floor area of approximately 323 sq.m., the Group has obtained relevant LURC under the name of the Company but without proper BOC. The relevant land use rights are granted.*

   According to the opinion given by the Company's PRC legal advisers, the Group can occupy and use such property. After obtaining relevant BOC, the Group will be entitled to transfer, lease, mortgage or otherwise legally dispose of such property.

3. *For 10 items of the properties with a total gross floor area of approximately 18,625.29 sq.m., the Group has obtained relevant BOCs under the name of either the Former Entity or the Company but without proper LURCs.*

   According to the opinion given by the Company's PRC legal advisers, the Group has the legal rights to occupy and use such properties and will be entitled to transfer, lease, mortgage or otherwise legally dispose of such properties after obtaining relevant state-owned LURCs.

4. *For the remaining 12 items of the properties representing a total gross floor area of approximately 5,060.26 sq.m., neither state-owned LURCs nor BOCs have been obtained.*

   According to the opinion given by the Company's PRC legal advisers, whether the Group has legally obtained the building ownership rights and land use rights of such properties cannot be ascertained.

5. *According to the opinion given by the Company's PRC legal advisers in terms of the CIP of the properties, which contains, inter alias, the following:*

   (a) *The Group has obtained state-owned LURCs and the relevant construction permits for a portion of the CIP with a total planned gross floor area of approximately 8,514.9 sq.m. There will be no material legal impediment for the Group to apply for relevant BOCs after such portion has passed the completion and acceptance inspection.*

   (b) *For the rest portion of the CIP, either state-owned LURCs and/or necessary construction permits have not been obtained by the Group. It cannot be ascertained whether the construction works are legally commenced.*

6. *For the properties mentioned in notes 1(b), 2 to 4 and 5(b), we have attributed no commercial value to them due to the absence of proper title certificates and based on the relevant legal opinion. However, for reference purpose, we are of the opinion that the total capital value of these properties as at the date of valuation would be RMB143,673,000 assuming all valid title certificates of these properties have been obtained and they could be freely transferred.*

7. *According to the opinion given by the Company's PRC legal advisers, the Group is applying for changing the registered names on the title certificates to its current name, and there is no material legal impediment for the applications. In addition, as advised by the Company, the Group is able to obtain substitute properties to maintain the Group's operations if it has to move out from those properties due to title defect, the relocation shall not have any material adverse effect on the Group's operations and financial status.*

8. *Pursuant to 20 Tenancy Agreements, a portion of the properties with a total lettable area of approximately 14,970 sq.m. is rented to various parties for various terms with the expiry dates between April 30, 2010 and October 17, 2017 at a total current annual rental of approximately RMB1,682,411.*

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at March 31, 2010
				RMB
28.	Various properties of Qinghai Province Branch of the Company located in Qinghai Province the PRC	The properties comprise 192 commercial properties, 7 residential properties and 29 ancillary properties (228 in total) completed in various stages between 1976 and 2009. The properties have a total gross floor area of approximately 154,722.97 sq.m. The details for each use are listed as follows: Use / Gross Floor Area (sq.m.) Commercial 143,650.63 Residential 2,745.73 Ancillary 8,326.61 **Total:** ..... **154,722.97** The properties also comprise 9 buildings under construction ("CIP") as at the date of valuation. The CIP has a total planned gross floor area of approximately 5,619.03 sq.m. and is scheduled to be completed between March 2010 and December 2010.	The properties are currently occupied by the Group for commercial, residential and ancillary purposes, except for the CIP which was under construction as at the date of valuation and a portion of these properties which is currently rented to various parties (Refer to note 7).	427,677,000

Notes:

1. *For 217 items of the properties, the Group has obtained relevant BOCs and LURCs under the name of either Agricultural Bank of China (the predecessor of the Company, the "Former Entity") or the Company.*

   According to the opinion given by the Company's PRC legal advisers, which contains, inter alias, the following:

   (a) The relevant land use rights are granted or state-capital-injected for 215 properties with a total gross floor area of approximately 151,004.34 sq.m. The Group has the legal rights to occupy, use, transfer, lease, mortgage or otherwise legally dispose of such properties.

   (b) The relevant land use rights are allocated for 2 properties with a total gross floor area of approximately 297.17 sq.m. The Group has the legal rights to occupy and use such properties. After obtaining relevant state-owned LURCs in nature of granted land or land rented from the government, the Group will be entitled to transfer, lease, mortgage or otherwise legally dispose of such properties.

2. *For 4 items of the properties with a total gross floor area of approximately 694.64 sq.m., the Group has obtained relevant LURCs under the name of the Company but without proper BOCs. The relevant land use rights are granted or state-capital-injected.*

   According to the opinion given by the Company's PRC legal advisers, the Group can occupy and use such properties. After obtaining relevant BOCs, the Group will be entitled to transfer, lease, mortgage or otherwise legally dispose of such properties.

3. *For the remaining 7 items of the properties representing a total gross floor area of approximately 2,726.82 sq.m., neither state-owned LURCs nor BOCs have been obtained.*

   According to the opinion given by the Company's PRC legal advisers, whether the Group has legally obtained the building ownership rights and land use rights of such properties cannot be ascertained.

4. *According to the opinion given by the Company's PRC legal advisers in terms of the CIP of the properties, which contains, inter alias, the following:*

   (a) The Group has obtained state-owned LURCs and the relevant construction permits for a portion of the CIP with a total planned gross floor area of approximately 5,529.03 sq.m. There will be no material legal impediment for the Group to apply for relevant BOCs after such portion has passed the completion and acceptance inspection.

(b) For the remaining portion of the CIP, state-owned LURCs have been obtained by the Group but lack of necessary construction permits. It cannot be ascertained whether the construction works are legally commenced.

5. *For the properties mentioned in notes 1(b), 2, 3 and 4(b), we have attributed no commercial value to them due to the absence of proper title certificates and based on the relevant legal opinion. However, for reference purpose, we are of the opinion that the total capital value of these properties as at the date of valuation would be RMB16,424,000 assuming all valid title certificates of these properties have been obtained and they could be freely transferred.*

6. *According to the opinion given by the Company's PRC legal advisers, the Group is applying for changing the registered names on the title certificates to its current name, and there is no material legal impediment for the applications. In addition, as advised by the Company, the Group is able to obtain substitute properties to maintain the Group's operations if it has to move out from those properties due to title defect, the relocation shall not have any material adverse effect on the Group's operations and financial status.*

7. *Pursuant to 29 Tenancy Agreements, a portion of the properties with a total lettable area of approximately 4,409 sq.m. is rented to various parties for various terms with the expiry dates between March 31, 2010 and April 30, 2014 at a total current annual rental of approximately RMB1,471,598.*

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at March 31, 2010
				RMB
29.	Various properties of Ningxia Autonomous Region Branch of the Company located in Ningxia Hui Autonomous Region the PRC	The properties comprise 300 commercial properties, 54 residential properties and 66 ancillary properties (420 in total) completed in various stages between 1978 and 2009. The properties have a total gross floor area of approximately 184,140.08 sq.m. The details for each use are listed as follows: Use / Gross Floor Area (sq.m.) Commercial 160,703.95 Residential 7,636.05 Ancillary 15,800.08 **Total:** ..... **184,140.08** The properties also comprise 2 buildings under construction ("CIP") as at the date of valuation. The CIP has a total planned gross floor area of approximately 3,050 sq.m. and is scheduled to be completed in August 2010 and November 2010 respectively.	The properties are currently occupied by the Group for commercial, residential and ancillary purposes, except for the CIP which was under construction as at the date of valuation and a portion of these properties which is currently rented to various parties (Refer to note 8).	472,010,000

Notes:

1. *For 409 items of the properties, the Group has obtained relevant BOCs and LURCs under the name of either Agricultural Bank of China (the predecessor of the Company, the "Former Entity") or the Company).*

   According to the opinion given by the Company's PRC legal advisers, which contains, inter alias, the following:

   (a) The relevant land use rights are granted or state-capital-injected for 395 properties with a total gross floor area of approximately 173,573.7 sq.m. The Group has the legal rights to occupy, use, transfer, lease, mortgage or otherwise legally dispose of such properties.

   (b) The relevant land use rights are allocated for 14 properties with a total gross floor area of approximately 9,187.51 sq.m. The Group has the legal rights to occupy and use such properties. After obtaining relevant state-owned LURCs in nature of granted land or land rented from the government, the Group will be entitled to transfer, lease, mortgage or otherwise legally dispose of such properties.

2. *For 2 items of the properties with a total gross floor area of approximately 90 sq.m., the Group has obtained relevant LURCs under the name of the Former Entity but without proper BOCs. The relevant land use rights are allocated or granted.*

   According to the opinion given by the Company's PRC legal advisers, the Group can occupy and use such properties. After obtaining relevant BOCs and state-owned LURCs in nature of granted land or land rented from the government (for allocated land), the Group will be entitled to transfer, lease, mortgage or otherwise legally dispose of such properties.

3. *For 8 items of the properties with a total gross floor area of approximately 1,152.87 sq.m., the Group has obtained relevant BOCs under the name of either the Former Entity or the Company but without proper LURCs.*

   According to the opinion given by the Company's PRC legal advisers, the Group has the legal rights to occupy and use such properties and will be entitled to transfer, lease, mortgage or otherwise legally dispose of such properties after obtaining relevant state-owned LURCs.

4. *For the remaining 1 item of the property with a gross floor area of approximately 136 sq.m., neither state-owned LURC nor BOC have been obtained.*

   According to the opinion given by the Company's PRC legal advisers, whether the Group has legally obtained the building ownership rights and land use rights of such property cannot be ascertained.

5. *According to the opinion given by the Company's PRC legal advisers in terms of the CIP of the properties, which contains, inter alias, the following:*

   (a) The Group has obtained state-owned LURC and the relevant construction permits for a portion of the CIP with a planned gross floor area of approximately 750 sq.m. There will be no material legal impediment for the Group to apply for relevant BOC after such portion has passed the completion and acceptance inspection.

   (b) For the rest portion of the CIP, neither proper state-owned LURC nor necessary construction permits have been obtained by the Group. It cannot be ascertained whether the construction works are legally commenced.

6. *For the properties mentioned in notes 1(b), 2 to 4 and 5(b), we have attributed no commercial value to them due to the absence of proper title certificates and based on the relevant legal opinion. However, for reference purpose, we are of the opinion that the total capital value of these properties as at the date of valuation would be RMB22,123,000 assuming all valid title certificates of these properties have been obtained and they could be freely transferred.*

7. *According to the opinion given by the Company's PRC legal advisers, the Group is applying for changing the registered names on the title certificates to its current name, and there is no material legal impediment for the applications. In addition, as advised by the Company, the Group is able to obtain substitute properties to maintain the Group's operations if it has to move out from those properties due to title defect, the relocation shall not have any material adverse effect on the Group's operations and financial status.*

8. *Pursuant to 48 Tenancy Agreements, a portion of the properties with a total lettable area of approximately 4,200 sq.m. is rented to various parties for various terms with the expiry dates between March 31, 2010 and July 27, 2014 at a total current annual rental of approximately RMB1,248,164.*

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at March 31, 2010
				RMB
30.	Various properties of Xinjiang Autonomous Region Branch of the Company located in Xinjiang Uygur Autonomous Region the PRC	The properties comprise 396 commercial properties, 58 residential properties and 84 ancillary properties (538 in total) completed in various stages between 1977 and 2010. The properties have a total gross floor area of approximately 452,804.37 sq.m. The details for each use are listed as follows: Use / Gross Floor Area (sq.m.) Commercial 382,622.04 Residential 10,900.91 Ancillary 59,281.42 **Total: ..... 452,804.37** The properties also comprise 10 parcels of vacant land with a total site area of approximately 55,480.15 sq.m. and 14 buildings under construction ("CIP") as at the date of valuation. The CIP has a total planned gross floor area of approximately 27,351.59 sq.m. and is scheduled to be completed between May 2010 and November 2011.	The properties are currently occupied by the Group for commercial, residential and ancillary purposes, except for the CIP which was under construction as at the date of valuation and a portion of these properties which is currently rented to various parties (Refer to note 8).	1,072,242,000

Notes:

1. *For 503 items of the properties and 9 parcels of vacant land, the Group has obtained relevant BOCs and LURCs under the name of either Agricultural Bank of China (the predecessor of the Company, the "Former Entity") or the Company.*

   According to the opinion given by the Company's PRC legal advisers, which contains, inter alias, the following:

   (a) The relevant land use rights are granted, state-capital-injected or rented from the government for 494 properties with a total gross floor area of approximately 437,758.43 sq.m. and 8 parcels of vacant land with a total site area of approximately 31,918.69 sq.m. The Group has the legal rights to occupy, use, transfer, lease, mortgage or otherwise legally dispose of such properties.

   (b) The relevant land use rights are allocated for 9 properties with a total gross floor area of approximately 4,130.87 sq.m. and a parcel of vacant land with a site area of approximately 20,024.46 sq.m. The Group has the legal rights to occupy and use such properties. After obtaining relevant state-owned LURCs in nature of granted land or land rented from the government, the Group will be entitled to transfer, lease, mortgage or otherwise legally dispose of such properties.

2. *For 6 items of the properties with a total gross floor area of approximately 2,801.91 sq.m., the Group has obtained relevant LURCs under the name of either the Former Entity or the Company but without proper BOCs. The relevant land use rights are allocated, granted or state-capital-injected.*

   According to the opinion given by the Company's PRC legal advisers, the Group can occupy and use such properties. After obtaining relevant BOCs and state-owned LURCs in nature of granted land or land rented from the government (for allocated land), the Group will be entitled to transfer, lease, mortgage or otherwise legally dispose of such properties.

3. *For 6 items of the properties with a total gross floor area of approximately 1,009.2 sq.m., the Group has obtained relevant BOCs under the name of the Company but without proper LURCs.*

According to the opinion given by the Company's PRC legal advisers, the Group has the legal rights to occupy and use such properties and will be entitled to transfer, lease, mortgage or otherwise legally dispose of such properties after obtaining relevant state-owned LURCs.

4. *For the remaining 23 items of the properties representing a total gross floor area of approximately 7,103.96 sq.m. and a parcel of vacant land with a site area of approximately 3,537 sq.m., neither state-owned LURCs nor BOCs have been obtained.*

   According to the opinion given by the Company's PRC legal advisers, whether the Group has legally obtained the building ownership rights and land use rights of such properties cannot be ascertained.

5. *According to the opinion given by the Company's PRC legal advisers in terms of the CIP of the properties, which contains, inter alias, the following:*

   (a) The Group has obtained state-owned LURCs and the relevant construction permits for a portion of the CIP with a total planned gross floor area of approximately 19,746.12 sq.m. There will be no material legal impediment for the Group to apply for relevant BOCs after such portion has passed the completion and acceptance inspection.

   (b) For the rest portion of the CIP, either state-owned LURCs and/or necessary construction permits have not been obtained by the Group. It cannot be ascertained whether the construction works are legally commenced.

6. *For the properties mentioned in notes 1(b), 2 to 4 and 5(b), we have attributed no commercial value to them due to the absence of proper title certificates and based on the relevant legal opinion. However, for reference purpose, we are of the opinion that the total capital value of these properties as at the date of valuation would be RMB70,064,000 assuming all valid title certificates of these properties have been obtained and they could be freely transferred.*

7. *According to the opinion given by the Company's PRC legal advisers, the Group is applying for changing the registered names on the title certificates to its current name, and there is no material legal impediment for the applications. In addition, as advised by the Company, the Group is able to obtain substitute properties to maintain the Group's operations if it has to move out from those properties due to title defect, the relocation shall not have any material adverse effect on the Group's operations and financial status.*

8. *Pursuant to 42 Tenancy Agreements, a portion of the properties with a total lettable area of approximately 23,739 sq.m. is rented to various parties for various terms with the expiry dates between December 31, 2009 and April 14, 2015 at a total current annual rental of approximately RMB1,963,969. As at the date of valuation, 6 tenancy agreements in relation to the properties with a total lettable area of approximately 4,167 sq.m. have expired, and as advised by the Company, these tenancy agreements are currently being renewed.*

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at March 31, 2010
				RMB
31.	Various properties of Chongqing Municipality Branch of the Company located in Chongqing the PRC	The properties comprise 695 commercial properties, 50 residential properties and 43 ancillary properties (788 in total) completed in various stages between 1975 and 2010. The properties have a total gross floor area of approximately 594,733.48 sq.m. The details for each use are listed as follows: Use / Gross Floor Area (sq.m.) Commercial 530,783.53 Residential 23,448.68 Ancillary 40,501.27 **Total: ..... 594,733.48** The properties also comprise 6 parcels of vacant land with a total site area of approximately 4,241.3 sq.m. and 5 buildings under construction ("CIP") as at the date of valuation. The CIP has a total planned gross floor area of approximately 71,270.68 sq.m. and is scheduled to be completed between June 2010 and June 2012.	The properties are currently occupied by the Group for commercial, residential and ancillary purposes, except for the CIP which was under construction as at the date of valuation and a portion of these properties which is currently rented to various parties (Refer to note 7).	1,822,824,000

Notes:

1. *For 769 items of the properties and the vacant land, the Group has obtained relevant RETCs under the name of the Company.*

   According to the opinion given by the Company's PRC legal advisers, which contains, inter alias, the following:

   (a) The relevant land use rights are granted or state-capital-injected for 756 properties with a total gross floor area of approximately 568,044.14 sq.m. and the vacant land. The Group has the legal rights to occupy, use, transfer, lease, mortgage or otherwise legally dispose of such properties.

   (b) The relevant land use rights are allocated for 13 properties with a total gross floor area of approximately 13,506.35 sq.m. The Group has the legal rights to occupy and use such properties. After obtaining relevant state-owned LURCs in nature of granted land or land rented from the government, the Group will be entitled to transfer, lease, mortgage or otherwise legally dispose of such properties.

2. *For 3 items of the properties with a total gross floor area of approximately 891.27 sq.m., the Group has obtained relevant BOCs under the name of either the Former Entity or the Company but without proper LURCs.*

   According to the opinion given by the Company's PRC legal advisers, the Group has the legal rights to occupy and use such properties and will be entitled to transfer, lease, mortgage or otherwise legally dispose of such properties after obtaining relevant state-owned LURCs.

3. *For the remaining 16 items of the properties representing a total gross floor area of approximately 12,291.72 sq.m., neither state-owned LURCs nor BOCs have been obtained.*

   According to the opinion given by the Company's PRC legal advisers, whether the Group has legally obtained the building ownership rights and land use rights of such properties cannot be ascertained.

4. *According to the opinion given by the Company's PRC legal advisers in terms of the CIP of the properties, which contains, inter alias, the following:*

   (a) The Group has obtained relevant state-owned LURCs and construction permits for a portion of the CIP with a total planned gross floor area of approximately 6,079.68 sq.m. There will be no material legal impediment for the Group to apply for relevant RETCs after such portion has passed the completion and acceptance inspection.

   (b) For the rest portion of the CIP, state-owned LURCs have been obtained by the Group but lack of the necessary construction permits. It cannot be ascertained whether the construction works are legally commenced.

5. *For the properties mentioned in notes 1(b), 2, 3 and 4(b), we have attributed no commercial value to them due to the absence of proper title certificates and based on the relevant legal opinion. However, for reference purpose, we are of the opinion that the total capital value of these properties as at the date of valuation would be RMB365,753,000 assuming all valid title certificates of these properties have been obtained and they could be freely transferred.*

6. *According to the opinion given by the Company's PRC legal advisers, the Group is applying for changing the registered names on the title certificates to its current name, and there is no material legal impediment for the applications. In addition, as advised by the Company, the Group is able to obtain substitute properties to maintain the Group's operations if it has to move out from those properties due to title defect, the relocation shall not have any material adverse effect on the Group's operations and financial status.*

7. *Pursuant to 81 Tenancy Agreements, a portion of the properties with a total lettable area of approximately 31,476 sq.m. is rented to various parties for various terms with the expiry dates between June 30, 2007 and March 5, 2019 at a total current annual rental of approximately RMB1,985,944. As at the date of valuation, 8 tenancy agreements in relation to the properties with a total lettable area of approximately 548 sq.m. have expired, and as advised by the Company, these tenancy agreements are currently being renewed.*

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at March 31, 2010
				RMB
32.	Various properties of The Xinjiang Production and Construction Corps Branch of the Company located in Xinjiang Uygur Autonomous Region the PRC	The properties comprise 254 commercial properties, 42 residential properties and 22 ancillary properties (318 in total) completed in various stages between 1976 and 2010. The properties have a total gross floor area of approximately 258,845.18 sq.m. The details for each use are listed as follows: Use — Gross Floor Area (sq.m.) Commercial 240,880.05 Residential 11,774.52 Ancillary 6,190.61 **Total: ..... 258,845.18** The properties also comprise a parcel of vacant land with a site area of approximately 1,593 sq.m. and 13 buildings under construction ("CIP") as at the date of valuation. The CIP has a total planned gross floor area of approximately 14,311.22 sq.m. and is scheduled to be completed between May 2010 and December 2010.	The properties are currently occupied by the Group for commercial, residential and ancillary purposes, except for the CIP which was under construction and a portion of these properties which is currently rented to various parties (Refer to note 7).	732,184,000

Notes:

1. *For 310 items of the properties with a total gross floor area of approximately 253,240.71 sq.m. and the vacant land, the Group has obtained relevant BOCs and LURCs under the name of either Agricultural Bank of China (the predecessor of the Company, the "Former Entity") or the Company.*

   According to the opinion given by the Company's PRC legal advisers, the relevant land use rights are granted or state-capital-injected. The Group has the legal rights to occupy, use, transfer, lease, mortgage or otherwise legally dispose of such properties.

2. *For 1 item of the property with a gross floor area of approximately 1,623.22 sq.m., the Group has obtained relevant BOC under the name of the Company but without proper LURC.*

   According to the opinion given by the Company's PRC legal advisers, the property is situated on the state-capital-injection land. However, the relevant LURC of such property is currently under application. There will be no material legal impediment for the Group to obtain relevant state-owned LURC of such property. The Group has the legal rights to occupy, use and lease such property and will be entitled to transfer, mortgage or otherwise legally dispose of such property after obtaining the state-owned LURC in nature of state-capital-injection land.

3. *For the remaining 7 items of the properties representing a total gross floor area of approximately 3,981.25 sq.m., neither state-owned LURCs nor BOCs have been obtained.*

   According to the opinion given by the Company's PRC legal advisers, whether the Group has legally obtained the building ownership rights and land use rights of such properties cannot be ascertained.

4. *According to the opinion given by the Company's PRC legal advisers in terms of the CIP of the properties, which contains, inter alias, the following:*

   (a) The Group has obtained state-owned LURCs and the relevant construction permits for a portion of the CIP with a total planned gross floor area of approximately 2,399.7 sq.m. There will be no material legal impediment for the Group to apply for relevant BOCs after such portion has passed the completion and acceptance inspection.

(b) For a portion of the CIP with a planned gross floor area of approximately 558.22 sq.m., the relevant LURC in nature of state-capital-injection land is currently under application, and the relevant construction permits have been obtained by the Group. There will be no material legal impediment for the Group to apply for relevant BOC after such portion has passed the completion and acceptance inspection.

(c) For the rest portion of the CIP, either state-owned LURCs and/or necessary construction permits have not been obtained by the Group. It cannot be ascertained whether the construction works are legally commenced.

5. *For the properties mentioned in notes 2, 3, 4(b) and 4(c), we have attributed no commercial value to them due to the absence of proper title certificates and based on the relevant legal opinion. However, for reference purpose, we are of the opinion that the total capital value of these properties as at the date of valuation would be RMB39,891,000 assuming all valid title certificates of these properties have been obtained and they could be freely transferred.*

6. *According to the opinion given by the Company's PRC legal advisers, the Group is applying for changing the registered names on the title certificates to its current name, and there is no material legal impediment for the applications. In addition, as advised by the Company, the Group is able to obtain substitute properties to maintain the Group's operations if it has to move out from those properties due to title defect, the relocation shall not have any material adverse effect on the Group's operations and financial status.*

7. *Pursuant to 9 Tenancy Agreements, a portion of the properties with a total lettable area of approximately 3,481 sq.m. is rented to various parties for various terms with the expiry dates between May 16, 2010 and May 31, 2017 at a total current annual rental of approximately RMB588,400.*

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at March 31, 2010
				RMB
33.	Various properties of City of Dalian Branch of the Company located in Dalian City Liaoning Province the PRC	The properties comprise 159 commercial properties, 12 residential properties and 35 ancillary properties (206 in total) completed in various stages between 1979 and 2008. The properties have a total gross floor area of approximately 193,180.3 sq.m. The details for each use are listed as follows:	The properties are currently occupied by the Group for commercial, residential and ancillary purposes, except for a portion of these properties which is currently rented to various parties (Refer to note 7).	1,271,870,000

Use	Gross Floor Area (sq.m.)
Commercial	174,136.45
Residential	1,071.20
Ancillary	17,972.65
Total:	**193,180.30**

Notes:

1. *For 194 items of the properties, the Group has obtained relevant BOCs and LURCs under the name of either Agricultural Bank of China (the predecessor of the Company, the "Former Entity") or the Company.*

   According to the opinion given by the Company's PRC legal advisers, which contains, inter alias, the following:

   (a) *The relevant land use rights are granted, state-capital-injected or rented from the government for 187 properties with a total gross floor area of approximately 170,280.1 sq.m. The Group has the legal rights to occupy, use, transfer, lease, mortgage or otherwise legally dispose of such properties.*

   (b) *The relevant land use rights are allocated for 7 properties with a total gross floor area of approximately 16,828.77 sq.m. The Group has the legal rights to occupy and use such properties. After obtaining relevant state-owned LURCs in nature of granted land or land rented from the government, the Group will be entitled to transfer, lease, mortgage or otherwise legally dispose of such properties.*

2. *For 1 item of the property with a gross floor area of approximately 279 sq.m., the Group has obtained relevant LURC under the name of the Company but without proper BOC. The relevant land use rights are granted.*

   According to the opinion given by the Company's PRC legal advisers, the Group can occupy and use such property. After obtaining relevant BOC, the Group will be entitled to transfer, lease, mortgage or otherwise legally dispose of such property.

3. *For 7 items of the properties with a total gross floor area of approximately 2,894.88 sq.m., the Group has obtained relevant BOCs under the name of either the Former Entity or the Company but without proper LURCs.*

   According to the opinion given by the Company's PRC legal advisers, which contains, inter alias, the following:

   (a) *A property with a gross floor area of approximately 588.43 sq.m. is situated on the state-capital-injection land. However, the relevant LURC of such property is currently under application. There will be no material legal impediment for the Group to obtain relevant state-owned LURC of such property. The Group has the legal rights to occupy, use and lease such property and will be entitled to transfer, mortgage or otherwise legally dispose of such property after obtaining the state-owned LURC in nature of state-capital-injection land.*

   (b) *For the remaining properties, the Group has the legal rights to occupy and use such properties and will be entitled to transfer, lease, mortgage or otherwise legally dispose of such properties after obtaining relevant state-owned LURCs.*

4. *For the remaining 4 items of the properties representing a total gross floor area of approximately 2,897.55 sq.m., neither state-owned LURCs nor BOCs have been obtained.*

   According to the opinion given by the Company's PRC legal advisers, whether the Group has legally obtained the building ownership rights and land use rights of such properties cannot be ascertained.

5. *For the properties mentioned in notes 1(b), 2 to 4, we have attributed no commercial value to them due to the absence of proper title certificates and based on the relevant legal opinion. However, for reference purpose, we are of the opinion that the total capital value of these properties as at the date of valuation would be RMB99,894,000 assuming all valid title certificates of these properties have been obtained and they could be freely transferred.*

6. *According to the opinion given by the Company's PRC legal advisers, the Group is applying for changing the registered names on the title certificates to its current name, and there is no material legal impediment for the applications. In addition, as advised by the Company, the Group is able to obtain substitute properties to maintain the Group's operations if it has to move out from those properties due to title defect, the relocation shall not have any material adverse effect on the Group's operations and financial status.*

7. *Pursuant to 7 Tenancy Agreements, a portion of the properties with a total lettable area of approximately 8,783 sq.m. is rented to various parties for various terms with the expiry dates between September 30, 2010 and February 1, 2025 at a total current annual rental of approximately RMB2,870,000.*

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at March 31, 2010
				RMB
34.	Various properties of City of Ningbo Branch of the Company located in Ningbo and Hangzhou Cities Zhejiang Province the PRC	The properties comprise 217 commercial properties, 140 residential properties and 35 ancillary properties (392 in total) completed in various stages between 1940 and 2009. The properties have a total gross floor area of approximately 297,979.78 sq.m. The details for each use are listed as follows: Use / Gross Floor Area (sq.m.) Commercial 272,290.02 Residential 13,366.77 Ancillary 12,322.99 **Total: ..... 297,979.78** The properties also comprise a parcel of vacant land with a site area of approximately 1,023.5 sq.m.	The properties are currently occupied by the Group for commercial, residential and ancillary purposes, except for a portion of these properties which is currently rented to various parties (Refer to note 7).	1,758,024,000

Notes:

1. *For 380 items of the properties with a total gross floor area of approximately 272,873.48 sq.m. and the vacant land, the Group has obtained relevant BOCs and LURCs under the name of either Agricultural Bank of China (the predecessor of the Company, the "Former Entity") or the Company.*

   According to the opinion given by the Company's PRC legal advisers, the relevant land use rights are granted or state-capital-injected. The Group has the legal rights to occupy, use, transfer, lease, mortgage or otherwise legally dispose of such properties.

2. *For 2 items of the properties with a total gross floor area of approximately 13,136.4 sq.m., the Group has obtained relevant LURCs under the name of either the Former Entity or the Company but without proper BOCs. The relevant land use rights are granted.*

   According to the opinion given by the Company's PRC legal advisers, the Group can occupy and use such properties. After obtaining relevant BOCs, the Group will be entitled to transfer, lease, mortgage or otherwise legally dispose of such properties.

3. *For 5 items of the properties with a total gross floor area of approximately 8,496.87 sq.m., the Group has obtained relevant BOCs under the name of either the Former Entity or the Company but without proper LURCs.*

   According to the opinion given by the Company's PRC legal advisers, which contains, inter alias, the following:

   (a) 3 properties with a total gross floor area of approximately 8,086 sq.m. are situated on the state-capital-injection land. However, the relevant LURCs of such properties are currently under application. There will be no material legal impediment for the Group to obtain relevant state-owned LURCs of such properties. The Group has the legal rights to occupy, use and lease such properties and will be entitled to transfer, mortgage or otherwise legally dispose of such properties after obtaining the state-owned LURCs in nature of state-capital-injection land.

   (b) For the remaining properties, the Group has the legal rights to occupy and use such properties and will be entitled to transfer, lease, mortgage or otherwise legally dispose of such properties after obtaining relevant state-owned LURCs.

4. *For the remaining 5 items of the properties representing a total gross floor area of approximately 3,473.03 sq.m., neither state-owned LURCs nor BOCs have been obtained.*

   According to the opinion given by the Company's PRC legal advisers, whether the Group has legally obtained the building ownership rights and land use rights of such properties cannot be ascertained.

5. *For the properties mentioned in notes 2 to 4, we have attributed no commercial value to them due to the absence of proper title certificates and based on the relevant legal opinion. However, for reference purpose, we are of the opinion that the total capital value of these properties as at the date of valuation would be RMB161,117,000 assuming all valid title certificates of these properties have been obtained and they could be freely transferred.*

6. *According to the opinion given by the Company's PRC legal advisers, the Group is applying for changing the registered names on the title certificates to its current name, and there is no material legal impediment for the applications. In addition, as advised by the Company, the Group is able to obtain substitute properties to maintain the Group's operations if it has to move out from those properties due to title defect, the relocation shall not have any material adverse effect on the Group's operations and financial status.*

7. *Pursuant to 76 Tenancy Agreements, a portion of the properties with a total lettable area of approximately 7,785 sq.m. is rented to various parties for various terms with the expiry dates between March 31, 2010 and March 15, 2013 at a total current annual rental of approximately RMB2,700,135.*

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at March 31, 2010
				RMB
35.	Various properties of City of Xiamen Branch of the Company located in Xiamen City Fujian Province the PRC	The properties comprise 84 commercial properties, 24 residential properties and 17 ancillary properties (125 in total) completed in various stages between 1980 and 2009. The properties have a total gross floor area of approximately 96,630.45 sq.m. The details for each use are listed as follows: Use / Gross Floor Area (sq.m.) Commercial 77,929.09 Residential 2,535.04 Ancillary 16,166.32 **Total: 96,630.45**	The properties are currently occupied by the Group for commercial, residential and ancillary purposes, except for a portion of these properties which is currently rented to various parties (Refer to note 5).	737,136,000

Notes:

1. *For 119 items of the properties with a total gross floor area of approximately 91,293.18 sq.m., the Group has obtained relevant BOCs and LURCs under the name of either Agricultural Bank of China (the predecessor of the Company, the "Former Entity") or the Company.*

   According to the opinion given by the Company's PRC legal advisers, the relevant land use rights are granted or state-capital-injected. The Group has the legal rights to occupy, use, transfer, lease, mortgage or otherwise legally dispose of such properties.

2. *For the remaining 6 items of the properties representing a total gross floor area of approximately 5,337.27 sq.m., neither state-owned LURCs nor BOCs have been obtained.*

   According to the opinion given by the Company's PRC legal advisers, whether the Group has legally obtained the building ownership rights and land use rights of such properties cannot be ascertained.

3. *For the properties mentioned in note 2, we have attributed no commercial value to them due to the absence of proper title certificates and based on the relevant legal opinion. However, for reference purpose, we are of the opinion that the total capital value of these properties as at the date of valuation would be RMB83,686,000 assuming all valid title certificates of these properties have been obtained and they could be freely transferred.*

4. *According to the opinion given by the Company's PRC legal advisers, the Group is applying for changing the registered names on the title certificates to its current name, and there is no material legal impediment for the applications. In addition, as advised by the Company, the Group is able to obtain substitute properties to maintain the Group's operations if it has to move out from those properties due to title defect, the relocation shall not have any material adverse effect on the Group's operations and financial status.*

5. *Pursuant to 10 Tenancy Agreements, a portion of the properties with a total lettable area of approximately 4,464 sq.m. is rented to various parties for various terms with the expiry dates between August 29, 2010 and October 30, 2012 at a total current annual rental of approximately RMB1,628,995.*

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at March 31, 2010
				RMB
36.	Various properties of City of Qingdao Branch of the Company located in Qingdao City Shandong Province the PRC	The properties comprise 195 commercial properties, 27 residential properties and 30 ancillary properties (252 in total) completed in various stages between 1977 and 2009. The properties have a total gross floor area of approximately 217,064.64 sq.m. The details for each use are listed as follows: Use / Gross Floor Area (sq.m.) Commercial 210,603.12 Residential 2,506.95 Ancillary 3,954.57 **Total: 217,064.64**	The properties are currently occupied by the Group for commercial, residential and ancillary purposes, except for a portion of these properties which is currently rented to various parties (Refer to note 6).	1,206,952,000

Notes:

1. *For 234 items of the properties with a total gross floor area of approximately 196,791.94 sq.m., the Group has obtained relevant BOCs, RETCs and LURCs under the name of either Agricultural Bank of China (the predecessor of the Company, the "Former Entity") or the Company.*

   According to the opinion given by the Company's PRC legal advisers, the relevant land use rights are granted or state-capital-injected. The Group has the legal rights to occupy, use, transfer, lease, mortgage or otherwise legally dispose of such properties.

2. *For 5 items of the properties with a total gross floor area of approximately 8,105.68 sq.m., the Group has obtained relevant BOCs under the name of either the Former Entity or the Company but without proper LURCs.*

   According to the opinion given by the Company's PRC legal advisers, which contains, inter alias, the following:

   (a) 2 properties with a total gross floor area of approximately 1,978.02 sq.m. are situated on the state-capital-injection land. However, the relevant LURCs of such properties are currently under application. There will be no material legal impediment for the Group to obtain relevant state-owned LURCs of such properties. The Group has the legal rights to occupy, use and lease such properties and will be entitled to transfer, mortgage or otherwise legally dispose of such properties after obtaining the state-owned LURCs in nature of state-capital-injection land.

   (b) For the remaining properties, the Group has the legal rights to occupy and use such properties and will be entitled to transfer, lease, mortgage or otherwise legally dispose of such properties after obtaining relevant state-owned LURCs.

3. *For the remaining 13 items of the properties representing a total gross floor area of approximately 12,167.02 sq.m., neither state-owned LURCs nor BOCs have been obtained.*

   According to the opinion given by the Company's PRC legal advisers, whether the Group has legally obtained the building ownership rights and land use rights of such properties cannot be ascertained.

4. *For the properties mentioned in notes 2 and 3, we have attributed no commercial value to them due to the absence of proper title certificates and based on the relevant legal opinion. However, for reference purpose, we are of the opinion that the total capital value of these properties as at the date of valuation would be RMB117,100,000 assuming all valid title certificates of these properties have been obtained and they could be freely transferred.*

5. *According to the opinion given by the Company's PRC legal advisers, the Group is applying for changing the registered names on the title certificates to its current name, and there is no material legal impediment for the applications. In addition, as advised by the Company, the Group is able to obtain substitute properties to maintain the Group's operations if it has to move out from those properties due to title defect, the relocation shall not have any material adverse effect on the Group's operations and financial status.*

6. *Pursuant to 7 Tenancy Agreements, a portion of the properties with a total lettable area of approximately 1,123 sq.m. is rented to various parties for various terms with the expiry dates between April 22, 2010 and August 16, 2013 at a total current annual rental of approximately RMB203,600.*

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at March 31, 2010
				RMB
37.	Various properties of City of Shenzhen Branch of the Company located in Shenzhen City Guangdong Province the PRC	The properties comprise 134 commercial properties, 307 residential properties and 30 ancillary properties (471 in total) completed in various stages between 1980 and 2007. The properties have a total gross floor area of approximately 209,282.4 sq.m. The details for each use are listed as follows:	The properties are currently occupied by the Group for commercial, residential and ancillary purposes, except for a portion of these properties which is currently rented to various parties (Refer to note 5).	1,376,454,000

Use	Gross Floor Area (sq.m.)
Commercial	149,530.27
Residential	38,545.99
Ancillary	21,206.14
Total:	**209,282.40**

Notes:

1. *For 442 items of the properties with a total gross floor area of approximately 138,841.78 sq.m., the Group has obtained relevant RETCs under the name of either Agricultural Bank of China (the predecessor of the Company, the "Former Entity") or the Company.*

   According to the opinion given by the Company's PRC legal advisers, the relevant land use rights are granted or state-capital-injected. The Group has the legal rights to occupy, use, transfer, lease, mortgage or otherwise legally dispose of such properties.

2. *For the remaining 29 items of the properties representing a total gross floor area of approximately 70,440.62 sq.m., neither state-owned LURCs nor BOCs have been obtained.*

   According to the opinion given by the Company's PRC legal advisers, which contains, inter alias, the following:

   (a) 2 properties with a total gross floor area of approximately 27,287.56 sq.m. are situated on the state-capital-injection land. However, the relevant LURCs of such properties are currently under application. The Group can occupy, use and lease such properties and will be entitled to transfer, mortgage or otherwise legally dispose of such properties after obtaining relevant BOCs and the state-owned LURCs in nature of state-capital-injection land.

   (b) For the remaining properties, whether the Group has legally obtained the building ownership rights and land use rights of such properties cannot be ascertained

3. *For the properties mentioned in note 2, we have attributed no commercial value to them due to the absence of proper title certificates and based on the relevant legal opinion. However, for reference purpose, we are of the opinion that the total capital value of these properties as at the date of valuation would be RMB834,438,000 assuming all valid title certificates of these properties have been obtained and they could be freely transferred.*

4. *According to the opinion given by the Company's PRC legal advisers, the Group is applying for changing the registered names on the title certificates to its current name, and there is no material legal impediment for the applications. In addition, as advised by the Company, the Group is able to obtain substitute properties to maintain the Group's operations if it has to move out from those properties due to title defect, the relocation shall not have any material adverse effect on the Group's operations and financial status.*

5. *Pursuant to 440 Tenancy Agreements, a portion of the properties with a total lettable area of approximately 16,456 sq.m. is rented to various parties for various terms with the expiry dates between September 30, 2009 and July 30, 2016 at a total current annual rental of approximately RMB3,326,296. As at the date of valuation, 3 tenancy agreements in relation to the properties with a total lettable area of approximately 615 sq.m. have expired, and as advised by the Company, these tenancy agreements are currently being renewed.*

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at March 31, 2010
				RMB
38.	Various properties of Wuhan Training Base of the Company located in Wuhan City Hubei Province the PRC	The properties comprise 9 training and ancillary properties completed in various stages between 1985 and 1997. The properties have a total gross floor area of approximately 38,250.5 sq.m.	The properties are currently occupied by the Group for training purpose.	151,538,000

Note:

The Group has obtained relevant BOCs and LURCs under the name of the Company. According to the opinion given by the Company's PRC legal advisers, the relevant land use rights are granted, and the Group has the legal rights to occupy, use, transfer, lease, mortgage or otherwise legally dispose of such properties.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at March 31, 2010
				RMB
39.	Various properties of Tianjin Training Base of the Company located at No. 88 Weijin South Road Nankai District Tianjin the PRC	The properties comprise 7 training and ancillary properties completed in various stages between 1984 and 1996. The properties have a total gross floor area of approximately 29,101.07 sq.m.	The properties are currently occupied by the Group for training purpose, except for a portion of these properties which is currently rented to a third party (Refer to note 2).	128,058,000

Notes:

1. *The Group has obtained relevant RETCs of these properties under the name of the Company. According to the opinion given by the Company's PRC legal advisers, the relevant land use rights are granted and the Group has the legal rights to occupy, use, transfer, lease, mortgage or otherwise legally dispose of such properties.*

2. *Pursuant to a Tenancy Agreement, a portion of the properties with a lettable area of approximately 450 sq.m. is rented to a third party for a term one year expiring on January 31, 2011 at an annual rental of approximately RMB600,000.*

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at March 31, 2010
				RMB
40.	Various properties of Changchun Training Base of the Company located at Qianjin Avenue Chaoyang District Changchun City Jilin Province the PRC	The properties comprise 17 training and ancillary properties completed in various stages between 1987 and 2004. The properties have a total gross floor area of approximately 42,402.82 sq.m.	The properties are currently occupied by the Group for training purpose.	136,172,000

Note:

1. *The Group has obtained relevant BOCs and LURCs of these properties under the name of the Company. According to the opinion given by the Company's PRC legal advisers, the relevant land use rights are granted and the Group has the legal rights to occupy, use, transfer, lease, mortgage or otherwise legally dispose of such properties.*

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at March 31, 2010
				RMB
41.	Various properties of Discounted Bills Department of the Company located in Ziguang Mansion, No. 341 Shangcheng Road Pudong New Area Shanghai the PRC	The properties comprise 8 office properties on Levels 9, 10, 17 and 19 of a 25-storey office building completed in 1998. The properties have a total gross floor area of approximately 1,095.6 sq.m.	The properties are currently occupied by the Group for office purpose.	14,369,000

Note:

The Group has obtained relevant RETCs of these properties under the name of the Company. According to the opinion given by the Company's PRC legal advisers, the relevant land use rights are granted and the Group has the legal rights to occupy, use, transfer, lease, mortgage or otherwise legally dispose of such properties.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at March 31, 2010
				RMB
42.	Various properties of Shanghai Data Center of the Company located in Jinqiao Yifang Yayuan Lane No. 777 Linghe Road Pudong New Area Shanghai the PRC	The properties comprise 194 residential properties in 14 7-storey residential buildings of a residential development known as Jinqiao Yifang Yayuan completed in 2005. The properties have a total gross floor area of approximately 19,760.66 sq.m.	The properties are currently occupied by the Group for residential purpose.	381,098,000

Note:

The Group has obtained relevant RETCs of these properties under the name of the Company. According to the opinion given by the Company's PRC legal advisers, the relevant land use rights are granted and the Group has the legal rights to occupy, use, transfer, lease, mortgage or otherwise legally dispose of such properties.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at March 31, 2010
				RMB
43.	Various properties of Beijing Hongluoyuan Training Base of the Company located in Beijing the PRC	The properties comprise 36 commercial and ancillary properties named Beijing Hongluoyuan Base and Yinlongyuan hotel completed in various stages between 1992 and 2007. The properties have a total gross floor area of approximately 47,521.94 sq.m.	The properties are currently occupied by the Group for hotel and ancillary purposes.	549,957,000

Notes:

1. *The Group has obtained relevant BOCs and LURCs of these properties under the name of either Agricultural Bank of China (the predecessor of the Company, the "Former Entity") or the Company.*

   According to the opinion given by the Company's PRC legal advisers, which contains, inter alias, the following:

   (a) The relevant land use rights are granted or rented from the government for 34 properties with a total gross floor area of approximately 46,764.68 sq.m. The Group has the legal rights to occupy, use, transfer, lease, mortgage or otherwise legally dispose of such properties.

   (b) The relevant land use rights are allocated for 2 properties with a total gross floor area of approximately 757.26 sq.m. The Group has the legal rights to occupy and use such properties. After obtaining relevant state-owned LURCs in nature of granted land or land rented from the government, the Group will be entitled to transfer, lease, mortgage or otherwise legally dispose of such properties.

2. *For the properties mentioned in note 1(b), we have attributed no commercial value to them due to the absence of proper title certificates and based on the relevant legal opinion. However, for reference purpose, we are of the opinion that the total capital value of these properties as at the date of valuation would be RMB32,568,000 assuming all valid title certificates of these properties have been obtained and they could be freely transferred.*

3. *According to the opinion given by the Company's PRC legal advisers, the Group is applying for changing the registered names on the title certificates to its current name, and there is no material legal impediment for the applications. In addition, as advised by the Company, the Group is able to obtain substitute properties to maintain the Group's operations if it has to move out from those properties due to title defect, the relocation shall not have any material adverse effect on the Group's operations and financial status.*

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at March 31, 2010
				RMB
44.	Various properties of Jingchuan Hotel of the Company located at No. 144 West Section 1 1st Ring Road Qingyang District Chengdu City Sichuan Province the PRC	The properties comprise 6 hotel and ancillary properties completed in various stages between 1987 and 1999. The properties have a total gross floor area of approximately 30,095.82 sq.m.	The properties are currently occupied by the Group for hotel purpose, except for a portion of these properties which is currently rented to various parties (Refer to note 5).	No commercial value

Notes:

1. *For 4 items of the properties with a total gross floor area of approximately 14,788.54 sq.m., relevant BOCs and LURC have been obtained.*

   According to the opinion given by the Company's PRC legal advisers, the relevant land use rights are allocated and the Group has the legal rights to occupy and use such properties. After obtaining relevant state-owned LURCs in nature of granted land or land rented from the government, the Group will be entitled to transfer, lease, mortgage or otherwise legally dispose of such properties.

2. *The remaining 2 items of the properties without proper BOCs representing a total gross floor area of approximately 15,307.28 sq.m. are erected on the land mentioned in note 1.*

   According to the opinion given by the Company's PRC legal advisers, the Group can occupy and use such properties. After obtaining relevant BOCs and state-owned LURCs in nature of granted land or land rented from the government, the Group will be entitled to transfer, lease, mortgage or otherwise legally dispose of such properties.

3. *We have attributed no commercial value to the properties due to the absence of proper title certificates and based on the relevant legal opinion. However, for reference purpose, we are of the opinion that the total capital value of these properties as at the date of valuation would be RMB78,523,000 assuming all valid title certificates of these properties have been obtained and they could be freely transferred.*

4. *According to the opinion given by the Company's PRC legal advisers, the Group is applying for changing the registered names on the title certificates to its current name, and there is no material legal impediment for the applications. In addition, as advised by the Company, the Group is able to obtain substitute properties to maintain the Group's operations if it has to move out from those properties due to title defect, the relocation shall not have any material adverse effect on the Group's operations and financial status.*

5. *Pursuant to 47 Tenancy Agreements, a portion of the properties with a total lettable area of approximately 8,265 sq.m. is rented to various parties for various terms with the expiry dates between February 7, 2010 and November 1, 2020 at a total current annual rental of approximately RMB3,786,938. As at the date of valuation, 2 tenancy agreements in relation to the properties with a total lettable area of approximately 120 sq.m. have expired, and as advised by the Company, these tenancy agreements are currently being renewed.*

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at March 31, 2010
				RMB
45.	Various properties of the head office of the Company located in Beijing the PRC	The properties comprise 7 commercial properties, 130 residential properties and 7 ancillary properties (144 in total) completed in various stages between 1984 and 2009. The properties have a total gross floor area of approximately 197,989.03 sq.m. The details for each use are listed as follows: Use / Gross Floor Area (sq.m.) Commercial 172,041.83 Residential 23,755.36 Ancillary 2,191.84 **Total: 197,989.03**	The properties are currently occupied by the Group for commercial, residential and ancillary purposes.	449,313,000

Notes:

1. *For 25 items of the properties, the Group has obtained relevant BOCs and LURCs under the name of either Agricultural Bank of China (the predecessor of the Company, the "Former Entity") or the Company.*

   According to the opinion given by the Company's PRC legal advisers, which contains, inter alias, the following:

   (a) The relevant land use rights are granted for 24 properties with a total gross floor area of approximately 20,201.32 sq.m. The Group has the legal rights to occupy, use, transfer, lease, mortgage or otherwise legally dispose of such properties.

   (b) The relevant land use rights are allocated for a property with a gross floor area of approximately 29,239 sq.m. The Group has the legal rights to occupy and use such property. After obtaining relevant state-owned LURC in nature of granted land or land rented from the government, the Group will be entitled to transfer, lease, mortgage or otherwise legally dispose of such property.

2. *For 63 items of the properties with a total gross floor area of approximately 125,539.5 sq.m., the Group has obtained relevant BOCs under the name of either the Former Entity or the Company but without proper LURCs.*

   According to the opinion given by the Company's PRC legal advisers, the Group has the legal rights to occupy and use such properties and will be entitled to transfer, lease, mortgage or otherwise legally dispose of such properties after obtaining relevant state-owned LURCs.

3. *For the remaining 56 items of the properties representing a total gross floor area of approximately 23,009.21 sq.m., neither state-owned LURCs nor BOCs have been obtained.*

   According to the opinion given by the Company's PRC legal advisers, whether the Group has legally obtained the building ownership rights and land use rights of such properties cannot be ascertained.

4. *For the properties mentioned in notes 1(b), 2 and 3, we have attributed no commercial value to them due to the absence of proper title certificates and based on the relevant legal opinion. However, for reference purpose, we are of the opinion that the total capital value of these properties as at the date of valuation would be RMB4,483,615,000 assuming all valid title certificates of these properties have been obtained and they could be freely transferred.*

5. *According to the opinion given by the Company's PRC legal advisers, the Group is applying for changing the registered names on the title certificates to its current name, and there is no material legal impediment for the applications. In addition, as advised by the Company, the Group is able to obtain substitute properties to maintain the Group's operations if it has to move out from those properties due to title defect, the relocation shall not have any material adverse effect on the Group's operations and financial status.*

VALUATION CERTIFICATE

GROUP II—Property interests owned and occupied by the Group in Hong Kong and Singapore

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at March 31, 2010
				RMB
46.	55 properties located in Hong Kong and Singapore	The properties comprise 16 commercial properties and 39 residential properties (55 in total) completed in various stages between 1959 and 1994. The properties have a total gross floor area of approximately 9,057.42 sq.m. Details of uses and gross floor area of the properties are listed as follows:	The properties are currently occupied by the Group for commercial and residential purposes, except for a portion of these properties which is currently rented to various parties.	766,914,000

Use	Gross Floor Area
	(sq.m.)
Commercial	6,422.15
Residential	2,635.27
Total:	**9,057.42**

Notes:

1. *The registered owners of the properties in Hong Kong and Singapore are the Company or the Company's subsidiaries.*
2. *Pursuant to 25 Tenancy Agreements, a portion of the properties with a total lettable area of approximately 2,952 sq.m. is rented to various parties for various terms with the expiry dates between May 31, 2010 and June 5, 2012 at a total current annual rental of approximately RMB7,788,516.*
3. *The exchange rates adopted in our valuation for the properties are HKD1=RMB0.8792 and SGD1=RMB4.8731, which were approximately the prevailing exchange rate as at the date of valuation.*

VALUATION CERTIFICATE

GROUP III—Property interests rented and occupied by the Group in the PRC

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at March 31, 2010
				RMB
47.	Various leased properties located in the PRC	The properties comprise 7,567 commercial properties, 458 residential properties and 135 ancillary properties (8,160 in total) completed in various stages between 1928 and 2010. The properties have a total lettable area of approximately 2,171,145.8 sq.m. The details for each use are listed as follows: Use / Lettable Area (sq.m.) Commercial 2,090,822.55 Residential 52,072.64 Ancillary 28,250.61 **Total: ..... 2,171,145.80** The properties were rented to the Group from various parties for various terms at a total annual rental of approximately RMB1,781,102,610.	The properties were occupied by the Group for commercial, residential and ancillary purpose as at the date of valuation.	No commercial value

Notes:

1. *Pursuant to various Tenancy Agreements entered into between the Group or Agricultural Bank of China (the predecessor of the Company) and various parties, 8,160 properties with a total lettable area of approximately 2,171,145.8 sq.m. were rented to the Group for various terms with the expiry dates between December 31, 2006 and July 1, 2094 (except for a portion of these properties which is for an indefinite term) at a total annual rental of approximately RMB1,781,102,610 for commercial, residential and ancillary uses. As at the date of valuation, various Tenancy Agreements in relation to 296 properties with a total lettable area of approximately 57,510.37 sq.m. have expired, and as advised by the Company, these Tenancy Agreements are currently being renewed.*

2. *For 3,399 properties out of the above properties with a total lettable area of approximately 1,024,023.61 sq.m., the respective lessors have provided the Group with the relevant BOCs, RETCs, or property owners' consents to sublet.*

   According to the opinion given by the Company's PRC legal advisers, the lessors have the rights to lease such properties and the Tenancy Agreements are legal and enforceable.

3. *For the remaining 4,761 properties, the lessors have not provided the Group with the relevant BOCs, RETCs, or property owners' consents to sublet. Among such properties, the lessors of 2,313 properties with a total lettable area of approximately 582,318.34 sq.m. have provided the Group with confirmation letters undertaking to compensate any loss arising from the title defect of such leased properties.*

   According to the opinion given by the Company's legal advisers, the lack of BOCs, RETCs, and property owners' consents may be subject to the risk that the Group could not continue to lease such properties in case of any dissent from any third parties. However, the Group can claim any loss from the lessors in accordance with the Tenancy Agreements and/or confirmation letters.

4. *The relevant Tenancy Agreements in relation to 537 out of the 8,160 properties with a total lettable area of approximately 188,458.16 sq.m. have been registered with local government authorities.*

   According to the opinion given by the Company's PRC legal advisers, the absence of lease registration will not affect the validity of the Tenancy Agreements of the properties.

5. *As advised by the Company, the Group is able to obtain other substitute properties which can be legally rented or are held by the Group in case that the Group cannot continue to rent these properties, which shall not have any material adverse effect on the Group's operations and financial status.*

VALUATION CERTIFICATE

GROUP IV—Property interests rented and occupied by the Group in Hong Kong and Overseas Countries

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at March 31, 2010
				RMB
48.	10 leased properties located in Hong Kong, Tokyo, London, New York, Seoul, Sydney and Frankfurt	The properties comprise 9 office units and one lot of parking space completed in various stages between 1939 and 2009. The properties have a total gross floor area of approximately 2,636.17 sq.m.	The property is currently occupied by the Group for office and ancillary purposes.	No commercial value

Notes:

1. *The properties are rented to the Group from various parties for various terms at a total current annual rental being equivalent to approximately RMB21,992,184.*

2. *The exchange rates adopted in our valuation for the properties include HKD1=RMB0.8792, JPY100=RMB7.3421, GBP1=RMB10.2978, USD1=RMB6.8263, KRW100=RMB0.5893, AUD1=RMB6.2472 and EUR1=RMB9.1588, which were approximately the prevailing exchange rates as at the date of valuation.*

VALUATION CERTIFICATE

GROUP V—Property interests contracted to be acquired by the Group in the PRC

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at March 31, 2010
				RMB
49.	Various properties located in the PRC	The properties comprise 374 commercial and residential properties completed or scheduled to be completed between 1990 and 2013 with a total planned gross floor area of approximately 684,695.68 sq.m.	The properties were vacant or under construction as at the date of valuation.	No commercial value

Notes:

1. *The Group has entered into various sales and purchase agreements with various real estate developers or other third parties to purchase 374 properties with a total gross floor area of approximately 684,695.68 sq.m. The total consideration of the properties was in the amount of approximately RMB12,981,019,761.*

2. *As at the date of valuation, the titles of the properties have not been vested in the Group. Therefore we have attributed no commercial value to the properties. However, for reference purpose, we are of the opinion that the total capital value of the properties as at the date of valuation would be RMB13,046,000,000, on condition that the properties are completed, the relevant title certificates have been obtained by the Group and the Group is entitled to freely transfer and mortgage the properties.*

3. *As advised by the Group, a sum of approximately RMB11,743,167,380 had been paid by the Group to purchase the properties up to the date of valuation.*

4. *According to the opinion given by the Company's PRC legal advisors, the relevant agreements to purchase these properties do not disobey the regulations concerning the transfer of property in the PRC. After paying off the contracted purchase price, there would be no material legal impediment for the Group to obtain the building ownership rights and relevant land use rights of these properties.*

This appendix summarizes certain aspects of PRC taxation, foreign exchange, legal and regulatory matters and contains a description of the material differences between certain requirements of PRC and Hong Kong company law. However, this appendix does not contain an exhaustive summary of all matters of PRC, Hong Kong or other laws or regulations which may affect us or our shareholders, and does not take into account your specific circumstances. If you wish to obtain detailed information on PRC taxation, PRC law or the laws of any other jurisdiction you should seek independent professional advice.

PRC Taxation

Corporate Income Tax

Corporate income tax in the PRC is governed by the PRC Enterprise Income Tax Law. Enterprises and other organizations generating income within the PRC are subject to enterprise income tax at the rate of 25%.

According to the PRC Enterprise Income Tax Law and its implementing rules, non-resident enterprises, which are enterprises established under foreign laws with their actual management entities outside the PRC and without offices or premises established in the PRC or without income generated associated with their offices and premises established in the PRC, are subject to enterprise income tax at a rate of 10% for their income generated within the PRC.

Business Tax

Business tax in the PRC is governed by the PRC Provisional Regulations on Business Tax. Enterprises and individuals that provide taxable services, transfer intangible assets or sell real estate within the PRC are subject to business tax at a rate of 3% or 5% of the amount of the taxable services or other transaction, except for the entertainment sector, the turnover of which is subject to the business tax at a rate of 5% to 20%.

Value-added Tax

Value-added tax, or VAT, in the PRC is governed by the PRC Provisional Regulations on Value-added Tax. VAT is payable on the sale or importation of goods and the provision of processing, repair and labor replacement services in the PRC. VAT is generally levied at the rate of 17%, however a rate of 13% is applicable to the sale or import of certain categories of essential goods. Exported goods are exempt from VAT.

Taxation of Dividends

According to the PRC Individual Income Tax Law and the Provisions for Implementation of the PRC Individual Income Tax Law, dividends paid by PRC companies to non-resident individuals are generally subject to PRC individual income tax levied at a flat rate of 20%. However, pursuant to certain notices issued by the SAT, in practice, no individual income tax has been collected against non-resident individuals on dividends paid by a PRC company on its shares listed on an overseas stock exchange, such as H shares.

According to the PRC Enterprise Income Tax Law and its implementing rules, non-resident enterprises that do not have a permanent establishment within the PRC are subject to enterprise income tax at a rate of 10% on any income generated within the PRC. Meanwhile, pursuant to the Notice of Taxation on the Issues concerning Withholding the Enterprise Income Tax on the Dividends Paid by Chinese Resident Enterprises to H-share Holders Which Are Overseas Non-resident Enterprises issued by the SAT on November 6, 2008, PRC resident enterprises are required to withhold enterprise income tax at a flat rate of 10% on distributions of dividends to non-resident enterprise shareholders of H shares for the year 2008 and thereafter.

Investors residing in countries or regions which have entered into treaties or arrangements for the avoidance of double taxation with the PRC may be entitled to a reduction of such withholding tax in accordance with the terms of the relevant treaty. Under the notice referred to above, upon receipt of dividends, a non-resident enterprise shareholder may apply to the PRC taxation authorities for a refund of the difference between the amount of tax withheld and the amount payable under the relevant treaty and arrangements.

Taxation of Capital Gains

The PRC Individual Income Tax Law and the Provisions for Implementation of the PRC Individual Income Tax Law stipulate that gains realized by individuals on the sale of equity shares are subject to income tax at a rate of 20%, and empower the MOF to draft and, after approval of the State Council, to implement detailed tax rules on the mechanism for collecting such tax. However, pursuant to certain notices issued by the SAT, in practice, no individual income tax on gains realized by non-resident individuals on the sale of shares of an overseas listed company (including H shares) has been collected.

Under the PRC Enterprise Income Tax Law and its implementing rules, a non-resident enterprise is generally subject to enterprise income tax at the rate of 10% with respect to the income generated within the PRC, including gains derived from the disposition of equity interests in a PRC company unless such tax is reduced or eliminated by an applicable double taxation treaty.

PRC Foreign Exchange Regulation

The Renminbi, or RMB, the lawful currency of the PRC, is currently subject to foreign exchange controls and is not freely convertible into foreign exchange. The SAFE, under the PBOC, is responsible for administering all matters relating to foreign exchange.

The RMB is subject to a regulated and managed floating exchange rate system in which the exchange rate is determined based on supply and demand and with reference to a basket of currencies. The PBOC publishes the closing price of the Renminbi against foreign currencies such as the U.S. dollar in the inter-bank foreign exchange market after the closing of the market on each business day, and fixes the central parity for RMB transactions on the following business day. Transactions may then be undertaken within a limited trading band around this central parity price.

Save for foreign investment enterprises and certain other exempted enterprises such as trading companies, all entities in the PRC must sell all of their foreign exchange income to designated foreign exchange banks. Foreign exchange income from loans granted by overseas entities or from the issuance of shares and bonds (including foreign exchange we obtain from the sale of our H shares overseas) is not required to be sold, and may be deposited in foreign exchange accounts at designated foreign exchange banks.

The PRC Foreign Exchange Control Regulations classify all international payments and transfers into current account items and capital account items.

Current account payments and transfers may be made without any the SAFE or other government approvals. PRC enterprises which require foreign exchange for transactions relating to current account items may effect payment from their foreign exchange accounts or at the designated foreign exchange banks, on the strength of valid receipts and proof of the relevant transactions.

Conversion of foreign exchange under capital account items, such as direct investments and capital contributions, remains subject to restrictions, and prior approval of the SAFE must be obtained for the purchase of foreign exchange for such transactions.

Dividends to holders of our H shares are declared in RMB but must be paid in Hong Kong dollars.

In accordance with the relevant regulations, PRC enterprises which are required to pay dividends to their shareholders in foreign exchange (such as our Company) may, on the strength of shareholder's general meeting resolutions or board resolutions for the distribution of profits, effect payment from their foreign exchange accounts or convert and pay dividends at the designated foreign exchange banks.

PRC Company Law

As a joint stock limited liability company incorporated in the PRC, and seeking a listing on the Hong Kong Stock Exchange, we are primarily subject to the following three PRC laws and regulations:

- the PRC Company Law, which was promulgated by the Standing Committee of the National People's Congress on December 29, 1993, took effect on July 1, 1994 and was amended as of December 25, 1999, August 28, 2004 and October 27, 2005;
- the Special Regulations Concerning the Overseas Offering and Listing of Shares Abroad by Joint Stock Limited Companies ("Special Regulations"), which were promulgated by the State Council on August 4, 1994; and
- the Mandatory Provisions for the Articles of Association of Companies Listing Overseas ("Mandatory Provisions"), which were jointly promulgated by the Securities Committee of the State Council and the State Restructuring Commission on August 27, 1994, and which we, as a joint stock limited liability company seeking an overseas listing, must incorporate into our articles of association.

We are incorporated under the PRC Company Law as a joint stock limited liability company. This means that we are a legal person and that our registered capital is divided into shares of equal par value. The liability of our shareholders is limited to the amount of shares held by them and we are liable to our creditors for an amount equal to the total value of our assets.

Our registered capital is equal to the amount of our paid-in capital as recorded at the SAIC.

All of our shares of the same class rank pari passu and carry equal rights. We may increase our share capital by issuing new shares with the approval of our shareholders in general meeting. For each share issue of the same class, the terms and the subscription price must be identical. We may issue shares at par value or at a premium, but we may not issue shares below the par value.

Under PRC law, our A shares, which will be denominated and subscribed for in RMB, may only be subscribed for or traded by PRC legal persons, natural persons, QFIIs and foreign strategic investors. Our H shares, which will be denominated in RMB and subscribed for in a currency other than RMB, may only be subscribed for, and traded by QDIIs of China, investors from Hong Kong, Macau and Taiwan or any country and territory outside the PRC ("Foreign Investors").

Shares that we issue to the Foreign Investors and shares that are listed overseas must be in registered form, denominated in Renminbi and subscribed for in a foreign currency. Shares that are purchased by investors from overseas including Hong Kong, Macau and Taiwan and listed in Hong Kong are known as "overseas listed foreign shares".

We are required to maintain a register of shareholders for all shares issued in registered form. Information such as our shareholders' particulars, number of shares held by each shareholder and the dates on which the shareholders become holders of the relevant shares are required to be entered into the register.

We may also reduce our registered capital with the approval of our shareholders in general meeting and subject to certain procedures and meeting minimum registered capital requirements under the PRC Company Law.

Our shares may be transferred in accordance with applicable laws and regulations, such as the PRC Company Law, the PRC Securities Laws and the Special Regulations.

PRC Securities Laws and Regulations

The PRC Securities Law took effect on July 1, 1999 and was amended on August 28, 2004 and October 27, 2005, respectively. The PRC Securities Law comprehensively regulates the PRC securities market, and contains provisions governing, among other matters, the issue and trading of securities, takeovers by listed companies, securities exchanges, securities companies and the duties and responsibilities of the State Council's securities regulatory authorities. The PRC Securities Law provides that we shall obtain the approval of the CSRC to issue or list our shares overseas.

The CSRC is the supervisory and regulatory institution for securities in the PRC. It is responsible for formulation of policies relating to securities, drafting of securities laws and regulations, supervision of the securities markets, market intermediaries and participants, supervision and regulation of the domestic and overseas public offerings of securities by Chinese companies, as well as supervision and regulation of securities transactions.

Currently, the issue and listing of overseas listed foreign shares (including H shares) are mainly governed by a series of rules and regulations promulgated by the State Council and the CSRC. An overseas listing of our shares must comply with the Special Regulations.

Material Differences Between Certain Company Law Matters in the PRC and Hong Kong

Hong Kong company law is primarily set out in the Hong Kong Companies Ordinance and supplemented by common law and rules of equity that apply to Hong Kong. There are material differences between Hong Kong company law and the PRC law applicable to a joint stock limited liability company incorporated under the PRC Company Law, to which the Bank is and will be subject. Material differences between certain company law matters in the PRC and Hong Kong are summarized below.

Shareholder Meetings—Quorum

Under Hong Kong law, the quorum for a meeting of a company is provided for in the articles of association of a company, but must be at least two members. The PRC Company Law does not specify any quorum requirement for a shareholders' general meeting, but the Special Regulations and the Mandatory Provisions provide that our general meeting may be convened when replies to the notice of that meeting have been received from shareholders whose shares represent 50% of the voting rights at least 20 days before the proposed date of the meeting, or if that 50% level is not achieved, we must within five days notify our shareholders by way of a public announcement and we may hold the shareholders' general meeting thereafter.

Shareholder Meetings—Voting

Under Hong Kong law, an ordinary resolution is passed by a simple majority of affirmative votes cast by members present in person or by proxy at a general meeting and a special resolution is passed by a majority of not less than three-fourths of votes cast by members present in person or by proxy at a general meeting. Under the PRC Company Law, the passing of any resolution requires more than one-half of the affirmative votes held by our shareholders present in person or by proxy at a shareholders' general meeting except in cases such as proposed amendments to our Articles of Association, increase or decrease of registered capital, merger, division, dissolution or transformation, which require two-thirds of the affirmative votes cast by shareholders present in person or by proxy at a shareholders' general meeting.

Variation of class rights

The PRC Company Law makes no specific provision relating to variation of class rights. However, the PRC Company Law states that the State Council can promulgate regulations relating to other kinds of shares. The Mandatory Provisions contain detailed provisions relating to the circumstances which are deemed to be variations of class rights and the approval procedures required to be followed in respect thereof. These provisions have been incorporated in the Articles of Association, which are summarized in Appendix VIII.

Under the Hong Kong Companies Ordinance, no rights attached to any class of shares can be varied except (i) with the approval of a special resolution of the holders of the relevant class at a separate meeting, (ii) with the consent in writing of the holders of three-fourths in nominal value of the

issued shares of the class in question, (iii) by agreement of all the members of the Company or (iv) if there are provisions in the Articles of Association relating to the variation of those rights, then in accordance with those provisions.

We (as required by the Listing Rules and the Mandatory Provisions) have adopted in the Articles of Association provisions protecting class rights in a similar manner to those found in Hong Kong law. Holders of overseas listed shares and domestic listed shares are defined in the Articles of Association as different classes, except where (i) we issue and allot, either separately or concurrently in any 12-month period, pursuant to a shareholders' special resolution, not more than 20% of each of the existing issued overseas listed shares and the domestic listed shares; (ii) the plan for the issue of domestic listed shares and overseas listed shares upon our establishment is implemented within 15 months following the date of approval by the CSRC; and (iii) the conversion by our promoters and the SSF of our shares held by them upon receiving the approval of the CSRC or the authorized securities approval authorities of the State Council.

Derivative action by minority shareholders

Hong Kong law permits minority shareholders to start a derivative action on behalf of all shareholders against directors who have committed a breach of their fiduciary duties to the company if the directors control a majority of votes at a general meeting, thereby effectively preventing a company from suing the directors in breach of their duties in its own name.

Although the PRC Company Law gives our shareholders the right to initiate proceedings in the people's court to restrain the implementation of any resolution passed by our shareholders in a general meeting, or by the Board of Directors, that violates any law, administrative rules or Articles of Association or if the directors or management personnel violate laws, administrative rules or articles of association when performing their duties and cause losses to the company, there is no form of proceedings equal to a derivative action. The Mandatory Provisions, however, provide us with certain remedies against the directors, supervisors and officers who breach their duties to us. In addition, as a condition to the listing of our H shares on the Hong Kong Stock Exchange and in accordance with our Articles of Association, each of our directors and supervisors is required to give an undertaking in favors of us acting as agent for each of our shareholders. This allows minority shareholders to act against our directors and supervisors in default.

Minority shareholder protection

Under Hong Kong law, a shareholder who complains that the affairs of a company incorporated in Hong Kong are conducted in a manner unfairly prejudicial to his interests may petition to the court to either wind up the company or make an appropriate order regulating the affairs of the company. In addition, on the application of a specified number of members, the Financial Secretary may appoint inspectors who are given extensive statutory powers to investigate the affairs of a company incorporated in Hong Kong.

There is no specific provision in the PRC Company Law to guard against oppression by the majority shareholders over minority shareholders, however the Company, as required by the Mandatory Provisions, has adopted in its Articles of Association minority protection provisions similar to (though not as comprehensive as) those available under the Hong Kong law. These provisions state

that a controlling shareholder may not exercise its voting rights in a manner prejudicial to the interests of other shareholders, may not relieve a director or supervisor of his duty to act honestly in our best interests or may not approve the expropriation by a director or supervisor of our assets or the individual rights of other shareholders.

Arbitration of disputes

In Hong Kong, disputes between shareholders and a company or its directors, managers and other senior officers can be resolved through the courts. The Mandatory Provisions and our Articles of Association provide that disputes between a holder of H shares and the Bank and its directors, supervisors, managers or other senior officers or a holder of domestic listed shares, arising from the Articles of Association, the PRC Company Law or other relevant laws and administrative regulations which concerns the affairs of the Company must, with certain exceptions, be referred to arbitration at either the Hong Kong International Arbitration Center ("HKIAC") or the China International Economic and Trade Arbitration Commission. Such arbitration is final and conclusive.

The Securities Arbitration Rules of the HKIAC contain provisions allowing, upon application by any party, an arbitral tribunal to conduct a hearing in Shenzhen for cases involving the affairs of companies incorporated in the PRC and listed on the Hong Kong Stock Exchange so that PRC parties and witnesses may attend. Where any party applies for a hearing to take place in Shenzhen, the tribunal shall, where satisfied that such application is based on bona fide grounds, order the hearing to take place in Shenzhen conditional upon all parties, including witnesses and arbitrators, being permitted to enter Shenzhen for the purpose of the hearing. Where a party, other than a PRC party or any of its witnesses or any arbitrator, is not permitted to enter Shenzhen, then the tribunal shall order that the hearing be conducted in any practicable manner, including the use of electronic media. For the purpose of the Securities Arbitration Rules of the HKIAC, a PRC party means a party domiciled in the PRC other than the territories of Hong Kong, Macau and Taiwan.

Set out below is a summary of certain provisions of our Articles of Association. As the information contained below is in summary form, it does not contain all the information that may be important to potential investors.

Our Bank was incorporated in the PRC as a joint stock limited liability company. The Articles of Association comprise our constitution.

Our Articles of Association were adopted conditionally on April 21, 2010 and approved by the CBRC on April 26, 2010, and will come into effect upon our listing.

Our Articles of Association are available for inspection at the address specified in Appendix X in "Documents Available for Inspection."

(a) Classes of Shares

Shareholders holding different types of shares shall be shareholders of different classes.

Shareholders of different classes shall enjoy the rights and assume the obligations stipulated by laws, administrative regulations and the Articles of Association.

Except shareholders holding other types of shares, shareholders holding domestic-listed shares and shareholders holding overseas-listed shares are considered as shareholders of different classes.

(b) Directors

The Board of Directors

We established the Board of Directors which is composed of seven to 17 members including executive directors, non-executive directors and independent directors in accordance with the Articles of Association. The exact number of members of the Board of Directors is to be determined by the shareholders' meeting. In accordance with the Articles of Association, independent directors shall number no less than three and their qualification should be in line with relevant requirements of supervising authorities. The number of the executive directors shall be no more than one-third of the total members of the Board of Directors. The chairman and the deputy chairman of the Board of Directors shall be appointed by directors and elected by more than half of the members of the Board of Directors.

The Board of Directors is the entity responsible to the shareholders' meeting, exercising the following functions and authorities:

- convening the shareholders' meeting and reporting to the shareholders' meeting;
- implementation of the resolutions of the shareholders' meeting;
- decision on development strategy (including development strategy of Sannong);
- decision on business plan and investment plan;
- decision on plan of risk-based capital allocation;
- formulation of proposal of annual financial budgets and final accounts;
- formulation of profit distribution and loss appropriation plan;
- formulation of plan of increase or reduction of registered capital;
- formulation of plan of issuance of corporate bonds and other securities and listing plan;

- formulation of plan of merger, division, dissolution or change of the legal form of our Bank;
- formulation of plan of share repurchase plan;
- formulation of general internal management policies, risk management and internal control policies, and supervision of the implementation of these rules and policies;
- review and approval of general risk management report of senior management and evaluation of effectiveness of risk management and improvement thereof;
- formulation of amendments to the Articles of Association, by-laws of the shareholders' meeting and the Board of Directors as well as corporate governance rules;
- review and approval of the president's operating guideline which is proposed by the president;
- decision on establishment of material legal person entities, merger and acquisition, significant investment, significant assets purchase, significant assets disposal, significant assets write-off and significant provision of guarantees under the authorization of the shareholders' meeting;
- appointment and dismissal of the president and the secretary to the Board of the Directors;
- appointment and dismissal of the deputy president and other senior management upon the nomination by the president (excluding secretary to the Board of Directors);
- election of chairman and members of the nomination and remuneration committee upon the proposal by the shareholders individually or aggregately holding the shares representing at least 10% of the voting rights of the Company, the chairman of the Board of Directors, one-third or more of directors or one-half or more (at least two) of independent directors; election of chairman and members of other committees (excluding the chairman of the strategic planning committee) upon nomination by the nomination and remuneration committee;
- formulation of performance measurement for directors and compensation systems for directors and supervisors (according to the assessment of the Board of Supervisors), and proposing to the shareholders' meeting for approval;
- decision on remuneration, performance review and incentives measurement for senior management;
- decision or authorizing the president to make decision on structures of internal operational divisions, tier-1 domestic and overseas branches, directly-managed branches and other directly-managed or oversea entities;
- regular evaluation and improvement of corporate governance;
- formulation of stock incentive schemes;
- managing information disclosure;
- proposal to the shareholders' meeting for engagement, dismissal and discontinuance of engagement of the accounting firm;
- review and approval of or authorizing the related party transactions management committee to approve related party transactions, and reporting to the shareholders' meeting concerning related party transactions and related party transaction management rules implementation;

- review and approval of proposals by committees;
- debriefing the reports of the president, to ensure that all directors are informed of sufficient information for performance of their duties, in accordance with relevant supervision requirements; and reviewing performance of the senior management to ensure effective performance of their duties; and
- functions as required by laws, administrative regulations, rules and the Articles of Association and authorized by the shareholders' meeting.

Chairman of Board of Directors

The chairman of the Board of Directors shall exercise the following duties and powers:

- presiding over the shareholders' general meeting and reporting to the shareholders' general meeting on behalf of the Board of Directors;
- convening and presiding over the Board of Directors' meeting;
- supervising and inspecting the implementation of resolutions of the Board of Directors;
- signing certificates of shares, bonds and others securities of the Bank;
- signing other documents that shall be signed by the legal representative of the Bank; and
- exercising other duties and powers vested by relevant laws and administrative regulations, rules and the Articles of Association as well as authorized by the Board of Directors.

When the chairman of the Board of Directors cannot perform or fails to perform his/her duties and powers, the vice chairman shall act on his/her behalf; when the vice chairman cannot perform or fails to perform his/her duties and powers, a director elected by half or more of all the directors shall act on his/her behalf.

(i) Power to allot and issue shares

There is no provision in the Articles of Association empowering the directors, supervisors and senior management members to allot and issue shares.

Any proposal to increase the registered capital of the Bank must be submitted for approval by a special resolution of the shareholder's general meeting. Any such increase is subject to approval of relevant authorities.

(ii) Power to dispose of the assets of the Company or any subsidiary

When disposing of fixed assets, if the expected value of the fixed assets the Board of Directors intends to dispose of and the total value of the fixed assets already disposed of four months before such disposal proposal in aggregate exceeds 33% of the fixed assets value shown in the most recent balance sheet reviewed by the shareholders' general meeting, the Board of Directors must not dispose of or approve the disposal of such fixed assets before such disposal is approved by the shareholders' general meeting.

Disposal of fixed assets referred to above includes the transfer of certain rights and interests of assets, but excludes the provision of security using fixed assets.

The effectiveness of transactions conducted by the Bank to dispose of fixed assets is not subject to the aforesaid item.

(iii) Compensation or payment for loss of office

With the prior approval of a shareholders' general meeting, the Bank shall sign written contracts with its directors and supervisors in the matter of remuneration. The matter of remuneration includes:

- remuneration for positions as the Bank's directors, supervisors or senior management members;
- remuneration for positions as the directors, supervisors or senior management members of bank subsidiaries of the Bank (subsidiary companies);
- remuneration for other services supporting the management of the Bank and its bank subsidiaries (subsidiary companies); and
- compensation for a director or supervisor's loss of posts or retirement.

Unless pursuant to the aforesaid contracts, the directors and supervisors shall not file any lawsuit against the Bank and claim the benefits they shall obtain for the foregoing matters.

(iv) Loans to directors, supervisors and senior management

The Bank shall not, directly or indirectly, provide loans or loan guarantees for its directors, supervisors, and senior management members, nor shall it provide the same to their related persons.

The following situations are not subject to the above prohibition:

- the Bank provides loans or loan guarantee for its bank subsidiaries (subsidiary companies);
- pursuant to the employment contracts approved by shareholders' general meeting, the Bank provides loans, loan guarantees or other funds for its directors, supervisors, and senior management members, to enable them to make payments for the Bank or for the expenses arising from the performance of their responsibilities; and
- the Bank may provide loans or loan guarantees for its directors, supervisors, and senior management members and related persons based on normal commercial terms.

(v) Financial assistance to purchase shares

The Bank or the bank subsidiaries (subsidiary companies) shall not offer any financial assistance at any time by any means to purchasers or prospective purchasers of the Bank's shares. Such purchasers of the Bank's shares as mentioned above shall include those who directly or indirectly assume the obligations due to purchase of the shares of the Bank.

The Bank or the bank subsidiaries (subsidiary companies) shall not offer any financial assistance at any time by any means in order to reduce or relieve the obligations of the aforesaid obligator due to their purchase or intention of purchase of the shares of the Bank.

The acts listed below are not prohibited:

- where the Bank provides the relevant financial assistance truthfully for the interests of the Bank and the main purpose of the financial assistance is not to purchase shares of the Bank, or the financial assistance is an incidental part of an overall plan of the Bank;
- lawful distribution of the Bank's property in the form of dividends;
- distribution of dividends in the form of shares;
- reduction of registered capital, repurchase of shares, shareholding structuring, etc., in accordance with the Articles of Association;
- provision of a loan by the Bank within its scope of business and in the ordinary course of its business (provided that the same does not lead to a reduction in the net assets of the Bank or that if the same constitutes a reduction, the financial assistance is deducted from the Bank's distributable profits); and
- the provision of money by the Bank for an employee shareholding scheme (provided that the same does not lead to a reduction in the net assets of the Bank or that if the same constitutes a reduction, the financial assistance is deducted from the Bank's distributable profits).

For these purposes, financial assistance shall include but is not limited to the following means:

- donation;
- guarantee (including the guarantor bearing responsibility or offering property in order to guarantee the obligator's performance of obligations), compensation (but excluding the compensation arising out of the Bank's fault), relief or waiver of rights;
- providing loans or entering into a contract in which the Bank performs its obligations prior to other parties; change of the parties to such loans and contracts as well as transfer of rights in such loans and contracts;
- financial assistance provided by the Bank in any other form when the Bank is insolvent or has no net assets or such financial aid will lead to a substantial reduction of net assets.

The obligations referred to shall include the obligations of the obligator by signing a contract or making an arrangement or changing its financial status in any other way, regardless of whether or not the aforesaid contract or arrangement is enforceable, or whether or not such obligations are assumed by the obligator individually or jointly with any other person.

(vi) Disclosure of interest in contracts with the Company or any of its subsidiaries

Where the Bank's directors, supervisors, and senior management members are directly or indirectly relevant to the contracts, transactions or arrangements (except employment contracts between the Bank and its directors, supervisors, and senior management members) signed or planned by the Bank, they shall notify the Board of Directors of the nature and degree of such a relationship, no matter whether such matter, in general, shall be approved by the Board of Directors.

Unless the interested directors, supervisors, and senior management members have informed the Board of Directors of the matter, and the Board of Directors has approved it at a meeting where

they are not incorporated into the quorum and nor do they participate in the voting, the Bank shall have the right to cancel such contracts, transactions or arrangements, except where the counterparty is an innocent party who is not aware of the relevant directors, supervisors, and senior management members' violation of their obligations.

The Bank's directors, supervisors, and senior management members shall be treated as interested parties where their related persons are interested in a certain contract, transaction or arrangement.

(vii) Remuneration

The remuneration of directors shall be subject to the prior approval of a shareholder's general meeting.

(viii) Retirement, appointment and removal

Nomination and Election of Directors

Directors of the Bank comprise executive directors, non-executive directors, and independent directors.

Candidates for directors of the board shall be nominated by the Board of Directors or the shareholders who individually or in aggregate hold 5% or more of total voting shares of the Bank, and shall be elected by the general meeting of shareholders.

The Board of Directors, Board of Supervisors and shareholders who individually or in aggregate hold 1% or more of total voting shares of the Bank can nominate candidates for independent directors, who shall be elected by the general meeting of shareholders. Service term of independent directors is the same as that of other directors of the Bank. The qualification of holding a position as independent director shall be submitted to and reviewed by the banking supervisory authorities of the State Council.

Nomination and Election of Supervisors

Supervisors of the Bank include supervisors representing shareholders, external supervisors and supervisors representing employees. The proportion of the Bank's supervisors representing employees shall not be less than one third of the total number of supervisors, and the Bank shall have at least two external supervisors.

Candidates for supervisors representing shareholders shall be nominated by the Board of Supervisors or the shareholders holding individually or jointly 5% or more of the voting shares of the Bank, and elected by the general meeting of shareholders of the Bank.

Supervisors representing employees shall be elected and removed by employees.

The external supervisor of the Bank shall be nominated by the Board of Supervisors or the shareholders holding individually or jointly 1% or more of shares of the Bank and elected by the general meeting of shareholders.

Removal and Resignation of Directors

The shareholders' general meeting shall not dismiss any director without justified reasons prior to the expiry of service term. However, under the premise of observance of relevant laws and

administrative regulations, the shareholders' general meeting may dismiss any director during his/her service term through a general resolution (however, the director's claim that can be proposed in accordance with any contract will not be affected).

A director may resign prior to the expiry of his/her service term. When a director intends to resign, he/she shall submit a written resignation to the Board of Directors. The Board of Directors shall disclose this fact within 2 days.

If, upon the expiry of a director's service term, a new director cannot be elected in time, or the resignation of any director causes the number of directors to fall below the minimum number of directors required by law, such director shall continue to perform his/her duties in accordance with laws, administrative regulations and the Articles of Association until a new director is elected and assumes his/her office.

Except in the situation aforesaid that resignation of any director causes the number of directors to fall below the minimum number of directors required by law, the resignation of a director shall become effective when it is received by the board. The resignation of independent directors shall comply with the Articles of Association.

There is no provision in the Articles of Association regarding retirement or non-retirement of directors under an age limit.

Removal and Resignation of Supervisors

No supervisor may be removed before the expiry of his/her term of office without justified reasons.

A supervisor may offer to resign before the expiry of his/her term of office. A supervisor who intends to resign shall submit a written resignation to the Board of Supervisors. The provisions concerning the resignation of directors shall apply to supervisors.

(ix) Borrowing powers

The Articles of Association do not specifically provide for the manner in which borrowing powers may be exercised nor do they contain any specific provision in respect of the manner in which such borrowing powers may be amended, except for:

- provisions which authorize the Board of Directors to formulate proposals for the issuance of corporate bonds or other securities by the Bank; and
- provisions which provide that the issuance of corporate bonds and other securities shall be approved by the shareholders' general meeting by a special resolution.

(x) Proceedings of the Board of Directors

Resolutions of board meetings shall be approved and adopted by more than half of the votes cast by all directors, however for the following matters, the resolution shall be adopted by a two-thirds majority of all directors and the meeting shall not be held in the manner of written resolution:

- plans for annual fiscal budget and final accounts;
- plans for deployment of high risk capital, profit distribution and recovery of losses;

- plans for the increase or decrease of registered capital;
- plans for issuance of corporate bonds or other securities and public listing;
- plans for merger, division, dissolution, liquidation and change of corporate form;
- plans for repurchase of the shares of the Bank;
- amendments to the Articles of Association; and
- the establishment of material legal persons, material acquisition and merger, material investments, material purchase of assets, material disposal of assets, material write-off of assets, and material guarantee matters within the authorization of the shareholders' meeting.

(c) Alteration to Constitutional Documents

Our Bank may amend the Articles of Association in accordance with laws, administrative regulations and provisions of the Articles of Association. Our Bank shall amend the Articles of Association if any of the following circumstances occurs:

- any terms contained in the Articles of Association becoming inconsistent with the provisions of the amended PRC Company Law and other relevant laws and administrative regulations from time to time;
- certain changes of our Bank resulting in the non-compliance with certain terms specified in the Articles of Association; or
- a resolution being passed by the shareholders' meeting to amend the Articles of Association.

Any amendments to the Articles of Association which are subject to approval by relevant banking authorities shall be filed to relevant banking authorities for approval. Where an amendment to the Articles of Association shall be subject to registration, the Bank shall register such amendment in accordance with relevant laws.

(d) Variation of Rights of Existing Shares or Classes of Shares

If the Bank intends to change or abrogate the rights of a class of shareholders, it may do so only after such change or abrogation has been approved by way of a special resolution of the shareholders' general meeting and by a separate shareholders' meeting convened by the affected shareholders of that class in accordance with the Articles of Association.

In the following conditions, rights of a class of shareholders shall be deemed to have been changed or abrogated:

- an increase or decrease in the number of shares of such class or an increase or decrease in the number of shares of a class having voting rights, distribution rights or other privileges equal or superior to those of the shares of such class;
- a change of all or part of the shares of such class into shares of another class, a conversion of all or part of the shares of another class into shares of such class or the grant of the right to such change;
- a removal or reduction of rights to accrued dividends or cumulative dividends attached to shares of such class;

- a reduction or removal of a dividend preference or property distribution preference during liquidation of the Bank, attached to shares of such class;
- an addition, removal or reduction of share conversion rights, options, voting rights, transfer rights, preemptive rights to rights issues or rights to acquire securities of the Bank attached to shares of such class;
- a removal or reduction of rights to receive amounts payable by the Bank in a particular currency attached to shares of such class;
- a creation of a new class of shares with voting rights, distribution rights or other privileges equal or superior to those of the shares of such class;
- an imposition of restrictions or additional restrictions on the transfer or ownership of shares of such class;
- an issuance of rights to subscribe for, or convert into, shares of such type or other classes;
- an increase in the rights and privileges of shares of other classes;
- restructuring of the Bank causing shareholders of different categories to bear liability to different extents during the restructuring; or
- an amendment or cancellation of the above provisions.

Interested shareholders shall not enjoy voting rights in class shareholders' general meeting. "Interested shareholders" shall have the following meaning:

- after the Bank has made a repurchase offer to all shareholders equally pro rata or made a repurchase by means of public transaction at the stock exchange in accordance with the Articles "interested shareholders" refers to the controlling shareholders defined in the Articles of Association;
- after the Bank has made a repurchase by means of agreement outside the stock exchange in accordance with the Articles of Association, "interested shareholders" refers to the shareholders concerned with this agreement; and
- in the Bank's restructuring plan, "interested shareholders" refers to those shareholders who assume responsibilities with smaller proportion than other shareholders of the same class or those shareholders who enjoy different interests from other shareholders of the same class.

A resolution of class shareholders' general meeting shall be passed only after it is adopted by two-thirds or more of voting shares present at a class shareholders' general meeting.

Special procedures for voting by shareholders of different classes do not apply to the following cases:

- after approval by the shareholders' general meeting through special resolution, the Bank issues domestic listed shares and overseas listed shares every other 12 months, either separately or simultaneously, and the domestic listed shares and overseas listed shares to be issued do not exceed 20% of this kind of shares already issued to the public;
- the plan to issue domestic listed shares and overseas listed shares during the Bank's establishment is accomplished within 15 months from the date of approval of the securities regulatory authorities of the State Council;

- shares of the Bank held by its promoters, after approval from the securities regulatory authorities of the State Council or the authorized securities approval authorities of the State Council can be converted to overseas listed shares.

(e) Alteration of Capital

Increase of Registered Capital

Upon the demands of operation and business development and in accordance with relevant laws and regulations, the Bank may, subject to resolutions of the shareholders' general meeting and approval of the relevant authorities, increase its registered capital in the following ways:

- offering new shares to non-specific investors;
- offering new shares to specific investors;
- allotting new shares to existing shareholders;
- transferring capital reserve funds; and
- other methods permitted by relevant competent authorities or by laws and administrative regulations.

The Bank's increase of its capital by issuing new shares shall be conducted in accordance with the procedures provided in relevant laws and administrative regulations after being approved according to the Articles of Association.

Reduction of Registered Capital

The Bank may reduce its registered capital in accordance with the provisions of the Articles of Association.

The Bank must prepare a balance sheet and an inventory of assets when it is to reduce its registered capital.

The Bank shall notify its creditors within ten days of adopting the resolution to reduce its registered capital and shall publish an announcement of the resolution in a newspaper at least three times within 30 days. Creditors shall, within 30 days of receiving a written notice or within 90 days since the date of the first public announcement for those who have not received a written notice, be entitled to require the Bank to pay its debts in full or to provide a corresponding guarantee for repayment.

The registered capital of the Bank after reduction may not be less than the statutory minimum.

(f) Special Resolution—Majority Required

The resolutions of the shareholders' general meeting are divided into two types: (i) general resolutions, and (ii) special resolutions.

General resolutions made by shareholders' general meeting shall be adopted by more than half of the voting shares represented by the shareholders present at the meeting (including their proxies).

Special resolutions made by shareholders' general meeting shall be adopted by two-thirds or more of the voting shares represented by the shareholders present at the meeting (including their proxies).

The following items shall be adopted by shareholders' general meeting through special resolution:

- increase or reduction of the Bank's registered capital;
- plans for issuance of corporate bonds or other securities and public listing;
- such matters as merger, division, dissolution, liquidation, change of corporate form of the Bank;
- repurchase of the Bank's shares;
- revision of the Articles of Association;
- approving shareholding incentive scheme;
- examining and approving or authorizing the Board of Directors to approve proposals on the establishment of material legal persons, material acquisition and merger, material investments, material disposal of assets, material set off of assets, and material guarantee matters and so on;
- any ordinary resolution by the shareholders' general meeting in which it is determined that any resolution is significant to the Bank which needs to be approved through a special resolution; and
- other matters stipulated by laws, administrative regulations, rules, or the Articles of Association, which require the adoption through a special resolution.

Any resolution not approved by special resolution will be approved through ordinary resolution.

(g) Voting Rights (generally, on a poll and right to demand a poll)

When voting in a shareholders' general meeting, shareholders (including their proxies) shall exercise their voting rights according to the voting shares held by them, with each share representing one voting right.

Shares held by the Bank have no voting rights, and will not be counted toward the total voting shares present in the shareholders' general meeting.

Shareholders may vote by hand in a shareholders' general meeting, unless relevant regulations of the securities regulatory authorities of the locality where the shares of the Bank are listed require ballot voting, or the following persons require ballot voting before or after hand voting:

- presider of the meeting;
- at least two shareholders or their proxies with voting rights; and
- one or several shareholders (including their proxies) holding more than 10% (including 10%) of the voting shares in the meeting, whether individually or in aggregate.

Unless someone proposes ballot voting, the presider of the meeting shall announce the adoption status of the proposal according to the hand voting result, and record it in the meeting minutes as the final basis without demonstrating the affirmative or negative votes or their proportion for the resolution adopted in this meeting. The request for ballot voting can be withdrawn by the proposer.

Ballot voting requested for matters concerning the election of presider of the meeting or termination of the meeting shall be conducted immediately; for other matters, the presider of the meeting shall decide when to conduct ballot voting. The meeting can continue to discuss other matters, and the voting result therefrom will still be deemed as the resolution adopted in this meeting.

During ballot voting, shareholders (including their proxies) with two or more voting rights do not necessarily use them all for affirmative or negative votes or abstention of votes.

(h) Annual General Meetings

There are two types of shareholders' general meeting: annual shareholders' general meeting and interim shareholders' general meeting. The shareholders' general meeting is generally convened by the board.

The annual shareholders' general meeting shall be held once a year within six months after the end of the previous fiscal year. If the meeting has to be postponed due to special reasons, it shall be reported to the banking regulatory authorities of the State Council in time with the reasons stated.

An interim shareholders' general meeting shall be convened within two months from the occurrence date of any of the following events:

- the number of directors is less than the minimum quorum as statutory required, the minimum number as stipulated by the Articles of Association or two-thirds of the number of the Board of Directors as determined by the shareholders' general meeting;
- the outstanding balance of the Bank's loss reaches one-third of the Bank's total paid-up share capital;
- shareholders holding 10% or more of the Bank's shares with voting rights, either individually or jointly, request in writing the convening of a shareholders' general meeting;
- the Board of Directors deems it as necessary;
- the Board of Supervisors proposes its opening; and
- other situations, as stipulated in laws, administrative regulations, rules and the Articles of Association.

(i) Accounts and Audit

The Bank shall establish its financial and accounting systems according to laws, administrative rules and the provisions of Chinese accounting standards formulated by the competent financial department of the State Council.

The Board of Directors shall at each annual shareholders' general meeting submit to the shareholders the financial statements prepared by the Bank as required by the relevant laws, administrative regulations and rules.

The Bank shall prepare its financial statement not only according to the Chinese accounting standards and regulations but also the international accounting standards or the accounting standards in the overseas-listing place. In case there are major differences between the financial statements

prepared according to the two accounting standards, they should be indicated clearly in the notes of the financial statements. When distributing the after-tax profit for the related accounting year, the Bank shall adopt whichever is the lower of the after-tax profit in the aforesaid two financial statements.

The Bank shall publish its financial report twice in each fiscal year, i.e. publish the interim financial report within 60 days after the end of the first six months of a fiscal year, and publish the annual financial report within 120 days after the end of a fiscal year. Other regulations of the regulatory authorities of the locality where the shares of the Bank are listed shall prevail.

(j) Notice of Meetings and Business to be Conducted

When the Bank is to convene a shareholders' general meeting, the Board of Directors shall notify all shareholders with the location and time of the meeting and matters to be considered 45 days prior to the meeting. Shareholders to be present in the shareholders' general meeting shall send a written reply of attendance to the Bank 20 days before the meeting is convened.

The Bank shall calculate the number of shares with voting rights based upon the written reply received 20 days prior to the shareholders' general meeting. Where the number of voting rights shares held by shareholders who are going to attend the meeting reaches half of the total of shares with voting rights of the Bank, then the meeting can be held. Otherwise, the Bank shall inform the shareholders again, in the form of an announcement about the matters to be discussed in the meeting, with the location, date and duration of the meeting to be held within five days. The Bank may convene such a shareholders' general meeting after such announcement has been made.

The meeting notice for the shareholders' general meeting shall satisfy the following conditions:

- made in writing;
- specifying the location, date and duration of the meeting;
- describing the matters to be considered at the meeting;
- providing a clear description stating that all shareholders have the right to attend the shareholders' general meeting and to entrust at least one proxy, as necessary, who does not need to be a shareholder of the Bank, to attend the meeting and also to put forward a resolution;
- providing the materials and explanations necessary for shareholders to make sensible decisions regarding the matters to be discussed, principally including (but not limited to) specific terms and contracts (if any) for a proposed transaction, and a detailed explanation of its reason and sequence where the Bank proposes a merger, repurchase of shares, restructuring of shares or other form of restructuring;
- where any directors, supervisors and other senior management have an important interest with regard to matters to be discussed, then the nature and extent of that interest shall be disclosed. Further, where the impact of the matters to be discussed by such directors, supervisors and other senior management who are shareholders is different from the impact on other shareholders of the same class, then that difference shall be illustrated;
- containing the full text of any special resolution proposed to be passed at the meeting;
- setting the deadline and place for the delivery of the proxy letter of the meeting;

- setting the registration date for shareholders who are eligible for attending the shareholders general meeting;
- providing the major contact person's name and telephone number in the meeting; and
- where the shareholders' general meeting is convened through the internet or by other means, to provide a clear description on the time and procedure of the voting process through internet or by other means.

(k) Transfer of Shares

Unless otherwise specified by laws, administrative regulations, rules and regulations of the securities regulatory authorities in the locality where the shares of the Bank are listed, the shares of the Bank may be transferred in accordance with laws without any lien attached. To transfer the overseas-listed shares listed in Hong Kong, the transferor shall entrust the stock registration organization entrusted by the Bank in Hong Kong to deal with the registration procedures.

All fully paid overseas-listed shares listed in Hong Kong Stock Exchange may be freely transferred in accordance with the Articles of Association. However, the Board of Directors may refuse to recognize any transfer documents without stating any reason unless the conditions stipulated in the Articles of Association are met.

For all transfer of the overseas-listed shares that are listed in Hong Kong, the written transfer documents that are in general or ordinary form or in a form acceptable to the Board of Directors shall be adopted. The written transfer document may be signed by hand. If the shareholders are the recognized clearing house as defined in SFO or its proxy, then the written transfer document may be signed in the machine printing form.

The Bank shall not accept any pledge with its own shares as the objectives.

(l) Power of the Company to Purchase Its Own Shares

The Bank may repurchase its shares in the following circumstances in accordance with the laws, administrative regulations and rules, and provisions of the Article of Associations:

- canceling the shares for the purpose of reducing the registered capital of the Bank;
- merging with any other companies holding the shares of the Bank;
- giving the shares to employees of the Bank as a reward;
- being requested to repurchase the shares of the Bank by the shareholders who object to the resolutions adopted at the shareholders' general meeting concerning consolidation and division of the Bank; and
- other circumstances permitted by laws and administrative regulations and rules as well as the securities regulatory authorities for the place of listing of our shares.

Where the Bank repurchases its shares under circumstances (1) to (3), it shall obtain approval from shareholders' general meeting. Where the Bank repurchases its shares under circumstance (1), it shall cancel the shares within 10 days from the date of repurchase. Where the Bank repurchases its shares under circumstances (2) and (4), the Bank shall transfer or cancel the shares within 6 months.

The shares repurchased by the Bank under circumstance (3) shall not exceed 5% of the total issued shares of the Bank. The funds for repurchase shall be paid from the after-tax profits of the Bank. The shares redeemed shall be transferred to the employees within one year.

The Bank may repurchase its shares in any of the following ways after being approved by relevant competent authorities:

- repurchasing by means of open transaction at a stock exchange;
- making a repurchase offer pro rata to all shareholders;
- repurchasing by means of contractual agreement outside a stock exchange; and
- other methods as permitted by relevant competent authorities or by laws and administrative regulations.

(m) Power of Any Subsidiary of the Company to Own Shares

There are no provisions in the Articles of Association restricting ownership of shares in our Bank by any of our subsidiaries.

(n) Dividends and Other Methods of Distributions

The Bank's year-end after-tax profits shall be distributed in the following order of priority:

(i) offsetting the losses in previous years;

(ii) contributing 10% of them to its statutory reserve fund;

(iii) making general reserve;

(iv) contributing to its discretionary reserve fund; and

(v) paying dividends to its shareholders.

No further contribution to the Bank's statutory reserve fund is required when the cumulative amount reaches or exceeds 50% of the Bank's registered capital. The shareholders' general meeting shall decide whether or not to contribute to the discretionary reserve fund after contributing to the statutory reserve fund and making general reserve. The Bank shall not distribute any of its profits to any of its shareholders before offsetting its losses, contributing to its statutory reserve fund and making general reserve.

The Bank may distribute dividends in the form of cash or shares.

The Bank shall appoint a proxy to receive payment for shareholders of overseas-listed shares. The proxy shall receive dividends distributed to overseas-listed shares and other payments from the Bank on behalf of the shareholders concerned.

The proxy appointed by the Bank shall meet the requirements of the laws or the relevant provisions of the securities exchange in the place of listing.

The proxy appointed by the Bank for shareholders of its overseas-listed shares in Hong Kong shall be a trust company registered in accordance with Trustee Ordinance in Hong Kong.

(o) Proxies

Any shareholders entitled to attend and vote at a shareholders' meeting shall have the right to appoint one or more persons (who need not be shareholders) as his/her proxies to attend and vote on his/her behalf.

Shareholders shall entrust the proxy in writing, and the proxy shall be signed by the shareholders or agents authorized by the shareholders in writing. If a shareholder is a legal person, the instrument shall be sealed with the legal person's stamp or signed by its legal representative or its director or agent authorized in writing.

The proxy letter issued by a shareholder to entrust proxy to attend shareholders' meeting shall contain the following contents:

- name of the proxy;
- proxy's voting right and voting shares;
- instructions on each item to be discussed on the agenda of shareholders' meeting, stating whether the shareholder agrees to, object to or abstain from voting the resolution respectively;
- issuing date of proxy letter and its effective period; and
- signature or seal of the shareholder or the proxy with written authorization.

The proxy letter shall specify that in the absence of instructions from the shareholder, the proxy may vote as he/she thinks fit.

Where a shareholder has died, lost capacity for acts, revoked the proxy or the signed authorization prior to the voting, or the relevant shares have been transferred prior to the voting, a vote given in accordance with the terms of proxy letter shall remain valid as long as our Bank does not receive a written notice of the event before the commencement of the relevant meeting.

(p) Calls on Shares and Forfeiture of Shares

For dividends that are not claimed by anyone, the Bank may exercise the right of expropriation under the precondition of complying with the relevant laws, administrative regulations and rules of China, but the right shall be exercised only after the expiration of the applicable period.

The Bank shall have the right to terminate sending dividend warrants to holders of overseas listed shares by mail, but the Bank shall exercise the right only after a dividend warrant fails to be redeemed for two consecutive occasions, however the Bank can exercise the right after the first occasion on which such a dividend warrant is returned as undelivered.

The Bank shall have the right to sell the shares of shareholders of overseas-listed shares who are untraceable in a way deemed appropriate by the Board of Directors, provided the following conditions are met:

- the Bank has distributed dividends at least three times to the shares within 12 years, and the dividends are not claimed by anyone during the period; and
- the Bank publishes announcements in one or more newspapers in the place where the Bank's shares are listed after the expiration of the 12-year period, stating its intention to

sell the shares, and informs the securities regulatory authorities in the place where the Bank's shares are listed.

(q) Inspection of Register of Members

Our shareholders are entitled to inspect all parts of the register of members free of charge and make photocopies at reasonable cost.

(r) Quorum for Meetings and Separate Class Meetings

The Bank shall calculate the number of shares with voting rights based upon the written reply received 20 days prior to the shareholders' general meeting. Where the number of voting rights shares held by shareholders who are going to attend the meeting reaches half of the total of shares with voting rights of the Bank, then the meeting can be held. Otherwise, the Bank shall inform the shareholders again, in the form of an announcement about the matters to be discussed in the meeting, with the location, date and duration of the meeting to be held within five days. The Bank may convene such a shareholders' general meeting after such announcement has been made.

When the voting shares represented by the shareholders to be present in the meeting reach half or more of the total voting shares of that class in the meeting, the Bank can convene class shareholders' general meeting; otherwise, the Bank shall, within five days, inform the shareholders again of the matters to be reviewed in the meeting, the meeting date and place through public announcement, after which it can convene class shareholders' general meeting.

(s) Rights of Minorities in Relation to Fraud or Oppression

The controlling shareholders of the Bank have a fiduciary duty to the Bank and other shareholders. The controlling shareholders shall strictly comply with laws, administrative regulations, rules and the Articles of Association when exercising their rights as investors, and shall not abuse their position to gain improper benefits, or cause detriment to the legitimate rights and interests of the Bank or other shareholders.

Except for the obligations as required by laws, administrative regulations or relevant regulations of securities regulatory authorities in the place where the shares of the Bank are listed, the controlling shareholders shall not make any decisions that impair the interests of all or part of the shareholders concerning the following aspects when they exercise their rights as shareholders and exercise their voting rights:

- exempting the responsibility of the directors and the supervisors to act in good faith for the maximum benefit of the Bank;
- approving the directors and the supervisors to deprive the property of the Bank (including but not limited to the opportunities that are favorable to the Bank) in any form for their own benefit or for the benefit of others; and
- approving the directors and the supervisors to deprive the individual rights and interests of other shareholders (including but not limited to any distribution rights, voting rights, but excluding the reorganization of the Bank which is submitted to the shareholders' general meeting for approval in accordance with the Articles of Association) for their own benefit or for the benefit of others.

The controlling shareholders of the Bank shall not directly or indirectly interfere with the decision-making of the Bank as well as the management and operation activities conducted in accordance with laws and shall not impair the rights and interests of the Bank and other shareholders.

The term "controlling shareholder(s)" herein shall refer to the person(s) satisfying any of the following conditions:

- acting alone or in concert with others, has the right to elect half or more of the directors;
- acting alone or in concert with others, has the right to exercise or control the exercise of 30% or more of the voting rights of the Bank;
- acting alone or in concert with others, holds 30% or more of the issued shares of the Bank; and
- acting alone or in concert with others, can de facto control the Bank in any other manners.

(t) Procedure on liquidation

The Bank shall be dissolved and liquidated according to laws, if:

- its shareholders meeting has resolved to do so;
- it is required as a result of the merger or division of the Bank;
- the Bank's business license is suspended, or it is ordered to be terminated or revoked due to its violation of any law or regulation; or
- the Bank encounters significant difficulties in its operation and management, under the circumstance of which continuing existence will cause material harm to shareholders' interests, and the problems could not be solved by other means.

Dissolution of the Bank shall be reported to the banking regulatory authorities of the State Council for approval.

If the Board of Directors decides the Bank shall carry out liquidation (except for liquidation resulting from the Bank's declaration of bankruptcy), it shall state in the notice of the shareholders' general meeting convened for this purpose that the Board of Directors has conducted comprehensive investigation of the Bank's condition and believes that the Bank is able to pay off all its debts within 12 months after starting the liquidation.

The powers and functions of the Board of Directors shall terminate immediately upon the resolution on liquidation by shareholders' general meeting.

The liquidation committee shall follow the directions of the shareholders' general meeting to report on its income and expenditures, the Bank's business and progress of liquidation at least once a year to the shareholders' general meeting and make a final report to shareholders' general meeting at the end of liquidation.

The liquidation committee shall give notice of its establishment to the creditors within 10 days of its establishment and publish an announcement of the establishment in a newspaper at least three times within 60 days from its establishment.

The creditors shall declare their claims to the liquidation committee within 30 days of the date of receiving the notice or within 45 days of the date of the first announcement in the case of not receiving the notice.

The creditors shall explain the matters related to their claims and provide supporting materials when declaring their claims. The liquidation committee shall register the claims.

The liquidation committee shall not settle any debt with the creditors during the period of claim declaration.

(u) Other Provisions Material to Our Shareholders

Functions and Authority of the Shareholders' Meeting

The shareholders' meeting is the authorized entity to exercise the functions and authorities as follows:

- decision on business policies and investment plans;
- election, replacement and dismissal of directors and decision on the remuneration of directors;
- election, replacement and dismissal of external supervisors and supervisors representing shareholders and decision on remuneration of supervisors;
- review and approval of reports of the Board of Directors;
- review and approval of reports of the Board of Supervisors;
- review and approval of proposed annual financial budgets and final accounts;
- review and approval of profit distribution and loss appropriation plan;
- resolutions on increase or reduction of registered capital;
- resolutions on issuance of corporate bonds and other forms of securities and listing plans;
- resolutions on merger, divestment, dissolution, liquidation or change of the legal form of our Bank;
- review and approval of share repurchase plan;
- approval of amendment to the Articles of Association, by-laws of the shareholders meeting, the Board of Directors and the Board of Supervisors;
- decision on engagement, dismissal or discontinuance of engagement of accounting firm;
- review and approval or authorization to the Board of Directions of establishment of material legal person entity, merger and acquisition, significant investment, significant assets purchase, significant assets disposal, significant assets write-off and significant provision of guarantees;
- review and approval of the change of use of proceeds;
- review and approval of stock incentive plan;
- review and approval of proposals by shareholders independently or collectively representing more than 3% of voting rights;

- review and approval of related party transactions which shall be reviewed and approved by the shareholders' meeting in accordance with laws, regulations, rules, requirements by relevant securities regulatory authorities and the Articles of Association; and
- review and approval of other matters which shall be reviewed and approved by the shareholders' meeting in accordance with laws, regulations, rules, requirements by relevant securities regulatory authorities and the Articles of Association.

Loans to Shareholders

The conditions of loans that the Bank offers to the shareholders shall not be more favorable than those that the Bank offers to other borrowers of the same type of loan.

The balance of loans granted to one shareholder of the Bank shall not exceed 10% of the net capital of the Bank.

Shareholders who hold more than 5% of the shares of the Bank and owe overdue loans to the Bank shall be disqualified from exercising voting rights during the overdue period and the shares held by them shall not be included in the total voting shares of the shareholders present at the shareholders' general meeting. The Bank shall have the right to withhold the dividends of such shareholders as repayment of their overdue loans. Any assets to be distributed to such shareholders in the Bank's liquidation process shall also be used in priority for repayment of their outstanding loans to the Bank.

Directors' Qualification Shares

A director is a natural person, who does not necessarily hold the shares of the Bank.

Committees of the Board of Directors

The Board of Directors shall have a strategic planning committee, County Area Banking Business development committee, audit committee, nomination and remuneration committee, and risk management committee (under which there shall be related party transactions management committee). The Board of Directors may set up other committees and adjust the existing committees whenever necessary. Each committee of the Board of Directors shall be accountable to the Board of Directors and, according to the authorization by the Board of Directors, provide expert opinion to the Board of Directors and make decisions on matters requiring expert opinion.

Each committee shall work out its annual work plans and meet regularly. Each committee shall be composed of no less than three directors. Non-executive independent directors shall comprise the majority of the audit committee, the nomination and remuneration committee and the related party transactions management committee and act as the chairman in such committees.

Strategic Planning Committee

The strategic planning committee shall perform the following duties:

- considering overall and specific plans for strategic development and making suggestions in that respect to the Board of Directors;
- evaluating factors having an impact on development and implementation of our strategic development plan in light of domestic and international financial conditions and market

changes, and making suggestions for strategies development plan to the Board of Directors;

- evaluating the overall development of various financial businesses and making suggestions for adjustment to strategic development plan to the Board of Directors;
- reviewing the operation, investment and financing plans submitted by the senior management and making suggestions in that respect to the Board of Directors;
- reviewing annual financial budgets and final accounts and making suggestions in that respect to the Board of Directors;
- reviewing plans for establishment of legal persons and merger and acquisition and making suggestions in that respect to the Board of Directors;
- reviewing matters regarding investment, acquisitions and disposal of assets, assets write-off and guarantee and making suggestions in that respect to the Board of Directors;
- reviewing strategic capital deployment and targets for assets and liabilities management and making suggestions in that respect to the Board of Directors;
- reviewing establishment and adjustment to head office departments, domestic and overseas tier-1 branches, branches and other entities directly managed by the head office and overseas entities and making suggestions in that respect to the Board of Directors;
- supervising and inspecting the implementation of our operation and investment plans;
- evaluating our corporate governance and making suggestions in that respect to the Board of Directors; and
- functions required by law, administrative regulations, rules as well as those authorized by the Board of Directors.

County Area Banking Business Development Committee

The County Area Banking Business development committee shall perform the following duties:

- in accordance with our overall strategic development plan, reviewing strategic development plan of County Area Banking Business and making suggestions in that respect to the Board of Directors;
- in accordance with the State Sannong policy and Sannong economic and financial market trend, evaluating material factors having an impact on our development of County Area Banking Business, and making suggestions for adjustment to strategic development plan of County Area Banking Business to the Board of Directors;
- reviewing our policy and basic systems of County Area Banking Business and making suggestions in that respect to the Board of Directors;
- in accordance with our risk management strategic plan, reviewing our County Area Banking Business risk strategic plan, evaluating risk management and internal controls in relation to County Area Banking Business, and making suggestions in that respect to the Board of Directors;
- monitoring the implementation of our County Area Banking Business strategic plan, policy and basic systems, evaluating the effect of service for Sannong, and making suggestions in that respect to the Board of Directors;

- in accordance with our operation plan, reviewing County Area Banking Business plan, and making suggestions in that respect to the Board of Directors; and
- reviewing matters in relation to County Area Banking Business or as authorized by the Board of Directors.

Audit Committee

The audit committee shall perform the following duties:

- supervising our internal controls, and reviewing and evaluating our core business activities and significant operations and their compliance;
- reviewing our significant financial policies and their implementation, and supervising our financial operations;
- examining our internal audit rules, medium-long term plan and annual plan for internal audit, supervising implementation of our internal audit policies, rules and plans, and making suggestions in that respect to the Board of Directors;
- reviewing plans for deployment of our internal audit system, and making suggestions in that respect to the Board of Directors;
- reviewing, or as authorized by the Board of Directors, examining annual budget for internal audit department to ensure independence of internal audit;
- supervising and evaluating performance of internal audit department;
- proposing the appointment or dismissal of accounting firm, and supervising their performance to ensure accounting firm' independence;
- reviewing annual audit plan, scope and important audit rules made by accounting firm;
- reviewing our annual audit report, specific opinions, audited annual financial and accounting reports, other financial and accounting reports and financial information made by accounting firm; and reporting on the truth, completeness and accuracy thereof and proposing to the Board of Directors for approval;
- facilitating communications between our internal audit departments and accounting firm; and
- functions required by law, administrative regulations, rules as well as those authorized by the Board of Directors.

Nomination and Remuneration Committee

The nomination and remuneration committee shall perform the following duties:

- formulating standards and procedures for the election of directors, chairman and members of committees and senior management members and submitting the proposed procedures and standards to the Board of Directors for approval;
- examining and proposing to the Board of Directors the candidates for directors, the president, the secretary to the Board of Directors, vice president and other senior management nominated by the president;

- nominating the candidates for chairman and members of other committees (other than the chairman of the strategic planning committee);
- formulating development plans for senior management members and key talents;
- formulating assessment measures of directors and senior management, and compensation plans for directors, supervisors and senior management (the compensation plans of supervisors need to be referred to the Board of Supervisors), and submitting them to the Board of Directors for approval;
- organizing assessment of performance of directors, advising and proposing to the Board of Directors compensation of directors for approval;
- advising and proposing to the Board of Directors compensation of supervisors for approval according to the assessment of supervisors conducted by the Board of Supervisors;
- organizing assessment of performance of senior management members and proposing to the Board of Directors compensation of senior management members for approval;
- reviewing human resources and compensation policies and basic systems submitted by the senior management and proposing to the Board of Directors for approval as well as monitoring implementation thereof; and
- functions required by law, administrative regulations, rules as well as those authorized by the Board of Directors.

Risk Management Committee

The risk management committee shall perform the following duties:

- examining our risk management strategies and policies and internal control policies and basic systems according to our overall strategy and making suggestions to the Board of Directors;
- supervising and assessing the implementation of our risk management strategies and policies and internal controls policies and basic systems and making suggestions to the Board of Directors;
- reviewing plans for deployment of risk capital and proposing to the Board of Directors for approval;
- supervising and assessing the risk control by the senior management in respect of credit, market and operation; conducting regular assessments of our risk management and internal controls and making suggestions to the Board of Directors;
- reviewing overall risk management reports submitted by the senior management and making suggestions to the Board of Directors;
- assessing establishment, working procedures and effects of risk management and internal controls departments; and
- functions required by law, administrative regulations, rules as well as those as authorized by the Board of Directors.

Related Party Transactions Management Committee

The related party transactions management committee shall perform the following duties:

- managing related party transactions, reviewing basic rules for related party transactions and its implementation and proposing to the Board of Directors;
- identifying our related party, reporting to the Board of Directors and the Board of Supervisors, and informing relevant staff;
- identifying our related party transactions, reviewing related party transactions subject to approvals by the Board of Directors or general meeting and proposing to the Board of Directors or general meeting via the Board of Directors for approval;
- under authorization by the Board of Directors, approving matters in relation to related party transactions, maintaining filing of related party transactions, and reporting to the Board of Directors regularly;
- reviewing material related party transaction information which is required to be disclosed; and
- functions required by law, administrative regulations, rules or those as authorized by the Board of Directors.

The Board of Supervisors

We established the Board of Supervisors which is the supervisory entity and responsible to the shareholders' meeting. The Board of Supervisors has the following functions and authorities:

- supervision of performance of the Board of Directors and senior management, supervision and questioning of due diligence of directors and senior management, and urging directors and senior management to correct their acts which impair the benefits of the Bank;
- proposal of dismissing or initiating litigation against the directors and senior management who breach laws, administrative regulations and rules and the Articles of Association or the resolution of the shareholders' meeting;
- carrying out departure audit of directors and senior management as necessary;
- supervision of financial activities, business decision, risk management and internal control, and advice to internal auditing work;
- reviewing financial and accounting reports, operation reports and profit distribution plan which is submitted by the Board of Directors to the shareholders' meeting; engaging external accountants and auditors to review such reports if any problems are identified;
- supervision of the implementation of development strategic plan, policies and general management system of County Area Banking Business;
- submission of proposal to the shareholders' meeting;
- nomination of supervisor representing shareholders, external supervisor and independent supervisor;
- formulation of amendment to by-laws of the Board of Supervisors; and
- other functions as required by laws, administrative regulation, rules and the Articles of Association or those as authorized by the shareholders' meeting.

A. FURTHER INFORMATION ABOUT OUR GROUP

1. Incorporation

Our Company was incorporated in the PRC as a joint stock limited liability company on January 15, 2009 under the PRC Company Law. Our registered address is at No. 69, Jianguomen Nei Avenue, Dongcheng District, Beijing, PRC. We have registered a place of business in Hong Kong at 23/F, Tower 1, Admiralty Centre, 18 Harcourt Road, Hong Kong and have been registered as an oversea company on May 13, 1996 under Part XI of the Hong Kong Companies Ordinance. Ms. Tam Ka Yee has been appointed as our agent for the acceptance of service of process and notices in Hong Kong. The address for service of process on the Company in Hong Kong is 7/F, One Pacific Place, 88 Queensway, Hong Kong.

As our Company was established in the PRC, we operate subject to the relevant laws and regulations of the PRC and our constitution which comprises our Articles of Association. Certain aspects of the relevant laws and regulations of the PRC, and a summary of certain provisions of our Articles of Association are set out in Appendices VII and VIII to this prospectus, respectively.

2. Changes in the share capital of our Group

The Company

As of the date of our incorporation, the initial registered capital of the Company was RMB260,000,000,000 divided into 260,000,000,000 domestic shares of nominal value of RMB1.00 each, all of which were credited as fully paid up and were held by the Company's promoters as follows:

Name of Promoters	Number of Domestic Shares	Percentage of Shareholding in the Share Capital of the Company
MOF	130,000,000,000	50%
Huijin	130,000,000,000	50%

The following sets out the changes in the Company's registered capital since the date of its incorporation:

On April 21, 2010, we entered into the Share Subscription Agreement with the MOF, Huijin and the SSF, pursuant to which we issued 10,000,000,000 new shares to the SSF for a consideration of approximately RMB15.5 billion. The total registered capital of the Company increased to RMB270.0 billion.

Immediately after the A Share Offering and the Global Offering, our registered capital will be RMB317,647,059,000, made up of 26,729,412,074 H shares of RMB1.0 each and 290,917,646,926 A shares of RMB1.0 each (assuming neither of the over-allotment options of the A Share Offering and the Global Offering is exercised).

Save as disclosed in this Appendix, there has been no alteration in the Company's registered capital since the date of our incorporation.

Our Principal Subsidiaries

Our principal subsidiaries are set out below:

(1) ABC-CA Fund Management Co., Ltd.

ABC-CA Fund Management Co., Ltd. (農銀滙理基金管理有限公司) is held as to 51.67% by us, 33.33% by Amundi Asset Management and 15% by Aluminum Corporation of China Limited (中國鋁業股份有限公司), both of which are independent third parties. It was established under the laws of the PRC on March 18, 2008 with a registered capital of RMB200,000,001.

(2) ABC Hubei Hanchuan Rural Bank Limited Liability Company

ABC Hubei Hanchuan Rural Bank Limited Liability Company (湖北漢川農銀村鎮銀行有限責任公司) is held as to 50% by us, and the remaining 50% by five independent third parties. It was established under the laws of the PRC on August 12, 2008 with a registered capital of RMB20,000,000.

(3) ABC Hexigten Rural Bank Limited Liability Company

ABC Hexigten Rural Bank Limited Liability Company (克什克騰農銀村鎮銀行有限責任公司) is held as to 51.02% by us, and the remaining 48.98% by six independent third parties. It was established under the laws of the PRC on August 15, 2008 with a registered capital of RMB19,600,000.

(4) ABC Ansai Rural Bank Limited Liability Company

ABC Ansai Rural Bank Limited Liability Company (安塞農銀村鎮銀行有限責任公司) is held as to 51% by us, and the remaining 49% by six independent third parties. It was established under the laws of the PRC on March 18, 2010 with a registered capital of RMB20,000,000.

(5) ABC Jixi Rural Bank Limited Liability Company

ABC Jixi Rural Bank Limited Liability Company (績溪農銀村鎮銀行有限責任公司) is held as to 51.02% by us, and the remaining 48.98% by eight independent third parties. It was established under the laws of the PRC on May 27, 2010 with a registered capital of RMB29,400,000.

(6) ABC International Holdings Limited

ABC International Holdings Limited (農銀國際控股有限公司) was incorporated under the laws of Hong Kong with limited liability on November 11, 2009 with an authorized share capital of HK$1,800,000,000 divided into 1,800,000,000 shares of HK$1.0 each. It is our wholly-owned subsidiary.

(7) China Agricultural Finance Co., Ltd.

China Agricultural Finance Co., Ltd. (農銀財務有限公司) was incorporated under the laws of Hong Kong with limited liability on November 1, 1988 with an authorized share capital of HK$588,790,000 divided into 588,790,000 shares of HK$1.0 each. It is our wholly-owned subsidiary.

Further information on our principal subsidiaries is contained in the Accountants' Report set out in Appendix I to the prospectus.

There has been no alteration in the share capital of any of our principal subsidiaries within the two years preceding the date of this prospectus.

3. Resolutions of our shareholders

Pursuant to the extraordinary general meeting held on April 21, 2010, our shareholders resolved that:

(a) the listing plan of our Company be approved, including, among other things,

- listing on the Hong Kong Stock Exchange through an initial public offering of H shares;
- as part of Global Offering, offering of H shares in the United States to Qualified Institutional Buyers (as such term is defined in Rule 144A under the US Securities Act) and outside of the United State in reliance on Regulation S of the US Securities Act, offering of H shares to professional and institutional investors in Hong Kong and conducting a public offering without listing in Japan;
- the issue and listing of A shares; and
- the conversion of our Company into a domestic and overseas subscription joint stock company with limited liability;

(b) the Articles of Association be approved and shall become effective on the Listing Date;

(c) the Board of Directors be authorized to draft, amend, sign and submit the applications, relevant reports or materials relating to the proposal listing of H shares and A shares to the relevant authorities in the PRC and the Hong Kong Stock Exchange and to deal with approval, registration, filing, verifications or other formalities; and

(d) the Board of Directors be authorized, among other things, to do any acts and things relating to the issue and listing of the H shares on the Hong Kong Stock Exchange;

B. FURTHER INFORMATION ABOUT OUR BUSINESS

1. Summary of material contracts

We have entered into the following contracts (not being contracts entered into in the ordinary course of business) within the two years immediately preceding the date of this prospectus that are or may be material:

(a) an underwriting agreement dated December 23, 2008 (as amended by an interest rate and offering size confirmation) entered into between us and China International Capital Corporation Limited in connection with the issue of subordinated bonds in an amount of RMB50 billion by us;

(b) a share and shareholder loan transfer agreement dated March 31, 2010, entered into between China Agricultural Finance Co., Ltd. (the "transferor") and ABC International Holdings Limited (the "transferee"), pursuant to which the transferor agreed to transfer all issued ordinary shares in CAF International Insurance Company Limited (since renamed as ABCI Insurance Company Limited) and CAF Securities Company Limited (since renamed as ABCI Securities Company Limited) held by it (collectively, the "Target Companies") and the shareholder loans owed by the Target Companies to the transferor, if any, to the transferee in consideration of our offsetting the debt owed to us by the transferor by an amount equivalent to the value of the transferor's entire equity interests in the Target Companies as of the date of the agreement;

(c) the Share Subscription Agreement dated April 21, 2010, entered into between us and the MOF, Huijin and the SSF, pursuant to which we agreed to issue, and the SSF agreed to subscribe for, 10,000,000,000 ordinary shares for a consideration of RMB15,520,144,000;

(d) a memorandum of understanding for strategic cooperation dated June 2, 2010, entered into between us and Coöperatieve Centrale Raiffeisen-Boerenleenbank B.A. ("Rabobank Nederland") in relation to potential cornerstone investment by the Rabobank group in us and strategic cooperation between us and Rabobank Nederland (see "Our Corporate Investors—Corporate Investors—Rabobank" for further details);

(e) a cornerstone investment agreement dated June 18, 2010, entered into between Archer-Daniels-Midland Company, China International Capital Corporation Hong Kong Securities Limited, Goldman Sachs (Asia) L.L.C., Morgan Stanley Asia Limited, J.P. Morgan Securities (Asia Pacific) Limited, Deutsche Bank AG, Hong Kong Branch, Macquarie Capital Securities Limited, ABCI Securities Company Limited and us, pursuant to which Archer-Daniels-Midland Company agreed to subscribe for our H shares in the amount of the Hong Kong dollar equivalent of US$100,000,000;

(f) a cornerstone investment agreement dated June 21, 2010, entered into between Ruperta Limited, Cheung Kong (Holdings) Limited, China International Capital Corporation Hong Kong Securities Limited, Goldman Sachs (Asia) L.L.C., Morgan Stanley Asia Limited, J.P. Morgan Securities (Asia Pacific) Limited, Deutsche Bank AG, Hong Kong Branch, Macquarie Capital Securities Limited, ABCI Securities Company Limited and us, pursuant to which Ruperta Limited agreed to subscribe for our H shares in the amount of the Hong Kong dollar equivalent of US$100,000,000;

(g) a cornerstone investment agreement dated June 18, 2010, entered into between Commotra Company Limited, China International Capital Corporation Hong Kong Securities Limited, Goldman Sachs (Asia) L.L.C., Morgan Stanley Asia Limited, J.P. Morgan Securities (Asia Pacific) Limited, Deutsche Bank AG, Hong Kong Branch, Macquarie Capital Securities Limited, ABCI Securities Company Limited and us, pursuant to which Commotra Company Limited agreed to subscribe for our H shares in the amount of the Hong Kong dollar equivalent of US$200,000,000;

(h) a cornerstone investment agreement dated June 18, 2010, entered into between China Travel Finance & Investment (H.K.) Limited, China Travel Service (Holdings) Hong Kong Limited, China International Capital Corporation Hong Kong Securities Limited, Goldman Sachs (Asia) L.L.C., Morgan Stanley Asia Limited, J.P. Morgan Securities (Asia Pacific) Limited, Deutsche Bank AG, Hong Kong Branch, Macquarie Capital Securities Limited, ABCI Securities Company Limited and us, pursuant to which China Travel Finance & Investment (H.K.) Limited agreed to subscribe for our H shares in the amount of the Hong Kong dollar equivalent of US$150,000,000;

(i) a cornerstone investment agreement dated June 18, 2010, entered into between Kuwait Investment Authority, China International Capital Corporation Hong Kong Securities Limited, Goldman Sachs (Asia) L.L.C., Morgan Stanley Asia Limited, J.P. Morgan Securities (Asia Pacific) Limited, Deutsche Bank AG, Hong Kong Branch, Macquarie Capital Securities Limited, ABCI Securities Company Limited and us, pursuant to which Kuwait Investment Authority agreed to subscribe for our H shares in the amount of the Hong Kong dollar equivalent of US$800,000,000;

(j) a cornerstone investment agreement dated June 17, 2010, entered into between Qatar Holding LLC, China International Capital Corporation Hong Kong Securities Limited, Goldman Sachs (Asia) L.L.C., Morgan Stanley Asia Limited, J.P. Morgan Securities (Asia Pacific) Limited, Deutsche Bank AG, Hong Kong Branch, Macquarie Capital Securities Limited, ABCI Securities Company Limited and us, pursuant to which Qatar Holding LLC agreed to subscribe for our H shares in the amount of the Hong Kong dollar equivalent of US$2,800,000,000;

(k) a cornerstone investment agreement dated June 17, 2010, entered into between Rabobank International Holding B.V., Coöperatieve Centrale Raiffeisen-Boerenleenbank B.A., China International Capital Corporation Hong Kong Securities Limited, Goldman Sachs (Asia) L.L.C., Morgan Stanley Asia Limited, J.P. Morgan Securities (Asia Pacific) Limited, Deutsche Bank AG, Hong Kong Branch, Macquarie Capital Securities Limited, ABCI Securities Company Limited and us, pursuant to which Rabobank International Holding B.V. agreed to subscribe for our H shares in the amount of the Hong Kong dollar equivalent of US$250,000,000;

(l) a cornerstone investment agreement dated June 17, 2010, entered into between Standard Chartered Bank, China International Capital Corporation Hong Kong Securities Limited, Goldman Sachs (Asia) L.L.C., Morgan Stanley Asia Limited, J.P. Morgan Securities (Asia Pacific) Limited, Deutsche Bank AG, Hong Kong Branch, Macquarie Capital Securities Limited, ABCI Securities Company Limited and us, pursuant to which Standard Chartered Bank agreed to subscribe for our H shares in the amount of the Hong Kong dollar equivalent of US$500,000,000;

(m) a cornerstone investment agreement dated June 23, 2010, entered into between Seven Group Holdings Limited, China International Capital Corporation Hong Kong Securities Limited, Goldman Sachs (Asia) L.L.C., Morgan Stanley Asia Limited, J.P. Morgan Securities (Asia Pacific) Limited, Deutsche Bank AG, Hong Kong Branch, Macquarie Capital Securities Limited, ABCI Securities Company Limited and us, pursuant to which Seven Group Holdings Limited agreed to subscribe for our H shares in the amount of the Hong Kong dollar equivalent of US$250,000,000;

(n) a cornerstone investment agreement dated June 17, 2010, entered into between Cairnhill Investments (Mauritius) Pte Ltd, China International Capital Corporation Hong Kong Securities Limited, Goldman Sachs (Asia) L.L.C., Morgan Stanley Asia Limited, J.P. Morgan Securities (Asia Pacific) Limited, Deutsche Bank AG, Hong Kong Branch, Macquarie Capital Securities Limited, ABCI Securities Company Limited and us, pursuant to which Cairnhill Investments (Mauritius) Pte Ltd agreed to subscribe for our H shares in the amount of the Hong Kong dollar equivalent of US$200,000,000;

(o) a cornerstone investment agreement dated June 17, 2010, entered into between United Overseas Bank Limited, China International Capital Corporation Hong Kong Securities Limited, Goldman Sachs (Asia) L.L.C., Morgan Stanley Asia Limited, J.P. Morgan Securities (Asia Pacific) Limited, Deutsche Bank AG, Hong Kong Branch, Macquarie Capital Securities Limited, ABCI Securities Company Limited and us, pursuant to which United Overseas Bank Limited agreed to subscribe for our H shares in the amount of the Hong Kong dollar equivalent of US$100,000,000; and

(p) the Hong Kong underwriting agreement dated June 29, 2010 entered into between us, the Joint Bookrunners and the Hong Kong underwriters (see "Underwriting" for details).

2. Intellectual property rights

As of the Latest Practicable Date, our Group has registered or has applied for the registration of the following intellectual property rights which are material in relation to our Group's business.

(a) Trademarks

(i) As of the Latest Practicable Date, our Group has registered the following trademarks which are material in relation to our Group's business:

Trademarks	Territory of registration	Class	Registration number	Registration date	Expiry date
	PRC	9	3651273	February 28, 2005	February 27, 2015
	PRC	14	3651272	September 7, 2005	September 6, 2015
	PRC	16	3651271	August 28, 2005	August 27, 2015
	PRC	18	3651270	January 7, 2006	January 6, 2016
	PRC	25	3651269	May 28, 2006	May 27, 2016
	PRC	28	3651268	January 7, 2006	January 6, 2016
	PRC	34	3651267	February 7, 2005	February 6, 2015
	PRC	35	3651266	June 21, 2005	June 20, 2015
	PRC	36	3651265	October 28, 2005	October 27, 2015
	PRC	37	3651108	October 28, 2005	October 27, 2015
	PRC	39	3651107	June 21, 2005	June 20, 2015

Trademarks	Territory of registration	Class	Registration number	Registration date	Expiry date
	PRC	41	3651106	June 21, 2005	June 20, 2015
	PRC	42	3651105	November 14, 2005	November 13, 2015
	PRC	43	3651104	November 21, 2005	November 20, 2015
中国农业银行	PRC	9	3651121	February 28, 2005	February 27, 2015
中国农业银行	PRC	14	3651283	August 28, 2005	August 27, 2015
中国农业银行	PRC	16	3651282	July 14, 2005	July 13, 2015
中国农业银行	PRC	18	3651281	January 7, 2006	January 6, 2016
中国农业银行	PRC	25	3651280	March 7, 2006	March 6, 2016
中国农业银行	PRC	28	3651279	December 21, 2005	December 20, 2015
中国农业银行	PRC	34	3651278	February 7, 2005	February 6, 2015
中国农业银行	PRC	35	3651277	June 21, 2005	June 20, 2015
中国农业银行	PRC	36	3651276	November 21, 2005	November 20, 2015
中国农业银行	PRC	37	3651275	October 28, 2005	October 27, 2015
中国农业银行	PRC	39	3651274	June 21, 2005	June 20, 2015
中国农业银行	PRC	41	3651123	June 21, 2005	June 20, 2015
中国农业银行	PRC	42	3651264	October 7, 2005	October 6, 2015
中国农业银行	PRC	43	3651122	November 21, 2005	November 20, 2015
农行	PRC	9	3651292	March 28, 2005	March 27, 2015
农行	PRC	14	3651291	August 28, 2005	August 27, 2015
农行	PRC	16	3651290	July 14, 2005	July 13, 2015
农行	PRC	18	3651289	January 7, 2006	January 6, 2016
农行	PRC	25	3651288	March 7, 2006	March 6, 2016

Trademarks	Territory of registration	Class	Registration number	Registration date	Expiry date
农行	PRC	28	3651287	January 7, 2006	January 6, 2016
农行	PRC	34	3684920	March 14, 2005	March 13, 2015
农行	PRC	35	3651119	June 21, 2005	June 20, 2015
农行	PRC	36	3651293	October 28, 2005	October 27, 2015
农行	PRC	37	3651118	October 28, 2005	October 27, 2015
农行	PRC	39	3651117	June 21, 2005	June 20, 2015
农行	PRC	41	3651116	June 21, 2005	June 20, 2015
农行	PRC	42	3651115	October 7, 2005	October 6, 2015
农行	PRC	43	3651114	November 21, 2005	November 20, 2015
ABC	PRC	9	3651109	May 21, 2005	May 20, 2015
ABC	PRC	14	3651110	August 28, 2005	August 27, 2015
ABC	PRC	35	3651111	June 21, 2005	June 20, 2015
ABC	PRC	36	3651112	October 28, 2005	October 27, 2015
ABC	PRC	42	3651113	February 7, 2006	February 6, 2016
AGRICULTURAL BANK OF CHINA	PRC	9	3651303	February 28, 2005	February 27, 2015
AGRICULTURAL BANK OF CHINA	PRC	14	3651133	August 28, 2005	August 27, 2015
AGRICULTURAL BANK OF CHINA	PRC	16	3651132	July 14, 2005	July 13, 2015
AGRICULTURAL BANK OF CHINA	PRC	18	3651131	January 14, 2006	January 13, 2016
AGRICULTURAL BANK OF CHINA	PRC	25	3651130	March 7, 2006	March 6, 2016
AGRICULTURAL BANK OF CHINA	PRC	28	3651129	December 21, 2005	December 20, 2015
AGRICULTURAL BANK OF CHINA	PRC	34	3651128	February 7, 2005	February 6, 2015
AGRICULTURAL BANK OF CHINA	PRC	35	3651127	June 21, 2005	June 20, 2015
AGRICULTURAL BANK OF CHINA	PRC	36	3651284	October 28, 2005	October 27, 2015
AGRICULTURAL BANK OF CHINA	PRC	37	3651126	October 28, 2005	October 27, 2015
AGRICULTURAL BANK OF CHINA	PRC	39	3651125	June 21, 2005	June 20, 2015
AGRICULTURAL BANK OF CHINA	PRC	41	3651124	June 21, 2005	June 20, 2015

Trademarks	Territory of registration	Class	Registration number	Registration date	Expiry date
AGRICULTURAL BANK OF CHINA	PRC	42	3651286	November 14, 2005	November 13, 2015
AGRICULTURAL BANK OF CHINA	PRC	43	3651285	December 14, 2005	December 13, 2015
	PRC	36	4017733	March 21, 2007	March 20, 2017
	PRC	38	4017734	March 21, 2007	March 20, 2017
通宝卡	PRC	36	1471685	November 7, 2000	November 6, 2010
	PRC	36	3495221	April 28, 2005	April 27, 2015
	PRC	36	4879596	June 28, 2009	June 27, 2019
	PRC	36	3771371	March 28, 2006	March 27, 2016
	PRC	36	3981745	January 21, 2007	January 20, 2017
金ｅ顺	PRC	36	3981744	April 28, 2007	April 27, 2017
	PRC	36	1391877	April 28, 2000	April 27, 2020
	PRC	36	4879599	September 21, 2009	September 20, 2019
	PRC	36	4879601	May 7, 2009	May 6, 2019
	PRC	36	4879600	December 28, 2009	December 27, 2019
金穗	PRC	1	3651143	August 14, 2005	August 13, 2015
金穗	PRC	2	3651142	October 21, 2005	October 20, 2015
金穗	PRC	6	3651141	February 28, 2005	February 27, 2015
金穗	PRC	7	3651140	February 7, 2006	February 6, 2016
金穗	PRC	8	3651138	March 28, 2005	March 27, 2015

Trademarks	Territory of registration	Class	Registration number	Registration date	Expiry date
金穗	PRC	9	3651139	February 28, 2005	February 27, 2015
金穗	PRC	14	3651137	August 28, 2005	August 27, 2015
金穗	PRC	16	3651302	October 21, 2005	October 20, 2015
金穗	PRC	28	3651301	February 28, 2006	February 27, 2016
金穗	PRC	29	3651295	March 28, 2005	March 27, 2015
金穗	PRC	34	3651300	April 14, 2005	April 13, 2015
金穗	PRC	36	3651294	January 21, 2006	January 20, 2016
金穗	PRC	37	3651299	October 28, 2005	October 27, 2015
金穗	PRC	39	3651298	August 14, 2005	August 13, 2015
金穗	PRC	41	3651297	August 14, 2005	August 13, 2015
金穗	PRC	42	3651296	February 7, 2006	February 6, 2016
伴你成长	PRC	1	5250960	January 14, 2010	January 13, 2020
伴你成长	PRC	3	5250959	November 21, 2009	November 20, 2019
伴你成长	PRC	9	5250958	April 21, 2009	April 20, 2019
伴你成长	PRC	10	5250957	August 21, 2009	August 20, 2019
伴你成长	PRC	14	5250955	June 14, 2009	June 13, 2019
伴你成长	PRC	15	5250954	June 14, 2009	June 13, 2019
伴你成长	PRC	16	5250953	July 7, 2009	July 6, 2019
伴你成长	PRC	18	5250972	July 21, 2009	July 20, 2019
伴你成长	PRC	20	5250971	July 7, 2009	July 6, 2019
伴你成长	PRC	24	5250970	November 28, 2009	November 27, 2019
伴你成长	PRC	29	5250968	May 7, 2009	May 6, 2019
伴你成长	PRC	31	5250967	March 28, 2009	March 27, 2019
伴你成长	PRC	32	5250966	August 14, 2009	August 13, 2019
伴你成长	PRC	35	5250965	January 14, 2010	January 13, 2020
伴你成长	PRC	39	5250975	June 21, 2009	June 20, 2019
金博士	PRC	9	3869069	March 21, 2006	March 20, 2016

Trademarks	Territory of registration	Class	Registration number	Registration date	Expiry date
金博士	PRC	14	3869068	July 21, 2006	July 20, 2016
金博士	PRC	21	3869065	August 28, 2006	August 27, 2016
金博士	PRC	35	3869063	May 28, 2006	May 27, 2016
金博士	PRC	36	3869062	August 28, 2006	August 27, 2016
金博士	PRC	38	3869356	August 28, 2006	August 27, 2016
金博士	PRC	42	3869357	August 28, 2006	August 27, 2016
金博士	PRC	43	3869358	August 28, 2006	August 27, 2016
金博士	PRC	18	3869066	March 14, 2007	March 13, 2017
K 宝	PRC	36	6231668	March 28, 2010	March 27, 2020
95599	PRC	36	6231667	March 28, 2010	March 27, 2020
95599	PRC	38	6231666	March 28, 2010	March 27, 2020
金穗卡 KINS CARD	PRC	36	4879598	February 14, 2010	February 13, 2020
	United States	36	3705542	October 6, 2008	October 6, 2018
ABC	Hong Kong	36	301138095	June 13, 2008	June 13, 2018
中国农业银行	Hong Kong	36	301138086	June 13, 2008	June 13, 2018
95599	Hong Kong	36	301138112	June 13, 2008	June 13, 2018
农银	Hong Kong	36	301233666	November 5, 2008	November 5, 2018
中国农业银行 AGRICULTURAL BANK OF CHINA	Hong Kong	36	301233684	November 5, 2008	November 5, 2018
农行	Hong Kong	36	301233675	November 5, 2008	November 5, 2018
中国農業銀行	Hong Kong	36	1997B09281	April 24, 1995	April 24, 2016
	Hong Kong	36	199805343	April 24, 1995	April 24, 2016
農銀	Hong Kong	36	1998B07448	April 24, 1995	April 24, 2016
中国农业银行	Hong Kong	36	1998B11979	September 10, 1997	September 10, 2014
金博士	Hong Kong	9	300685909	July 24, 2006	July 23, 2016

Trademarks	Territory of registration	Class	Registration number	Registration date	Expiry date
中国农业银行	Japan	36	983137	August 26, 2008	August 26, 2018
中国农业银行	United Kingdom	36	983137	August 26, 2008	August 26, 2018
AGRICULTURAL BANK OF CHINA	United Kingdom	36	983120	August 12, 2008	August 12, 2018
	United Kingdom	36	983119	June 10, 2008	June 10, 2018
AGRICULTURAL BANK OF CHINA	Singapore	36	983120	August 12, 2008	August 12, 2018
	Singapore	36	T0816988B	June 10, 2008	June 10, 2018

(ii) As of the Latest Practicable Date, our Group has applied for the registration of the following trademarks which are material in relation to our Group's business:

Trademarks	Territory of Registration	Class	Application number	Application date
农 银	PRC	36	4879593	September 5, 2005
	PRC	36	4460496	January 12, 2005
惠农	PRC	36	6402910	November 27, 2007
K 宝	PRC	9	6231669	August 20, 2007
	PRC	9	4017735	April 15, 2004
中国农业银行 AGRICULTURAL BANK OF CHINA	PRC	9	7039484	November 5, 2008
中国农业银行 AGRICULTURAL BANK OF CHINA	PRC	36	7039483	November 5, 2008
中国农业银行	PRC	9	7039482	November 5, 2008
中国农业银行	PRC	36	7039481	November 5, 2008
AGRICULTURAL BANK OF CHINA	PRC	9	7039480	November 5, 2008
AGRICULTURAL BANK OF CHINA	PRC	36	7039479	November 5, 2008
农行	PRC	9	7039478	November 5, 2008
农行	PRC	14	7039477	November 5, 2008
农行	PRC	31	7039476	November 5, 2008
农行	PRC	36	7039475	November 5, 2008
农行	PRC	44	7039504	November 5, 2008
农银	PRC	9	7039503	November 5, 2008
农银	PRC	14	7039502	November 5, 2008

Trademarks	Territory of Registration	Class	Application number	Application date
农银	PRC	31	7039501	November 5, 2008
农银	PRC	36	7039500	November 5, 2008
农银	PRC	44	7039499	November 5, 2008
AGRICULTURAL BANK OF CHINA	Japan	36	983120	August 12, 2008
	Japan	36	983119	June 10, 2008
中国农业银行 AGRICULTURAL BANK OF CHINA	Korea	36	41-2010-007254	March 23, 2010
农行	Korea	36	41-2010-007252	March 23, 2010
农银	Korea	36	41-2010-007253	March 23, 2010
中国农业银行	Korea	36	41-2010-007256	March 23, 2010
AGRICULTURAL BANK OF CHINA	Korea	36	41-2010-007255	March 23, 2010
	Korea	36	41-2010-007251	March 23, 2010
中国农业银行 AGRICULTURAL BANK OF CHINA	Australia	36	1350676	March 15, 2010
农行	Australia	36	1350647	March 15, 2010
农银	Australia	36	1350657	March 15, 2010
中国农业银行	Australia	36	1350691	March 15, 2010
AGRICULTURAL BANK OF CHINA	Australia	36	1350680	March 15, 2010
	Australia	36	1350641	March 15, 2010
中国农业银行 AGRICULTURAL BANK OF CHINA	Germany	36	302010018345.4/36	March 17, 2010
农行	Germany	36	302010018343.8/36	March 17, 2010
农银	Germany	36	302010018344.6/36	March 17, 2010
中国农业银行	Germany	36	302010018347.0/36	March 17, 2010
AGRICULTURAL BANK OF CHINA	Germany	36	302010018346.2/36	March 17, 2010
	Germany	36	302010018341.1/36	March 17, 2010
中国农业银行	Hong Kong	36	301233693	November 5, 2008
AGRICULTURAL BANK OF CHINA	Hong Kong	36	301233657	November 5, 2008
中国农业银行 AGRICULTURAL BANK OF CHINA	United Kingdom	36	2546452	April 29, 2010
农行	United Kingdom	36	2546453	April 29, 2010
农银	United Kingdom	36	2546454	April 29, 2010

The class number represents the specifications of products or services which have already been registered or are in the process of registration. Detailed specifications of the products or services represented by that class number are set out in the relevant registration certificates or application forms.

(b) Patents

(i) As of the Latest Practicable Date, our Group has obtained registrations of the following patents:

Patent description	Territory of registration	Category	Patent number	Validity Period
Debit card	PRC	Registered Design	ZL 2006 3 0000647.0	January 11, 2006 to January 10, 2016
Centralized distributed operational data management system(1)	PRC	Invention	ZL 2004 1 0043432.7	November 27, 2007 to November 27, 2027

(1) The patent is jointly owned by our Company and Beijing Lianxin Electronic Technology Development Company.

(ii) As of the Latest Practicable Date, our Group has applied for the registrations of the following patents:

Patent description	Territory of registration	Category	Application number	Application date
Roaming remittance, cashing services, exchange business transaction systems and methods	PRC	Invention	200710063931.6	February 14, 2007
Data authentication trading systems, teller authentication systems, hub trading systems and methods	PRC	Invention	200610127216.X	September 12, 2006
Telephone banking anonymous operating system and methods	PRC	Invention	200510135432.4	December 28, 2005
Self-service financial transaction systems and methods	PRC	Invention	200610007883.4	February 23, 2006
A software testing method	PRC	Invention	200910089526.0	July 22, 2009
Bank card	PRC	Registered Design	N/A(1)	between September 29, 2009 and October 10, 2009
An electronic transfer system and its payment and settlement methods	PRC	Invention	201010115094.9	February 22, 2010

(1) There are in total 21 separate application numbers.

(c) Copyrights

As of the Latest Practicable Date, our Group has registered the following copyrights which are material in relation to our Group's business:

Name	Copyright number	Registration date	Validity period	Method of acquisition	Scope of right
Cash management platform	2009SR039813	September 16, 2009	July 11, 2004 – December 31, 2055	Original Acquisition	Entire right
General payment and settlement	2009SR039821	September 16, 2009	May 15, 2004 – December 31, 2054	Original Acquisition	Entire right
Application security control platform	2009SR039817	September 16, 2009	May 15, 2004 – December 31, 2054	Original Acquisition	Entire right
Foreign exchange integrated application system	2009SR039820	September 16, 2009	October 15, 2001 – December 31, 2051	Original Acquisition	Entire right
Integrated business disaster recovery system	2009SR039818	September 16, 2009	May 15, 2004 – December 31, 2054	Original Acquisition	Entire right
Roaming remittance system	2009SR039819	September 16, 2009	June 15, 2005 – December 31, 2055	Original Acquisition	Entire right
Business protection services platform	2009SR039825	September 16, 2009	May 15, 2004 – December 31, 2054	Original Acquisition	Entire right
Integrated office information system	2009SR039823	September 16, 2009	August 1, 2003 – December 31, 2053	Original Acquisition	Entire right
Credit line monitoring system	2009SR039826	September 16, 2009	December 1, 2002 – December 31, 2052	Original Acquisition	Entire right
Financial accounting reporting system	2009SR039814	September 16, 2009	April 1, 2006 – December 31, 2056	Original Acquisition	Entire right
Credit file management system	2009SR039827	September 16, 2009	August 18, 2004 – December 31, 2054	Original Acquisition	Entire right
Bond trading and second trust system	2009SR039815	September 16, 2009	January 24, 2006 – December 31, 2056	Original Acquisition	Entire right
Open-end fund sales agent system	2009SR039816	September 16, 2009	March 1, 2006 – December 31, 2056	Original Acquisition	Entire right
Business exchange and transmission system	2009SR039824	September 16, 2009	October 24, 2002 – December 31, 2052	Original Acquisition	Entire right
International card ATM withdrawal transaction processing system	2009SR039434	September 15, 2009	April 21, 2008 – December 31, 2058	Original Acquisition	Entire right
Online payment platform	2009SR039822	September 16, 2009	February 16, 2004 – December 31, 2054	Original Acquisition	Entire right

(d) Domain Names

As of the Latest Practicable Date, our Group has registered the following domain names:

Domain Name	Registration date	Expiry date
e95599.com	July 14, 2000	July 14, 2010
abc95599.com	July 14, 2000	July 14, 2010
95599.cn	March 17, 2003	March 17, 2017
abchina.com.cn	December 18, 2002	December 18, 2019
abcsh.cn	March 17, 2003	March 17, 2017
abcbank.cn	December 25, 2003	December 25, 2013
abc95599.cn	December 25, 2003	December 25, 2013
abc95599.com.cn	December 25, 2003	December 25, 2013
95599.net.cn	December 25, 2003	December 25, 2013
abchina.com	September 3, 1996	September 2, 2019

3. Our Depositors and Borrowers

Our five largest depositors and five largest borrowers accounted for less than 30% of the respective total deposits and loans and advances to customers as at the Latest Practicable Date.

C. FURTHER INFORMATION ABOUT OUR DIRECTORS, MANAGEMENT AND STAFF

1. Disclosure of Interests

Immediately following completion of the Global Offering, none of our directors and supervisors will have any interests and short positions in the shares, underlying shares or debentures of our Company or any associated corporations (within the meaning of Part XV of the SFO) which will have to be notified to us and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and/or short positions which they are taken or deemed to have under such provisions of the SFO) once the shares are listed, or which will be required, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies in the Listing Rules to be notified to us and the Hong Kong Stock Exchange or which will be required pursuant to section 352 of the SFO to be entered in the register referred to therein once the shares are listed. For this purpose, the relevant provisions of the SFO will be interpreted as if they applied to our supervisors.

2. Substantial shareholders

So far as our directors are aware, immediately following completion of the A Share Offering and the Global Offering (but without taking into account the exercise of the over-allotment options for the A Share Offering or for the Global Offering or any A shares or H shares which may be taken up under the A Share Offering and the Global Offering), the following persons will have interests or short positions in our shares which would fall to be disclosed to us and the Hong Kong Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO:

Name of shareholder	Nature of interest	Class of securities	Number of securities	Approximate percentage of interest in our Bank immediately after the A Share Offering and the Global Offering
MOF	Beneficial owner/Nominee	A shares	138,682,352,926(1)	43.66%
	Nominee	H shares	1,317,647,074(2)	0.41%
Huijin	Beneficial owner	A shares	130,000,000,000	40.93%

(1) Among such shares, 10,976,470,582 A shares are held by the SSF but the voting rights thereof are delegated to the MOF pursuant to the Share Subscription Agreement and the Approval regarding the Transfer of State-owned Shares Plan for Agricultural Bank of China Limited issued by the MOF on May 5, 2010 (the "State-owned Shares Transfer Approval").

(2) Such shares are held by the SSF but the voting rights thereof are delegated to the MOF pursuant to the Share Subscription Agreement and the State-Owned Shares Transfer Approval.

3. Service contracts

None of our directors has or is proposed to have a service contract with any member of our Group (other than contracts expiring or determinable by the employer within one year without the payment of compensation other than the statutory compensation).

4. Directors' and Supervisors' remuneration

The aggregate amount of remuneration (including fees, salaries, contributions to pension schemes, housing allowances and other allowances and benefits in kind and discretionary bonuses) which were paid to our directors and supervisors for the year ended December 31, 2009 were RMB11.96 million.

Under the arrangements currently in force, the aggregate remuneration payable to, and benefits in kind receivable by, our directors and supervisors for the year ending December 31, 2010 are estimated to be approximately RMB12.29 million.

5. Fees or commissions received

Save as disclosed in this prospectus, none of our directors or any of the persons whose names are listed in the paragraph headed "Consents" in this Appendix had received any commissions, discounts, agency fee, brokerages or other special terms in connection with the issue or sale of any capital of any member of our Group from our Group within the two years preceding the date of this prospectus.

D. OTHER INFORMATION

1. Estate Duty

Our directors have been advised that no material liability for estate duty is likely to fall on our Company or any of our subsidiaries.

2. Litigation

Save as disclosed in this prospectus, no member of our Group was engaged in any litigation, arbitration or claim of material importance and no litigation, arbitration or claim of material importance is known to our directors to be pending or threatened against any member of our Group as of the Latest Practicable Date.

3. Joint Sponsors

Each of the Joint Sponsors, except for ABCI Securities Company Limited, is independent from our Company pursuant to Rule 3A.07 of the Listing Rules.

ABCI Securities Company Limited is our indirect wholly-owned subsidiary and accordingly is not independent from our Company pursuant to Rule 3A.07 of the Listing Rules.

4. Promoters

The promoters of our Company are the MOF and Huijin. Save for the A Share Offering and as disclosed in the prospectus, within the two years immediately preceding the date of this prospectus, no cash, security or benefit has been paid, allotted or given, or its proposed to be paid, allotted or given to the promoters named above in connection with the Global Offering or the related transactions described in this prospectus.

5. Preliminary Expenses

Our estimated preliminary expenses are approximately HK$0.65 million and are payable by our Company.

6. Qualifications of Experts

The qualifications of the experts (as defined under the Listing Rules and the Hong Kong Companies Ordinance) who have given their opinions or advice in this prospectus are as follows:

Name	Qualifications
China International Capital Corporation Hong Kong Securities Limited	a licensed corporation licensed to conduct type 1 (dealing in securities), type 4 (advising on securities) and type 6 (advising on corporate finance) of the regulated activities under the SFO
Goldman Sachs (Asia) L.L.C.	a licensed corporation licensed to conduct type 1 (dealing in securities), type 4 (advising on securities), type 6 (advising on corporate finance), type 7 (providing automated trading services) and type 9 (asset management) of the regulated activities under the SFO
Morgan Stanley Asia Limited	a licensed corporation licensed to conduct type 1 (dealing in securities), type 4 (advising on securities), type 6 (advising on corporate finance), type 7 (providing automated trading services) and type 9 (asset management) of the regulated activities under the SFO
Deutsche Bank AG, Hong Kong Branch	a licensed corporation licensed to conduct type 1 (dealing in securities), type 4 (advising on securities), type 6 (advising on corporate finance), type 9 (asset management) of the regulated activities under the SFO and a licensed bank under the Banking Ordinance (Chapter 155 of the Laws of Hong Kong)
J.P. Morgan Securities (Asia Pacific) Limited	a licensed corporation licensed to conduct type 1 (dealing in securities), type 4 (advising on securities), type 6 (advising on corporate finance) and type 7 (providing automated trading services) of the regulated activities under the SFO
Macquarie Capital Securities Limited	a licensed corporation licensed to conduct type 1 (dealing in securities), type 4 (advising on securities) and type 6 (advising on corporate finance) of the regulated activities under the SFO
ABCI Securities Company Limited	a licensed corporation licensed to conduct type 1 (dealing in securities), type 4 (advising on securities) and type 6 (advising on corporate finance) of the regulated activities under the SFO
Deloitte Touche Tohmatsu	Certified public accountants
Jones Lang LaSalle Sallmanns Limited	Independent property valuer
DeHeng Law Offices	PRC legal advisors

7. Consents

Each of the Joint Sponsors, Deloitte Touche Tohmatsu as our independent reporting accountants and auditor, Jones Lang LaSalle Sallmanns Limited as our independent property valuer and DeHeng Law Offices as our PRC legal advisors has given and has not withdrawn its respective written consents to the issue of this prospectus with the inclusion of their reports and/or letters and/or valuation certificates and/or the references to their names included herein in the form and context in which they are respectively included.

None of the experts named above has any shareholding interests in any member of our Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of our Group.

8. Binding Effect

This prospectus shall have the effect, if an application is made in pursuance hereof, of rendering all persons concerned bound by all the provisions (other than the penal provisions) of sections 44A and 44B of the Hong Kong Companies Ordinance so far as applicable.

9. Financial Advisors

We have engaged UBS AG, Hong Kong Branch and CITIC Securities Corporate Finance (HK) Limited as our financial advisors to provide financial advisory services in relation to the Global Offering. Principal functions performed by our financial advisors include: assisting the Bank in coordinating the work of other professional advisors; reviewing relevant documentation in relation to the Global Offering; and advising the Bank on positioning, valuation and matters related to marketing of the Global Offering including syndicate structuring, road show, and demand and pricing analysis for book building. The Joint Sponsors have not relied on the work performed by our financial advisors in relation to the Global Offering.

10. No Material Adverse Change

Our directors believe that there has been no material adverse change in our financial or trading position or prospects since December 31, 2009.

E. EXEMPTIONS FROM THE HONG KONG COMPANIES ORDINANCE AND WAIVERS FROM THE LISTING RULES

1. Waiver of Public Float Requirements

We have applied to the Hong Kong Stock Exchange to request the Hong Kong Stock Exchange to exercise, and the Hong Kong Stock Exchange has confirmed that it will exercise, its discretion under Rule 8.08(1) of the Listing Rules to accept that the minimum percentage of our issued share capital from time to time to held by the public shall be no less than 5% for our H shares and 15% for our A shares and H shares, in each case of the enlarged share capital of our Company immediately upon completion of the Global Offering and, if applicable, the A Share Offering. For further information, please refer to "Share Capital—Public Float Requirements."

2. Waiver in relation to Public Offering Without Listing in Japan

As part of our International Offering, we are conducting a public offering without listing in Japan. In this connection, we have applied to the Hong Kong Stock Exchange to request the Hong Kong Stock Exchange to exercise, and the Hong Kong Stock Exchange has confirmed that it will exercise, its discretion under Rule 9.11(35)(b) of and Paragraph 11 of Appendix 6 to the Listing Rules to dispense with compliance with the requirement for each placing broker to provide a list setting out the names, addresses and identity card or passport numbers of placees and beneficial owners and the amount of shares taken up by each of the placees. The application is made on the grounds that:

- the H shares will be sold in Japan in a public offering governed by the applicable laws and regulations of Japan, to ensure independence of the investors. As the offering is an

offering to the public, placees should by their nature be independent as there is no mechanism for placees to be preferred;

- we and the underwriters will make all reasonable efforts to comply with Rule 9.11(35)(b) and Paragraph 11 of Appendix 6 of the Listing Rules in good faith. However, full compliance with the requirement would not be practicable and unduly burdensome for the Company and the underwriters, as given the nature and mechanics of the distribution to the public under a public offering without listing in Japan, it would be impracticable for the underwriters to provide a detailed list of placees as required by Rule 9.11(35)(b) and paragraph 11 of Appendix 6 of the Listing Rules; and
- the Joint Sponsors, underwriters or placing brokers would confirm in writing that the investors obtaining the H shares sold in the public offering without listing in Japan are independent of the Joint Sponsors, underwriters or brokers, our Company's connected persons or their associates or any existing shareholders of our Company, including nominee(s) of the foregoing.

3. Waiver in relation to Clawback Mechanism

We have applied to the Hong Kong Stock Exchange for, and the Hong Kong Stock Exchange has granted, a waiver from strict compliance with paragraph 4.2 of Practice Note 18 of the Listing Rules such that, in the event of over-applications, the Joint Sponsors, after consultation with us, shall apply an alternative clawback mechanism to the provisions under Paragraph 4.2 of Practice Note 18 of the Listing Rules, following the closing of the application lists. For further information, please refer to "Structure of the Global Offering—Hong Kong Public Offering—Reallocation."

4. Waiver from Hong Kong Financial Disclosure Requirements

Pursuant to Rule 4.10 of the Listing Rules, the financial information to be disclosed in our Accountants' Report must be in accordance with best practice, which is the least that is required to be disclosed in respect of specific matters in the accounts of a company under the Hong Kong Companies Ordinance, IFRS, and the Banking (Disclosure) Rules, or the Disclosure Rules, issued by the Hong Kong Monetary Authority.

We are currently unable to provide certain disclosures described below as required by the Disclosure Rules as such information is currently not available. We believe that the financial disclosures which we are currently unable to provide are immaterial to potential investors under the Global Offering. We have applied to the Hong Kong Stock Exchange, and the Hong Kong Stock Exchange has granted us, a waiver from strict compliance with Rule 4.10 of the Listing Rules. However, we are endeavoring to collect the relevant information so that we will be in a position to provide such required disclosures under the Disclosure Rules within a reasonable time frame in the future.

The Disclosure Rules require separate disclosure of the amount of new provisions charged to the income statement and the amount of provisions released back to the income statement in the movement of allowance for loan impairment losses. We did not segregate the amount of new provisions from the amount of provisions released back, and, in lieu of that, we disclosed the amount of new provisions net of releases as a single item on the consolidated income statement. We will endeavor to upgrade our loan system so that we will be in a position to provide such required disclosures under the Disclosure Rules for the year ending December 31, 2011.

Pursuant to section 48(4)(a) of the Disclosure Rules, disclosure of the amount of rescheduled loans and advances to customers, excluding those which have been overdue for more than three months and disclosed pursuant to section 48(1), is required. We are currently unable to disclose as such and expect to be able to make disclosure according to the requirement under the Disclosure Rules for the year ending December 31, 2011.

Paragraph 13(1)(g) of the Tenth Schedule to the Hong Kong Companies Ordinance requires separate disclosure of interest income from listed and from unlisted investments. We did not segregate the amount of interest income as such, and in lieu of that, we disclosed the total amount of income which is broken down into interest income, investment income and other operating income. We expect to be able to make disclosure according to the separate categories for the year ending December 31, 2011.

As a financial institution incorporated and based in the PRC, we are required to comply with requirements laid down by the CBRC and the PBOC.

Certain provisions in the Disclosure Rules require disclosure in respect of our capital structure, capital adequacy and liquidity ratios. We have maintained and compiled data in such respects in accordance with the similar regulatory requirements of the CBRC and the PBOC. While we believe that such CBRC and the PBOC requirements attempt to address similar disclosure purpose as the requirements of the Disclosure Rules, the two regimes are slightly different. Going forward, however, we expect to be able to make disclosure according to the relevant requirements under the Disclosure Rules for the year ending December 31, 2011.

5. Exemption/Waiver in relation to Prospectus Content Requirements and the Valuation Report

A full valuation report in relation to the interests in land and buildings of a listing applicant is required to be included in the prospectus pursuant to Rule 5.01 and paragraph 3(a) of Practice Note 16 of the Listing Rules. In addition, such a valuation report is also required to be included in the prospectus of a non-Hong Kong incorporated company pursuant to Section 342(1) in respect of paragraph 34(2) of the Third Schedule to the Hong Kong Companies Ordinance. Rule 5.06 of the Listing Rules and paragraph 34(2) of the Third Schedule to the Hong Kong Companies Ordinance also prescribe the content requirements of such valuation report, which should normally contain a description of and other specified information in relation to each property in which the listing applicant has an interest. Under Rule 19A.27(4) of the Listing Rules, where the valuation report is not in the English language, a certified English translation thereof must be available for inspection.

Regarding the format and content of the valuation report, owing to the substantial number of properties we own (37,619 in total), lease (8,170 in total) and 278 buildings under construction, we have applied for and obtained a waiver from the Hong Kong Stock Exchange from strict compliance with Rule 5.01, Rule 5.06, Rule 19A.27(4) and Paragraph 3(a) of Practice Note 16 of the Hong Kong Listing Rules on the grounds that (i) it would be unduly burdensome to list all of the properties and show their particulars and values individually in this prospectus and the inclusion of such detailed information would be irrelevant to potential investors in a commercial bank; and (ii) it would be unduly burdensome to prepare an English translation of the report, as substantially all of the properties are located in the PRC and consequently the underlying valuation and title information is in Chinese. We have applied for and obtain an exemption from the SFC from strict compliance with paragraph 34(2) of part II of the Third Schedule to the Hong Kong Companies Ordinance on the ground that it

would be unduly burdensome to list all of the properties and show their particulars and values individually in this prospectus and the inclusion of such detailed information would be irrelevant to potential investors in a commercial bank.

Our Directors confirmed that the certificate of exemption from the SFC and waiver from the Hong Kong Stock Exchange would not prejudice the interest of potential investors. The exemption is granted by the SFC under section 342A(1) of the Hong Kong Companies Ordinance, on the condition that (i) the full valuation report complying with all the requirements of paragraph 34 of Part II of the Third Schedule to the Hong Kong Companies Ordinance, which will be prepared in the Chinese language only, will be made available for public inspection; (ii) a summary valuation report of all of our property interests prepared on the basis of the full valuation report is included in Appendix VI to this prospectus and (iii) this prospectus shall set out particulars of this exemption. For further information, please refer to "Business—Properties—Exemption/Waiver."

6. Waiver from Rules 8.17 and 19A.16 of the Listing Rules

We have applied to the Hong Kong Stock Exchange for, and the Hong Kong Stock Exchange has granted us, a waiver from strict compliance with the requirements under Rule 8.17 and Rule 19A.16 of the Listing Rules, in appointing Mr. LI Zhenjiang as our company secretary for a period of three years under the condition that and only so long as Ms. WOO Lee Wah Cecilia is appointed as an assistant to Mr. Li as described above. The waiver will be revoked if Ms. Woo ceases to be the assistant to Mr. Li during the three years after the Listing Date. Upon the expiry of the three-year period, we will re-evaluate the qualifications of Mr. Li to determine whether the requirements of Rule 8.17 of the Listing Rules can be satisfied. For further information, please refer to "Directors, Supervisors and Senior Management—Waiver From Rules 8.17 and 19A.16 of the Listing Rules."

7. Waiver from Rule 8.12 and 19A.15 of the Listing Rules

According to Rule 8.12 and 19A.15 of the Listing Rules, an issuer must have sufficient management presence in Hong Kong, normally meaning that at least two of the issuer's executive directors must be ordinarily resident in Hong Kong. Currently, none of our executive directors resides in Hong Kong. Since our principal operations are located in China, we do not and, for the foreseeable future, will not have a sufficient management presence in Hong Kong. Accordingly, we have applied to the Hong Kong Stock Exchange for, and the Hong Kong Stock Exchange has granted us, a waiver from strict compliance with the requirements under Rule 8.12 and 19A.15 of the Listing Rules, subject to the conditions that, among other things, we have appointed two authorized representatives, who will act at all times as our principal channel of communication with the Hong Kong Stock Exchange, and compliance advisors, who will act as our principal channel of communication with the Hong Kong Stock Exchange in addition to our authorized representatives pursuant to Rules 3A.19 and 19A.06(4) of the Listing Rules. For further information, please refer to "Directors, Supervisors and Senior Management—Waiver from Rule 8.12 and 19A.15 of the Listing Rules."

8. Consent pursuant to Rule 8.05A of the Listing Rules

According to Rule 8.05(3) of the Listing Rules, an issuer must have management continuity for at least the three preceding financial years.

Rule 8.05A provides that the Hong Kong Stock Exchange will accept a shorter trading record period under substantially the same management as required under Rule 8.05(3) of the Listing Rules if the new applicant is able to demonstrate to the satisfaction of the Hong Kong Stock Exchange that

(i) the directors and management of the new applicant have sufficient and satisfactory experience of at least three years in the line of business and industry of the new applicant. Details of such experience must be disclosed in the listing document of the new applicant; and (ii) management continuity for the most recent audited financial year. We have applied to the Hong Kong Stock Exchange for, and the Hong Kong Stock Exchange has granted us, consent to accept a shorter trading record period under substantially the same management pursuant to Rule 8.05A of the Listing Rules.

9. Bilingual Prospectus

The English language and the Chinese language versions of this prospectus are being published separately, in reliance upon the exemption provided by section 4 of the Companies Ordinance (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong).

F. MISCELLANEOUS

Save as otherwise disclosed in this prospectus:

(a) none of our directors nor any of the parties listed in the paragraph headed "Consents" in "Other Information" of this Appendix is interested in our promotion, or in any assets which have, within the two years immediately preceding the issue of this prospectus, been acquired or disposed of by or leased to us, or are proposed to be acquired or disposed of by or leased to any member of our Group;

(b) none of our directors nor any of the parties listed in the paragraph headed "Consents" in "Other Information" of this Appendix is materially interested in any contract or arrangement subsisting at the date of this prospectus which is significant in relation to our business;

(c) no share or loan capital of our Company is under option or is agreed conditionally or unconditionally to be put under option;

(d) we have not issued nor agreed to issue any founder shares, management shares or deferred shares;

(e) within the two years preceding the date of this prospectus, no commission has been paid or payable (except commissions to the underwriters) for subscription, agreeing to subscribe for, procuring subscription or agreeing to procure subscription of any shares in our Company;

(f) no amount or securities or benefit has been paid or allotted or given within the two years preceding the date of this prospectus to any of our promoters nor is any such securities or amount or benefit intended to be paid or allotted or given;

(g) none of our directors or their respective associates has any interest in our top five borrowers or our top five depositors; and

(h) the Company currently does not intend to apply for the status Sino-foreign Investment Joint Stock Limited Company and does not expect to be subject to the PRC Sino-foreign Joint Venture Law.

1. DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES

The documents attached to a copy of this prospectus and delivered to the Registrar of Companies in Hong Kong for registration were (i) copies of the **WHITE**, **YELLOW** and **GREEN** Application Forms; (ii) copies of each of the material contracts referred to "Further Information About Our Business" in "Appendix IX—Statutory and General Information" to this prospectus; (iii) the written consents referred to in "D. Other Information—7. Consents" in Appendix IX to this prospectus.

2. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the office of Freshfields Bruckhaus Deringer, 11th Floor, Two Exchange Square, Central, Hong Kong during normal business hours up to and including the date which is 14 days from the date of this prospectus:

(a) the Articles of Association of the Company;

(b) the accountants' report prepared by Deloitte Touche Tohmatsu, the text of which is set out in Appendix I;

(c) the audited financial statements of the companies comprising the Group for the three years ended December 31, 2007, 2008 and 2009;

(d) unaudited interim financial report reviewed by Deloitte Touche Tohmatsu, the text of which is set out in Appendix II to this prospectus;

(e) the report in relation to unaudited pro forma financial information, the text of which is set out in Appendix IV;

(f) the letters from Deloitte Touche Tohmatsu and the Joint Sponsors in relation to the profit forecast, the texts of which are set out in Appendix V;

(g) the letter, summary of values and valuation certificates relating to our property interests prepared by Jones Lang LaSalle Sallmanns Limited, the texts of which are set out in Appendix VI and the full valuation report (in the Chinese language only) of Jones Lang LaSalle Sallmanns Limited referred to in Appendix VI;

(h) the PRC legal opinions issued by DeHeng Law Offices, our legal advisors on PRC law, dated June 29, 2010 in respect of general matters and property interests of the Group;

(i) the material contracts referred to in paragraph B1 of Appendix IX;

(j) the written consents referred to in paragraph D7 of Appendix IX; and

(k) copies of the following PRC laws, together with unofficial English translations thereof:

  (i) the Company Law, the Special Regulations and the Mandatory Provisions;

  (ii) the PRC Commercial Banking Law, promulgated by the Standing Committee of the NPC on May 10, 1995 and became effective on July 1, 1995, and as amended by the Standing Committee of the NPC on December 27, 2003, which amendment became effective on February 1, 2004.

  (iii) the PRC Banking Supervision and Regulatory Law;

  (iv) the PRC PBOC Law;

(v) Provisional Regulations Concerning the Issue and Trading of Shares (April 22, 1993);

(vi) the Securities Law of the PRC promulgated by the Standing Committee of the NPC on December 29, 1998, as amended in 2004 and 2005 and implemented on January 1, 2006;

(vii) the Arbitration Law of the PRC promulgated by the Standing Committee of the NPC on August 31, 1994 which became effective on September 1, 1995; and

(viii) the Civil Procedure Law of the PRC adopted at the fourth meeting of the seventh NPC, promulgated on April 9, 1991, as amended in 2007 and implemented on October 28, 2007.

AGRICULTURAL BANK OF CHINA LIMITED

中国农业银行

AGRICULTURAL BANK OF CHINA