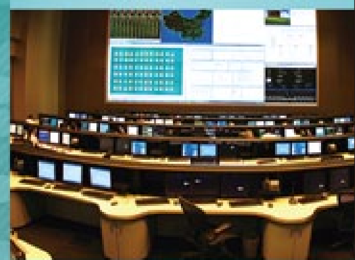
中国农业银行
AGRICULTURAL BANK OF CHINA

Agricultural Bank of China Limited

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

Stock Code: 1288



AGRICULTURAL BANK OF CHINA LIMITED

2010 Annual Report

Profile

The predecessor of Agricultural Bank of China is Agricultural Cooperative Bank established in 1951. Since late 1970s, the Bank has evolved from a state-owned specialized bank to a wholly state-owned commercial bank and subsequently a state-controlled commercial bank. On 15 January 2009, the Bank was restructured into a joint stock limited liability company. On 15 and 16 July 2010, the Bank was listed on the Shanghai Stock Exchange and the Hong Kong Stock Exchange respectively, which marked the completion of our historical transformation into a public shareholding commercial bank.

Capitalizing on the comprehensive business portfolio, extensive distribution network and advanced IT platform, the Bank provides various corporate and retail banking products and services for a broad range of customers and carry out treasury operations for our own accounts or on behalf of customers. As at 31 December 2010, the Bank had total assets of RMB10,337,406 million, deposits of RMB8,887,905 million and loans of RMB4,956,741 million. Our capital adequacy ratio and non-performing loan ratio were 11.59% and 2.03%, respectively. The Bank achieved a net profit of RMB94,907 million.

In 2010, the Bank ranked No. 141 in the global Fortune 500 companies, and ranked No. 14 in The Banker's "Top 1000 World Banks" list in terms of profit before tax for the year of 2009. In 2010, the Bank was rated A1/Stable by the Moody's.

Contents

Basic Corporate Information

Legal name in Chinese and abbreviation	中國農業銀行股份有限公司 中國農業銀行
Legal name in English and abbreviation	AGRICULTURAL BANK OF CHINA LIMITED AGRICULTURAL BANK OF CHINA (ABC)
Legal representative	XIANG Junbo
Authorized representatives	ZHANG Yun LI Zhenjiang
Board Secretary and Company Secretary	LI Zhenjiang Address: No. 69, Jianguomen Nei Avenue, Dongcheng District, Beijing, PRC Tel: 86-10-85109619 Fax: 86-10-85108557 E-mail: ir@abchina.com
Registered office address and postal code	No. 69 Jianguomen Nei Avenue, Dongcheng District, Beijing, 100005, PRC
Internet website	www.abchina.com
Principal place of business in Hong Kong	23/F, Tower I, Admiralty Center, No. 18 Harcourt Road, Hong Kong
Selected newspapers for information disclosure	China Securities Journal, Shanghai Securities News, Securities Times and Securities Daily
Website of Shanghai Stock Exchange publishing the annual report (A share)	www.sse.com.cn
Website of The Stock Exchange of Hong Kong Limited publishing the annual report (H share)	www.hkexnews.hk
Location where copies of this annual report are kept	Office of the Board of Directors, Agricultural Bank of China Limited

Listing exchange of A shares	Shanghai Stock Exchange
Stock name	農業銀行
Stock code	601288
Share registrar	China Securities Depository and Clearing Corporation Limited, Shanghai Branch (Address: 36/F, China Insurance Building, No. 166 Lujiazui Dong Road, Pudong New Area, Shanghai, PRC)
Listing exchange of H shares	The Stock Exchange of Hong Kong Limited
Stock name	ABC
Stock code	1288
Share registrar	Computershare Hong Kong Investor Services Limited (Room 1712–1716, 17 Floor, Hopewell Center, 183 Queen's Road East, Wanchai, Hong Kong)
Date of registration modification and registration authority	30 December 2010 State Administration for Industry and Commerce, PRC
Corporate business license registration No.	100000000005472
Organizational code	10000547-4
Financial license registration No.	B0002H111000001
Tax registration certificate No.	Jing Shui Zheng Zi 110108100005474
Name and address of domestic legal advisor	King & Wood PRC Lawyers 40/F, Office Tower A, Beijing Fortune Plaza, 7 East 3rd Ring Middle Road, Chaoyang District, Beijing
Name and address of Hong Kong legal advisor	Freshfields Bruckhaus Deringer 11/F, Two Exchange Square, Central, Hong Kong
Name and address of domestic auditor	Deloitte Touche Tohmatsu CPA Ltd. 30/F, No. 222, Yan An East Road, Shanghai
Name and address of international auditor	Deloitte Touche Tohmatsu 35/F, One Pacific Place, 88 Queensway, Hong Kong

(Financial data and indicators recorded in this annual report are prepared in accordance with International Financial Reporting Standards ("IFRS") and denominated in RMB)

The consolidated financial information of the Group as at 31 December is set out below:

Financial Data

	2010	2009	2008	2007
As at the end of the reporting period (in millions of RMB)				
Total assets	10,337,406	8,882,588	7,014,351	5,305,506
Loans and advances to customers, net	4,788,008	4,011,495	3,014,984	2,709,192
Investment securities and other financial assets, net	2,527,431	2,616,672	2,309,077	1,309,107
Total liabilities	9,795,170	8,539,663	6,723,810	6,033,111
Deposits from customers	8,887,905	7,497,618	6,097,428	5,287,194
Equity attributable to equity holders of the Bank	542,071	342,819	290,445	(727,605)
Operating results for the year (in millions of RMB)				
Net interest income	242,152	181,639	200,003	164,183
Net fee and commission income	46,128	35,640	23,798	22,995
Operating expenses	128,107	109,567	110,175	74,620
Provisions for impairment losses on assets	43,412	40,142	51,478	30,574
Net profit	94,907	65,002	51,453	43,787
Net profit attributable to equity holders of the Bank	94,873	64,992	51,474	43,787
Net cash (used in)/generated from operating activities	(89,878)	(21,025)	284,781	144,715

Financial Indicators

	2010	2009	2008	2007
PROFITABILITY (%)				
Return on average total assets[1]	0.99	0.82	0.84	0.88
Return on weighted average net assets[2]	22.49	20.53	N/A	N/A
Net interest margin[3]	2.57	2.28	3.13	2.94
Net interest spread[4]	2.50	2.20	3.02	2.85
Return on risk-weighted assets[5]	1.76	1.49	1.51	N/A
Ratio of net fee and commission income to operating income	15.78	15.94	11.12	12.53
Cost-to-income ratio[6]	38.53	43.37	45.30	34.60
ASSET QUALITY (%)				
Non-performing loan ratio[7]	2.03	2.91	4.32	23.57
Allowance to non-performing loans[8]	168.05	105.37	63.53	93.42
Allowance to total loans[9]	3.40	3.06	2.75	22.02
CAPITAL ADEQUACY (%)				
Core capital adequacy ratio[10]	9.75	7.74	8.04	N/A
Capital adequacy ratio[10]	11.59	10.07	9.41	N/A
Total equity to total assets ratio	5.25	3.86	4.14	N/A
Risk-weighted assets to total assets ratio	52.08	49.23	48.42	N/A
DATA PER SHARE (RMB Yuan)				
Net assets per share attributable to equity holders of the Bank	1.67	1.32	1.12	N/A
Basic earnings per share[2]	0.33	0.25	N/A	N/A
Net cash per share generated by operating activities	(0.28)	(0.08)	N/A	N/A

Notes:
1. *Calculated by dividing net profit by the average balance of total assets at the beginning and the end of the year.*
2. *Calculated in accordance with the "Rules for the Compilation and Submission of Information Disclosure by Companies that Offer Securities to the Public No.9 — Computation and Disclosure of Return on Net Assets and Earnings per Share" (Revision in 2010) issued by the CSRC. The Bank has no dilutive potential ordinary shares.*
3. *Calculated by dividing net interest income by average balance of interest-earning assets.*
4. *Calculated as the difference between the average yield on interest-earning assets and the average cost on interest-bearing liabilities.*
5. *Calculated by dividing net profit by risk-weighted assets at the end of the year (including adjustment to market risk capital), and the risk-weighted assets are calculated in accordance with the relevant regulations of the CBRC.*
6. *Calculated by dividing operating expenses (excluding business tax and surcharges) by operating income.*
7. *Calculated by dividing the balance of non-performing loans by total amount of loans and advances to customers.*
8. *Calculated by dividing allowance for impairment losses on loans by balance of non-performing loans.*
9. *Calculated by dividing allowance for impairment losses on loans by total amount of loans and advances to customers.*
10. *Calculated in accordance with the relevant regulations of the CBRC.*

Other Financial Indicators

		Regulatory Standard	31 December 2010	31 December 2009	31 December 2008	31 December 2007
Liquidity ratio (%)[1]	RMB	≥25	38.36	40.99	44.79	37.04
	Foreign Currency	≥25	127.03	122.54	205.54	123.39
Loan-to-deposit ratio (%)[2]	RMB and Foreign Currency	≤75	55.77	55.19	50.84	65.71
Percentage of loans to the largest customer[3] (%)		≤10	3.18	4.41	6.04	N/A
Percentage of loans to top ten customers[4] (%)			18.45	22.47	33.96	N/A
Loan migration ratio[5] (%)	Normal		3.10	5.00	12.67	5.53
	Special mention		4.15	6.51	14.46	9.66
	Substandard		24.34	39.33	55.58	36.56
	Doubtful		5.26	5.83	15.93	25.78

Notes:
1. *Calculated by dividing current assets by current liabilities in accordance with the relevant regulations of the CBRC.*
2. *Calculated by dividing total amount of loans and advances to customers by deposits from customers.*
3. *Calculated by dividing loans to the single largest customer by net capital base.*
4. *Calculated by dividing loans to top ten customers by net capital base.*
5. *Calculated in accordance with the relevant regulations of the CBRC by using domestic data.*

Honours and Awards

2010 China Star — Best Rural Finance Bank

Best Cash and Liquidity Management of the Year

Best China Deal

BrandZ Top 50 Most Valuable Chinese Brands

Equity Deal of the Year (Asia)

Best Deal in China
Best Equity Issue

Hong Kong Corporate Governance
Excellence Awards 2010 — Honourable Mention

Top 300 Banks of Asia — Top 10 Prestigious Banks 2010

Top Ten Most Influential Enterprise Spirits
in the 60 Years of New China

Best Banking Service for County Areas of the Year

Honours and Awards

中国社会科学院 Chinese Academy of Social Sciences; 中国经营报 CHINA BUSINESS JOURNAL	2010 The Most Competitive Personal Loans Bank Award
人民网 people www.people.com.cn	Leading Brands in Low-Carbon China 2010
21世纪经济报道 21st CENTURY BUSINESS HERALD	The 7th China's Best Corporate Citizen Award Cash Management Service Award
证券时报	Best E-Banking Service 2010 Best Personal Online Banking Best Marketing
证券日报 SECURITIES DAILY	2010 Most Innovative IPO in the PRC Security Market Golden Tripod Prize 2010 at the Annual Meeting of the PRC Security Market
第一财经 CBN	2010 China CSR Ranking — Outstanding Practice Award Best Cash Management Bank
南方周末	Best Online Banking Most Innovative Brand of Online Banking
首席财务官 CFO WORLD	Best Green Bank Award Best Social Responsibility Award Best E-Banking Award Best Asset Trust Award
中华英才网 ChinaHR.com	Top 50 Employers in the PRC Top 10 Employers in the Financial Industry Top 50 Employers in Northern China
鳳凰網 ifeng.com	Best Bank in Fulfilling Social Responsibilities Best Bank in E-Commerce Marketing
IRRC 中国上市公司投资者关系管理研究中心 CHINA LISTED COMPANY IRM RESEARCH CENTER	Outstanding Practices in Investor Relations Management
和讯 hexun.com; SEEC 中国证券市场研究设计中心	Listed Companies with Excellent Public Relations with Investors

Xiang Junbo
Chairman

Agricultural Bank of China has become listed in 2010 and recorded outstanding results over the year. Despite the challenging global and domestic economic and financial conditions, we successfully listed our A Shares and H Shares on the Shanghai Stock Exchange and the Hong Kong Stock Exchange respectively, and our IPO has become the largest ever in terms of total proceeds at the time. Through the initial public offerings, our capital base and corporate image have been significantly enhanced, our corporate value has been well-recognized by international and domestic investors and we have become one of the largest banks in the world in terms of market capitalization. We further enhanced our corporate governance in the course of our initial public offerings and realized a steady development in all business lines. We achieved significant results in County Area Banking Business, business transformation and internal reforms, and fulfilled the commitments we made to investors during the roadshows and in our prospectus.

We have made significant efforts in building a structured and highly effective corporate governance framework. In accordance with the relevant laws, regulations and regulatory requirements of Shanghai and Hong Kong for listed companies, we amended the Articles of Association and the rules of procedures of the General Meeting of Shareholders, the Board of Directors and the Board of Supervisors. We also improved the delegation of power, performance evaluation and supervision on discharge of duties, and further strengthened our corporate governance procedures and framework. Furthermore, we optimized the composition and structure of our Board and elected new directors to join relevant committees under our Board. We improved the transparency of information disclosures and maintained efficient communications with investors. To recognize our efforts in both protecting the interests of our shareholders and upholding the high standards of corporate governance, we were granted "Hong Kong Corporate Governance Excellence Awards 2010 — Honourable Mention" in the first year as a listed company.

Targeting to become a leading listed large-scale commercial bank, we accelerated the internal reforms and business transformation. Our value creation capabilities and overall competitive strength were reinforced significantly. We continued to reform our corporate structure, operational procedures, human resources management, performance evaluation and remuneration policies, and to optimize our internal control system and IT system to facilitate the dynamic growth of our business operation. In line with the macro-economic policy of the government, we made great efforts to optimize our business structures in respect of customers, products, industry and geographic distribution on a rational and sustainable basis. As part of our strategy, we continued to prioritize development of our business in major cities, strengthen cross-selling mechanism, accelerate retail business transformation and promote a diversified business operation. In 2010, we recorded a net profit of RMB94.91 billion, representing an increase of 46.0% compared to 2009. Our return on average total assets and return on weighted average net assets were 0.99% and 22.49%, respectively.

We endeavoured to develop County Area market into a new profit growth driver and to expand our geographic coverage and service offering. We deployed the pilot program for the reform of County Area Banking Division, and further improved its organizational structure, accounting system and operation mechanism, so as to implement the streamlined management on the County Area credit business. We launched a series of products designated for County Area Banking Business under the "Jinyinong" brand and established a diversified and extensive marketing network comprising "branches, ATMs, County Area Banking Business service centers and electronic banking". We accelerated the upgrading of sub-branches in County Areas and strengthened investments in the County Area Banking Business. In addition, we continued to expand the coverage of our Huinong Cards, proactively participate in business areas, including new rural cooperation and new rural pension insurance schemes, and foster new models of County Area Banking Business. As at the end of 2010, the balance of loans of County Area Banking Business amounted to RMB1,505.29 billion, representing an increase of 26.1% or 6.3 percentage points higher than the average growth rate of total loans of the Bank over the end of last year. The profit before tax in 2010 was RMB34.53 billion, representing an increase of 64.8% compared to 2009. With 29.48 million Huinong Cards newly issued in 2010, the total number of Huinong Cards issued amounted to 61.86 million. We were awarded as the "Top Ten Most Influential Enterprise Spirits in the 60 Years of New China" for our efforts in serving Sannong.

We adhere to a prudent and sound strategy with emphasis on risk management. We continue to develop a comprehensive risk management system, in order to refine our long term effective risk management mechanism. We emphasized the implementation of the New Basel Capital Accord, and improved the risk management environment, policy and practices by further improving the risk management system and establishing a vertical internal audit structure. We strengthened the internal control system through on-site inspection by risk officers and risk managers and appointed 3,000 risk managers across the Bank. Furthermore, we conducted compliance examination and risk evaluation throughout the Bank and further audited 21 branches. We identified and eliminated potential risks by conducting risk examinations of government financing vehicles and real estate loans. Our asset quality steadily improved through highly effective and timely risk control measures. As at the end of 2010, our non-performing loans decreased by RMB19.84 billion and its ratio decreased by 0.88 percentage point compared to the end of 2009. The allowance to non-performing loans significantly increased by 62.68 percentage points in 2010. Our ability to resist risks has been significantly improved and thereby supported our sustainable growth.

Our excellent performance in the first year as a listed company received wide recognition from the community. In 2010, we were awarded the "7th China's Best Corporate Citizen Award", "Best Rural Finance Bank", "BrandZ Top 50 Most Valuable Chinese Brands", "Best Deal in China", "Most Influential Bank of the China banking industry", "Best Cash and Liquidity Management of the Year" and "Award for Overall Strength of Online Banking of Chinese Banks for 2010". On behalf of the Board of Directors of Agricultural Bank of China, I hereby express my heartfelt gratitude to all circles of society and our staff for their support and assistance.

2011 is the first year for China to launch the "12th Five-year Plan" and also the 60th anniversary of our Bank. At this new historic starting point, we will push forward our transformation, with a target of becoming a leading listed large-scale commercial bank and achieving sustainable development. We will strive in the next five years, to build the Bank as a leading international financial institution serving both Urban and County Areas, with higher value creation, stronger risk management capability, steadier core competitiveness, superior management teams and a better corporate image.

Chairman: XIANG Junbo
29 March 2011

Zhang Yun
President

2010 was an extraordinary year in the history of Agricultural Bank of China. We were successfully listed on the Shanghai Stock Exchange and the Hong Kong Stock Exchange on 15 July 2010 and 16 July 2010, respectively, making a historic step in transforming into a publicly listed bank. Upon our restructuring and the successful listing, our corporate governance and internal management system were strengthened, our overall strength and corporate image were significantly enhanced, while our management capabilities and our sustainable development continued to improve.

While preparing for the listing, we also successfully completed the first phase of our development strategy by properly and actively responding to the complex "post-crisis period", implementing national macroeconomic control policies, proactively shifting our development philosophy and approaches, as well as promoting the development and transformation of our Urban and County Area businesses.

Enhanced Overall Strengths. In 2010, our asset value surpassed RMB10 trillion, almost doubled from three years ago. As at the end of 2010, our total deposits and total loans increased by RMB1,390.29 billion and RMB818.55 billion over the end of last year, respectively. Our fee- and commission-based business grew rapidly in 2010 and our net fee and commission income was RMB46.13 billion, representing a 29.4% increase from 2009. Our operating results also grew significantly with a net profit of RMB94.91 billion, representing an increase of 46.0% over the last year. In addition, our return on average total assets and return on weighted average net assets for the year were 0.99% and 22.49%, respectively. Besides, our cost-to-income ratio decreased by 4.84 percentage points compared to 2009.

Rapid Growth of Our Urban and County Area Banking Businesses. We adhered to our differentiated competition strategy, continuously enhanced our core competitiveness, and further strengthened our leading position of our Urban and County Area Banking businesses. We actively explored the County Area market with our focus on urbanization and infrastructures projects, leading agricultural enterprises as well as mid-to-high-end retail customers. As at the end of 2010, the growth rates of deposit and loan of County Area Banking business exceeded the average levels of the whole Bank by 0.5 percentage point and 6.3 percentage points, respectively. The number of issued Huinong Cards amounted to more than 60 million. And the return on assets increased from 0.62% to 0.77% in 2010. County Area Banking Business has become one of the highlights of our development. We strengthened our leading position in the Urban Area banking businesses by implementing our priority development strategy at major urban branches. The growth rates of total deposits and total loans of 50 major urban branches were 2.6 percentage points and 1.6 percentage points higher than the average levels of the whole Bank respectively. The specialized operation capability and market competitiveness in both Urban and County Areas have been steadily enhanced, reflecting a sustainable and healthy growth potential.

Significant Progress in the Business Transformation. We continued to promote the transformation and strategic upgrading of our operations and business structure by refining our development philosophy. In 2010, our fee- and commission-based businesses recorded a significant growth as a result of more than a 50% increase in our electronic banking, credit card, investment banking and bancassurance businesses. We recorded a stable growth in the return of our debt securities investment and the return on our investment in non-restructuring-related debt securities steadily increased by 3 basis points compared to 2009. We also continued to optimize our loan portfolio, while the proportion of our loans to corporate customers rated "AA" or above in the portfolio increased by 7.9 percentage points and the growth rate of loans to small enterprises higher than that of our overall business by 2.6 percentage points. Our retail business has benefited from our business transformation. As at the end of 2010, we preliminarily established the tiered customer service system and the number of our VIP customers was increased by 2.59 million compared to the end of 2009. The development of our private banking service system was in progress and the marketing service standard of our branch outlets was enhanced significantly. The number of transactions conducted via our electronic channels increased by 6.5 percentage points compared to 2009. The basic foundation of a diversified revenue structure was established through expanding our investment banking, fund management, financial leasing and rural banking businesses.

Continuous Reinforcement of Risk Control. We endeavoured to establish a comprehensive risk management system. By promoting credit risk portfolio management, cultivating compliance culture, optimizing our internal control system, establishing a centralized risk control mode, and conducting large scale risk inspection, our overall risk management capabilities have been improved. As at the end of 2010, the non-performing loan ratio was 2.03%, representing a decrease of 0.88 percentage point over the end of 2009. The allowance to non-performing loans was 168.05%, representing an increase of 62.68 percentage points over the end of 2009.

Significant Enhancement of Our Brand and Reputation. We endeavored to fulfill our social responsibilities as a corporate citizen. By promoting corporate culture and repositioning our brand image, our brand awareness, reputation and influence have been continuously reinforced. We had successfully provided financial services for the World Expo and the Asian Games. In rewarding our commitment to serving Sannong, we were granted the "Top Ten Most Influential Enterprise Spirits in the 60 Years of New China".

The year of 2011 is not only about the 60th anniversary of the founding of Agricultural Bank of China, but also the first year of building as a leading listed commercial bank. We will continue to strengthen our research and assessment on the market and policies, and also focus on refining our business structure and development approaches. In addition, we will conduct a more prudent and sound strategy and focus on the balance of the growth rate, development quality and operational efficiency of our businesses. We will take great efforts to develop core customer group and effectively accelerate our business growth. Leveraging on our synergic strengths in Urban and County Area Banking businesses, our competitiveness in both markets will be strengthened. We will also steadily gear up our business reform and innovation to further invigorate our operations. We will strengthen our overall management foundations, improve our risk control capabilities and implement a capital-efficient and resource-based development.

Whilst the journey is full of challenges, it has brought fruitful and encouraging results thus far. On behalf of our management, I would like to take this opportunity to express our sincere gratitude to our investors and the public for their trust and support, and our colleagues for their diligence and hard work. I wish you will continue to offer understanding, support and assistance to us.

I believe with our concerted efforts, Agriculture Bank of China will continue its success in the future.

President: ZHANG Yun
29 March 2011

Che Yingxin
Chairman of the Board of Supervisors

Economic and Financial Environment

Driven by large-scale economic stimulus plans implemented by various countries in 2010, the global economy bottomed out and started to recover last year. According to the statistics provided by IMF, the global economic growth rate for the year was 5.0%, among which the economic growth rates of the United States, Eurozone and Japan reached 2.8%, 1.8% and 4.3%, respectively, while that of the developing economies was 7.1%.

Emerging from the peak of the global financial crisis, the collaborative motivation among the major economies began to dissipate. Some of the countries started to withdraw the stimulus packages previously executed and implement more moderate monetary policies and rebuild fiscal sustainability. In order to jumpstart the sluggish economy, the United States launched the second round of Quantitative Easing ("QE2") in the second half of the year. On the other hand, developing economies further tightened their currency policies and capital control measures to combat the pressure of inflation and asset bubble.

Currently, the employment, credit and property market conditions of developed economies are still not stable. Coupled with the ongoing concerns on the sovereign-debt crisis in Europe, risk of stagflation is emerging. Moreover, the Quantitative Easing Policy of the United States could potentially result in a worldwide proliferation of liquidity and fluctuation of financial markets, which may pose threat to the recovery of the global economy.

The global financial market is currently impacted by the combined effects of hedging and speculation. The worsening European sovereign-debt crisis in the first half of the year has given rise to the hedging activities of the financial market, which resulted in the strengthening of the U.S. dollar and a fall in the stock markets. Following the bailout of European Union and IMF, the value of U.S. Dollar subsequently decreased as the hedging activities faded away. Although the launch of QE2 has further boosted the recovery of the U.S. economy, as the European sovereign-debt crisis spread further, the U.S. Dollar index climbed up with fluctuations. Over the year, the U.S. Dollar index rose by 1.3%, and the Dow Jones Industrial Index, FTSE 100 Index and Nikkei 225 Index have fluctuated 11%, 9.0% and -3.0%, respectively. Affected by the excess liquidity and resumption of demand, the global commodity prices increased at a more rapid pace.

In 2010, China started to withdraw the economic stimulus plan implemented during the financial crisis and returned to its normal policy direction. The PRC government implemented more strict control measures on the real estate market, regulated the local government financing vehicles, cancelled the export tax refund policies for certain commodities, and restarted the reform of RMB exchange rate. Monetary policies of China shifted from moderately loose to a sound level.

In 2010, China's GDP amounted to RMB39.8 trillion, up 10.3% over the previous year. Total fixed asset investment and retail sales of consumer goods grew by 23.8% and 14.8%, down 6.2 and 2.1 percentage points over the previous year, respectively. Total volume of imports and exports increased by 34.7%, while trade surplus declined by 6.4%. Final consumption expenditure, capital formation and net exports contributed 37.3%, 54.8% and 7.9% to GDP, respectively. Price level remained high throughout the year, Consumer Price Index (CPI) and Producer Price Index (PPI) increased by 3.3% and 5.5% over the last year, respectively, reflecting the inflation pressure has increased significantly.

In 2010, the rapid growth of money supply and lending remained. At the end of the year, the balances of M2 and M1 stood at RMB72.58 trillion and RMB26.66 trillion, up 19.7% and 21.2% over the end of last year. The total outstanding loans of all financial institutions amounted to RMB50.92 trillion, and the total increase in loans reached RMB8.36 trillion over 2009 (among which RMB7.95 trillion was loans in RMB). Money market activities held strong. Inter-bank market transactions increased remarkably. Government bond yield curve went up gradually throughout the year. At the end of the year, the median price of RMB against USD was 6.6227, up 3.09% over the end of last year. A-share market was affected by national macroeconomic policies, and the SSE Composite Index and SZSE Component Index decreased by 14.31% and 9.06% during the year, respectively. Market capitalization of tradable securities on Shanghai and Shenzhen stock exchanges totaled RMB19.31 trillion, and the amount of capital raised in these two stock markets significantly increased over the previous year.

Looking ahead, the global economy is likely to continue its recovery momentum but the speed will start to slow down following the withdrawal of stimulus plans of various countries. China is expected to undergo an economic transformation, while balancing the economic growth, economic restructuring and inflation control. Growth of total retail sales of consumer goods will remain at a relatively fast pace while the growth rate of fixed asset investment would slightly decrease and growth rate of exports may significantly slow down. 2011 is the first year to implement the "12th Five-year Plan". Hence, a number of profound reform measures will be carried out and serve as long-term drivers of China's economy. This includes establishment of long-term and effective mechanisms to stimulate domestic consumption, development of strategic industries, acceleration of growth of the services industry, stable promotion of urbanization, and strengthening of the income allocation adjustments.

China will continue its proactive fiscal policy and sound monetary policy and enhance the flexibility and effectiveness of its targeted national macroeconomic policies in 2011. The PBOC has already begun to establish a counter-cyclical and prudent macro management system, impose differentiated and dynamic adjustments of statutory deposit reserve ratio requirement on commercial banks, continue the reform of interest rates liberalization, and improve the RMB exchange rate regime. The CBRC will further improve the regulatory framework under the principle of prudent management for commercial banks and push forward implementation of Basel II and Basel III Accord synchronously. The banking industry is expected to face uncertainties in regulatory evolvement.

Financial Statements Analysis

Income Statement Analysis

In 2010, we achieved a net profit of RMB94,907 million, representing an increase of RMB29,905 million or 46.0% over the previous year. This was primarily due to the drastic increase in net interest income and net fee and commission income, which was partly offset by the increase in operating expenses, provisions for impairment losses on assets and income tax expense.

Changes of Key Income Statement Items

In millions of RMB, except for percentages

Item	2010	2009	Increase/ decrease	Growth rate (%)
Net interest income	242,152	181,639	60,513	33.3
Net fee and commission income	46,128	35,640	10,488	29.4
Other non-interest income	3,973	6,358	(2,385)	-37.5
Operating income	**292,253**	**223,637**	**68,616**	**30.7**
Less: Operating expenses	128,107	109,567	18,540	16.9
Provisions for impairment losses on assets	43,412	40,142	3,270	8.1
Profit before tax	120,734	73,928	46,806	63.3
Less: Income tax expense	25,827	8,926	16,901	189.3
Net profit	**94,907**	**65,002**	**29,905**	**46.0**
Attributable to:				
Equity holders of the Bank	94,873	64,992	29,881	46.0
Minority interests	34	10	24	240.0

Net Interest Income

Net interest income is the major component of our operating income, and accounted for 82.9% of our total operating income in 2010. Net interest income was RMB242,152 million, representing an increase of RMB60,513 million compared to the last year. Expansion in volume and changes in interest rates resulted in increases of RMB39,426 million and RMB21,087 million in net interest income, respectively.

The table below sets out the average balance, interest income/expenses and percentage of average yield/cost of interest-earning assets and interest-bearing liabilities.

In millions of RMB, except for percentages

Item	2010			2009		
	Average balance	Interest income/ expense	Average yield/cost (%)	Average balance	Interest income/ expense	Average yield/cost (%)
Assets						
Loans and advances to customers	4,616,931	240,900	5.22	3,727,928	195,717	5.25
Debt securities investments[1]	2,564,854	78,247	3.05	2,476,586	75,290	3.04
Non-restructuring-related debt securities	1,871,704	56,380	3.01	1,729,908	51,569	2.98
Restructuring-related debt securities[2]	693,150	21,867	3.15	746,678	23,721	3.18
Balances with central banks	1,641,248	25,994	1.58	1,217,240	18,611	1.53
Amounts due from banks and other financial institutions[3]	597,395	12,519	2.10	561,961	6,529	1.16
Total interest-earning assets	**9,420,428**	**357,660**	**3.80**	**7,983,715**	**296,147**	**3.71**
Allowance for impairment losses[4]	(147,913)			(106,191)		
Non-interest-earning assets[4]	411,902			355,616		
Total assets	9,684,417			8,233,140		
Liabilities						
Deposits from customers	8,199,478	102,620	1.25	6,952,751	103,251	1.49
Amounts due to banks and other financial institutions[5]	660,881	11,007	1.67	615,411	10,068	1.64
Other interest-bearing liabilities[6]	58,707	1,881	3.20	35,262	1,189	3.37
Total interest-bearing liabilities	**8,919,066**	**115,508**	**1.30**	**7,603,424**	**114,508**	**1.51**
Non-interest-bearing liabilities[4]	357,407			333,493		
Total liabilities	9,276,473			7,936,917		
Net interest income		242,152			181,639	
Net interest spread			**2.50**			**2.20**
Net interest margin			**2.57**			**2.28**

Notes:

1. *Debt securities investments include debt securities investments designated at fair value through profit or loss, available-for-sale debt securities investments, held-to-maturity investments and debt securities classified as receivables.*
2. *Restructuring-related debt securities include the MOF receivables and special PRC government bonds.*
3. *Amounts due from banks and other financial institutions primarily include the deposits and placements with banks and other financial institutions, and the financial assets held under resale agreements.*
4. *The average balances of non-interest-earning assets, non-interest-bearing liabilities and allowance for impairment losses are the average of their respective balances at the beginning and the end of the reporting period.*
5. *Amounts due to banks and other financial institutions primarily include the deposits and placements from banks and other financial institutions, as well as the financial assets sold under repurchase agreements.*
6. *Other interest-bearing liabilities primarily include the certificates of deposits issued and the subordinated bonds issued.*

The table below sets out the changes in net interest income due to changes in volume and interest rate.

In millions of RMB

	Increase/(decrease) due to		Net Increase/
	Volume	Interest Rate	(decrease)
Assets			
Loans and advances to customers	46,386	(1,203)	45,183
Debt securities investments	2,693	264	2,957
Balances with central banks	6,715	668	7,383
Amounts due from banks and other financial institutions	743	5,247	5,990
Changes in interest income	56,537	4,976	61,513
Liabilities			
Deposits from customers	15,603	(16,234)	(631)
Amounts due to banks and other financial institutions	757	182	939
Other interest-bearing liabilities	751	(59)	692
Changes in interest expense	17,111	(16,111)	1,000
Change in net interest income	**39,426**	**21,087**	**60,513**

Note: Changes caused by both volume and interest rate have been allocated to the changes in volume.

Net Interest Margin and Net Interest Spread

In 2010, the net interest margin increased by 29 basis points to 2.57%, and the net interest spread increased by 30 basis points to 2.50%. Increases in net interest margin and net interest spread were mainly because: (1) most deposits and loans were re-priced at lower interest rates due to the PBOC's cuts of the benchmark interest rate in the second half of 2008, but the decrease of average yield of loans is lower than that of average cost of deposits, leading to a wider interest spread; (2) we continuously adjusted credit asset profiles in an effort to increase the proportion of more profitable loans to real economy and County Area Banking Business in which we have better pricing; (3) market liquidity was tightened due to the consecutive increases of the required reserve ratio of deposits by the PBOC, leading to higher yield of non-restructuring-related debt securities and higher average yield of amounts due from banks and other financial institutions; (4) interest rates of certain loans were readjusted following the rise of benchmark deposit rates and benchmark loan rates by the PBOC in the fourth quarter of 2010, leading to a wider interest spread; and (5) proportion of demand deposits increased due to various factors including the rate hike expectations.

Interest Income

We achieved an interest income of RMB357,660 million in 2010, representing an increase of RMB61,513 million over the previous year. The increase of interest income was principally due to the increase in the average balance of interest-earning assets and the slightly increase in the average yield of interest-earning assets.

Interest Income from Loans and Advances to Customers

Interest income from loans and advances to customers increased by RMB45,183 million or 23.1% over the previous year to RMB240,900 million. The increase of interest income was primarily due to the increase of RMB889,003 million in the average balance, which was partly offset by the decrease of 3 basis points in the average yield.

The table below sets out the average balance, interest income and average yield of loans and advances to customers by product type.

In millions of RMB, except for percentages

	2010			2009		
Item	**Average balance**	**Interest income**	**Average yield (%)**	**Average balance**	**Interest income**	**Average yield (%)**
Corporate loans	3,377,888	182,656	5.41	2,680,216	154,493	5.76
Short-term corporate loans	1,367,125	71,176	5.21	1,220,069	67,812	5.56
Medium- and long-term corporate loans	2,010,763	111,480	5.54	1,460,147	86,681	5.94
Discounted bills	185,834	5,706	3.07	419,774	8,989	2.14
Retail loans	1,001,034	51,465	5.14	601,260	31,799	5.29
Overseas and others	52,175	1,073	2.06	26,678	436	1.63
Total loans and advances to customers	**4,616,931**	**240,900**	**5.22**	**3,727,928**	**195,717**	**5.25**

Interest income from corporate loans increased by RMB28,163 million or 18.2% to RMB182,656 million compared to the previous year. The increase was primarily due to the increase of RMB697,672 million in the average balance in corporate loans, which was partly offset by the decrease of 35 basis points in the average yield. The decrease in the average yield was primarily due to the PBOC's consecutive cuts of benchmark interest rate in the second half year of 2008, under which part of the existing loans continued to apply higher interest rate before the adjustment during certain period in 2009, while substantially all of the existing loans and newly issued loans applied lower interest rate after the adjustment in 2010.

Interest income from discounted bills decreased by RMB3,283 million or 36.5% to RMB5,706 million compared to the previous year. The decrease was primarily due to the substantial decrease of RMB233,940 million in the average balance, which was partly offset by the increase of 93 basis points to 3.07% in the average yield. The decrease in the average balance was principally because we moderately reduced the scale of discounted bills and increased the credit facilities provided for key projects and high quality customers. The increase in average yield was mainly because the PBOC continuously increased the RMB reserve ratio of deposits and the market liquidity was relatively strained, resulted in a significant rebound in the interest rate of discounted bills compared to the same period of the previous year.

Interest income from retail loans increased by RMB19,666 million or 61.8% to RMB51,465 million compared to the previous year. The increase was primarily due to the increase of RMB399,774 million in the average balance, which was partly offset by the decrease of 15 basis points in the average yield. The decrease in the average yield was mainly because after PBOC's consecutive cuts of the benchmark interest rate in the second half year of 2008, part of the existing loans continued to apply higher interest rates before the adjustment during certain period in 2009, while substantially all of the existing loans and newly issued loans applied lower interest rate after the adjustment in 2010.

Interest income from overseas and other loans increased by RMB637 million or 146.1% to RMB1,073 million compared to the previous year. The increase was mainly due to an increase of RMB25,497 million in the average balance and an increase of 43 basis points in the average yield. The increase in the average yield was primarily because of the evident increase in LIBOR, which served as the basis for our pricing of most overseas loans.

Interest Income from Debt Securities Investments

Interest income from debt securities investments was the second largest component of our interest income. In 2010, the interest income from debt securities investments increased by RMB2,957 million from the previous year to RMB78,247 million.

Interest income from restructuring-related debt securities investments amounted to RMB21,867 million, representing a decrease of RMB1,854 million compared to the previous year. The decrease was mainly due to the MOF successively repaid part of the MOF receivables to the Bank.

Interest income from non-restructuring-related debt securities investment increased by RMB4,811 million to RMB56,380 million compared to the previous year. The increase was mainly due to the increase of RMB141,796 million in the average balance and the increase of 3 basis points in the average yield. The increase in the average yield was mainly because: (1) the interest rate on the debt securities market increased compared to the same period of the previous year due to the consecutive increases of the statutory deposit reserve ratio, the increase of the benchmark interest rate in the fourth quarter and the tighter market liquidity; and (2) on the basis of risk control, we moderately increased the size of investments in bonds issued by PRC policy banks and corporate bonds with relatively high yield.

Interest Income from Balances with Central Banks

Interest income from balances with central banks increased by RMB7,383 million to RMB25,994 million compared to the previous year, mainly due to the significant increase of RMB424,008 million in the average balance and the increase of 5 basis points in the average yield. The increase in the average balance was primarily due to the increase in the statutory deposit reserve with the PBOC of the Bank as a result of the consecutive increases of the statutory deposit reserve ratio and the strong increase in the balance of deposits from customers. The increase in the average yield was mainly because of a decrease in the proportion of surplus deposit reserve, which is relatively lower-yielding.

Interest Income from Amounts Due from Banks and Other Financial Institutions

Interest income from amounts due from banks and other financial institutions increased by RMB5,990 million to RMB12,519 million compared to the previous year. The increase was primarily due to the increase of 94 basis points in the average yield to 2.10% and the increase of RMB35,434 million in the average balance. The increase in the average yield was mainly due to the consecutive increases of statutory deposit reserve ratio by the PBOC in 2010, the increase of the benchmark interest rate in the fourth quarter and the tighter market liquidity, which resulted in an increase in interest rates on the money market. The increase in the average balance was primarily due to the increase of the credit lending along with the significant increase in interest rates of the money market in the second half of 2010.

Interest Expenses

Interest expenses increased by RMB1,000 million to RMB115,508 million compared to the previous year. The increase was mainly due to the increase of RMB1,315,642 million in the average balance, which was partly offset by the decrease of 21 basis points in the average cost to 1.30%.

Interest Expenses on Deposits from Customers

Interest expenses on deposits from customers decreased by RMB631 million to RMB102,620 million compared to the last year. The decrease was mainly due to the decrease of 24 basis points in the average cost to 1.25%, which was partly offset by the increase of RMB1,246,727 million in the average balance. The decrease in the average cost was primarily because: (1) after the PBOC's consecutive cuts of the benchmark interest rate for deposits in the second half year of 2008, part of the existing loans continued to apply higher interest rates before the adjustment during certain period in 2009, while the newly received deposits and substantially all of the existing deposits applied lower interest rate after the adjustment in 2010; and (2) proportion of demand deposits increased due to the rate hike expectations.

Analysis of Average Cost of Deposits by Product

In millions of RMB, except for percentages

	2010			2009		
Item	**Average balance**	**Interest expense**	**Average cost (%)**	**Average balance**	**Interest expense**	**Average cost (%)**
Corporate deposits						
Time	989,704	22,485	2.27	794,121	19,457	2.45
Demand	2,411,527	14,113	0.59	1,995,349	12,734	0.64
Sub-total	3,401,231	36,598	1.08	2,789,470	32,191	1.15
Retail deposits						
Time	2,541,506	57,860	2.28	2,344,697	64,486	2.75
Demand	2,256,741	8,162	0.36	1,818,584	6,574	0.36
Sub-total	4,798,247	66,022	1.38	4,163,281	71,060	1.71
Total deposits from customers	**8,199,478**	**102,620**	**1.25**	**6,952,751**	**103,251**	**1.49**

Interest Expenses on Amounts Due to Banks and Other Financial Institutions

Interest expenses on amounts due to banks and other financial institutions increased by RMB939 million to RMB11,007 million compared to the previous year. The increase was mainly due to the increase of RMB45,470 million in the average balance and the increase by 3 basis points to 1.67% in the average cost. The increase in the average cost was primarily because of the increase in the interest rate of the money market. The negative impact of increased interest rate was partly offset by reducing the size of the deposits from banks, which bore higher interest expenses.

Interest Expense on Other Interest-bearing Liabilities

Interest expense on other interest-bearing liabilities increased by RMB692 million to RMB1,881 million compared to the previous year, mainly due to the longer interest payment period in 2010 than in 2009 for the subordinated bonds (with a nominal value of RMB50,000 million) issued in May 2009.

Net Fee and Commission Income

In 2010, we generated net fee and commission income of RMB46,128 million, an increase of RMB10,488 million or 29.4% compared to the previous year. The proportion of net fee and commission income in our operating income was 15.78%. After deduction of agency commissions from the MOF for the disposal of and recovery on non-performing assets on its behalf, net fee and commission income increased by 42.8% compared to the previous year. The increase in net fee and commission income was primarily due to: (1) we enhanced research and development of new products and businesses to cater for consumers' needs, and further improved the quality of customer services; (2) we implemented innovative marketing measures to strengthen the growth of related fee and commission based business driven by the asset and liability business; and (3) we enhanced resource allocation for fee- and commission-based business, accelerated the development of traditional and emerging fee- and commission-based business and continued to optimize the income structures.

Composition of Net Fee and Commission Income

In millions of RMB, except for percentages

Item	2010	2009	Increase/ (decrease)	Growth rate (%)
Settlement and clearing fees	15,187	12,207	2,980	24.4
Consultancy and advisory fees	11,112	6,566	4,546	69.2
Agency commissions	9,813	10,737	(924)	-8.6
Bank card fees	6,442	4,821	1,621	33.6
Electronic banking service fees	2,611	1,221	1,390	113.8
Credit commitment fees	1,610	772	838	108.5
Custodian and other fiduciary service fees	844	761	83	10.9
Others	525	200	325	162.5
Fee and commission income	**48,144**	**37,285**	**10,859**	**29.1**
Less: Fee and commission expenses	2,016	1,645	371	22.6
Net fee and commission income	**46,128**	**35,640**	**10,488**	**29.4**

Settlement and clearing fees income increased by RMB2,980 million or 24.4% to RMB15,187 million compared to the previous year. This was mainly because the settlement and clearing fees income increased continuously as a result of our efforts in strengthening product innovation by leveraging on our extensive distribution network and customer base so to provide the customers with rapid and convenient settlement and personalized cash management services.

Consultancy and advisory fees income increased by RMB4,546 million or 69.2% to RMB11,112 million compared to the previous year, mainly because we strengthened the development of investment banking business with financial advisory, asset management and financing planning services as core lines through the asset and liability business.

Agency commissions income decreased by RMB924 million or 8.6% to RMB9,813 million compared to the previous year. The decrease was primarily due to a decrease in the agency commissions from the MOF for the disposal of and recovery on non-performing assets on its behalf. Furthermore, the insurance and fund agent businesses recorded a significant growth compared to 2009. Our insurance agent sales income ranked first in the industry and market share of fund agent market also expanded.

Bank card fees income increased by RMB1,621 million or 33.6% to RMB6,442 million compared to the previous year, mainly because we continuously improved bank card functions, varieties and facilities to enhance customer satisfaction, and generated continuous growth in the number of cards issued and the transaction value.

Electronic banking service fees increased by RMB1,390 million or 113.8% to RMB2,611 million compared to the previous year, mainly because we generated rapid growth in the number of electronic banking customers and transaction volumes by strategically focusing on the development of electronic banking channel, continuously improving electronic banking system, increasing investment in the development of electronic banking channel and improving electronic banking services.

Credit Commitment fees income increased by RMB838 million or 108.5% to RMB1,610 million compared to the previous year, mainly because the number of customers increased and the scale of commitment business expanded as a result of the pertinent and competitive commitment fee rates and better service quality.

Custodian and other fiduciary service fees increased by RMB83 million or 10.9% to RMB844 million compared to the previous year, mainly due to the enhancement of the multi-channel sales and marketing system and the continuous growth in the size of our insurance, fund and pension custody assets.

Other non-interest Income

In 2010, other non-interest income amounted to RMB3,973 million, representing a decrease of RMB2,385 million over the previous year. The decrease was mainly due to a decrease in net gain on the financial instruments designated as at fair value through profit or loss.

Net gain on the financial instruments designated as at fair value through profit or loss was RMB435 million, representing a decrease of RMB1,617 million over the previous year, mainly because we recorded a greater increase in the fair value of derivative financial instruments and the financial instruments designated as at fair value through profit or loss in 2009, while the increase in fair value in 2010 was relatively smaller.

Composition of Other Non-Interest Income

In millions of RMB

Item	2010	2009
Net trading (loss)/gain	(244)	444
Net gain on the financial instruments designated as at fair value through profit or loss	435	2,052
Net loss on securities investments	(754)	(173)
Income from other operations	4,536	4,035
Total	**3,973**	**6,358**

Operating Expenses

In 2010, through our continuous efforts in streamlining our cost budgeting and authorization management to strengthen cost control, our operating expenses increased by RMB18,540 million over the previous year to RMB128,107 million; and the cost-to-income ratio (excluding business taxes and surcharges) dropped 4.84 percentage points over the previous year to 38.53%.

Staff cost increased by RMB11,365 million to RMB67,130 million compared to the previous year, representing an increase of 20.4%, which was mainly due to the increase of staff remuneration in line with the market condition, as well as the increase of performance-based salary in proportion to the growth in our operating results.

General operating and administrative expenses increased by RMB4,362 million or 14.9% to RMB33,645 million compared to the previous year, mainly because we allocated strategic expenses to facilitate our business reform, as well as expanded the investment in key urban branches, County Area Banking Business and renovation of outlets, and the incentive fees also increased as we promoted business growth by providing more incentive fees and implementing an incentive system linking with the growth of related fee- and commission-based business and added values.

Depreciation and amortization increased by RMB521 million or 4.8% over the previous year to RMB11,296 million, mainly because the Bank expanded the establishment of electronic channels in recent year, resulting in an increase in the corresponding depreciation.

Composition of Operating Expenses

In millions of RMB, except for percentages

Item	2010	2009	Increase/ (decrease)	Growth rate (%)
Staff cost	67,130	55,765	11,365	20.4
General operating and administrative expenses	33,645	29,283	4,362	14.9
Business taxes and surcharges	15,505	12,567	2,938	23.4
Depreciation and amortization	11,296	10,775	521	4.8
Others	531	1,177	(646)	-54.9
Total	**128,107**	**109,567**	**18,540**	**16.9**

Impairment Losses on Assets

In 2010, provisions for impairment losses on assets increased by RMB3,270 million to RMB43,412 million compared to the previous year.

Impairment losses on loans decreased by RMB753 million to RMB43,536 million compared to the previous year, primarily due to a decrease of 10,861 million in provisions for impairment losses on loans by individual assessment as a result of the improvement in our asset quality. On the other hand, we adopted conservative approach in assessing the operational risk and the uncertainties of macro-environment, and our allowance to non-performing loans continued to improve.

Income Tax Expense

In 2010, our income tax amounted to RMB25,827 million, representing a significant increase of RMB16,901 million compared to 2009. The increase was primarily because we were granted special tax exemptions in the course of joint stock reform in 2009 and we recorded strong increase in profit before tax in 2010. The effective tax rate was 21.39% in 2010, lower than the 25% statutory tax rate. This was mainly because: (1) pursuant to stipulations of the PRC tax law, the interest income derived from the Chinese government bonds held by the Bank was exempted from the enterprise income tax; and (2) 90% of the interest income on small loans to rural households shall be included in the total income when calculating taxable profits pursuant to the State Administration of Taxation's Notice on Rural Finance Tax Policy (Cai Shui [2010] No. 4) issued by the MOF.

Segment Reporting

We assessed our annual performance and decided the allocation of resources based on the segment report. The segment information was reported in the same manner as the basis of internal management and reporting. At present, we exercised management on all segments from the perspectives of geographical location, business line and County Area Banking Business.

The table below sets out our operating income by business segment.

In millions of RMB, except for percentages

	2010		2009	
Item	**Amount**	**Percentage (%)**	**Amount**	**Percentage (%)**
Corporate banking business	161,388	55.2	123,105	55.0
Retail banking business	101,592	34.8	73,614	32.9
Treasury operations	28,164	9.6	26,109	11.7
Other business	1,109	0.4	809	0.4
Total operating income	**292,253**	**100.0**	**223,637**	**100.0**

The table below sets out our operating income by geographical segment.

In millions of RMB, except for percentages

	2010		2009	
Item	**Amount**	**Percentage (%)**	**Amount**	**Percentage (%)**
Head Office	34,243	11.7	30,353	13.6
Yangtze River Delta	66,668	22.8	46,165	20.6
Pearl River Delta	39,270	13.4	28,756	12.9
Bohai Rim	43,435	14.9	33,059	14.8
Central China	35,347	12.1	27,977	12.5
Western China	62,477	21.4	47,520	21.2
Northeastern China	9,017	3.1	8,629	3.9
Overseas and others	1,796	0.6	1,178	0.5
Total operating income	**292,253**	**100.0**	**223,637**	**100.0**

Note: Please refer to "Note 48 to the Financial Statements: Segment Information" for details of geographic segments.

The table below sets out our operating income of the County Area banking business and Urban Area banking business.

In millions of RMB, except for percentages

	2010		2009	
Item	**Amount**	**Percentage (%)**	**Amount**	**Percentage (%)**
County Area Banking Business	107,925	36.9	85,361	38.2
Urban Area Banking Business	184,328	63.1	138,276	61.8
Total operating income	**292,253**	**100.0**	**223,637**	**100.0**

Balance Sheet Analysis

Assets

As at 31 December 2010, our total assets amounted to RMB10,337,406 million, representing an increase of RMB1,454,818 million or 16.4% compared to the end of the previous year. Net loans and advances to customers increased by RMB776,513 million or 19.4%. Net investment securities and other financial assets decreased by RMB89,241 million or 3.4%. Cash and balances with central banks increased by RMB564,526 million or 37.2% compared to the end of 2009, which was mainly due to the consecutive increases of reserve ratio of deposits and the increase in deposits from customers. Deposits and placements with banks and other financial institutions increased by RMB62,140 million or 55.9% compared to the end of 2009, which was mainly because we increased the credit leading by seizing the favorable opportunity arising from the significant increase in interest rates on the money market. Financial assets held under resale agreements increased by RMB104,238 million or 24.8% compared to the end of 2009, which was mainly due to the significant increase in bills held under resale agreements.

Key Items of Assets

In millions of RMB, except for percentages

	31 December 2010		31 December 2009	
Item	**Amount**	**Percentage (%)**	**Amount**	**Percentage (%)**
Total loans and advances to customers	4,956,741	—	4,138,187	—
Less: Allowance for impairment losses on loans	168,733	—	126,692	—
Loans and advances to customers, net	4,788,008	46.3	4,011,495	45.2
Investment securities and other financial assets, net	2,527,431	24.5	2,616,672	29.5
Cash and balances with central banks	2,082,332	20.1	1,517,806	17.1
Deposits and placements with banks and other financial institutions	173,268	1.7	111,128	1.3
Financial assets held under resale agreements	525,331	5.1	421,093	4.7
Others	241,036	2.3	204,394	2.2
Total assets	**10,337,406**	**100.0**	**8,882,588**	**100.0**

Loans and Advances to Customers

As at 31 December 2010, total loans and advances to customers amounted to RMB4,956,741 million, representing an increase of RMB818,554 million or 19.8% over the end of the previous year.

Distribution of Loans and Advances to Customers by Business Type

In millions of RMB, except for percentages

	31 December 2010		31 December 2009	
Item	**Amount**	**Percentage (%)**	**Amount**	**Percentage (%)**
Loans granted by domestic branches	4,881,036	98.5	4,110,263	99.3
Corporate loans	3,595,440	72.6	2,968,691	71.7
Discounted bills	141,123	2.8	352,230	8.5
Retail loans	1,144,473	23.1	789,342	19.1
Overseas and others	75,705	1.5	27,924	0.7
Total	**4,956,741**	**100.0**	**4,138,187**	**100.0**

Corporate loans increased by RMB626,749 million or 21.1% over the end of the previous year to RMB3,595,440 million, primarily because we adjusted the composition of our loan portfolio and increased loans to leading industries, key regions, valued customers and core banking businesses. We strengthened the cooperation with high end core customers through cross selling and comprehensive marketing, resulted in a substantial increase in corporate loans.

Retail loans increased by RMB355,131 million or 45.0% over the end of the previous year to RMB1,144,473 million. The rapid growth of retail loans was mainly attributable to the strategic transform of our retail business, continuous innovation of retail loans products, streamlined retail lending procedures, improvement in customer segmentation service system and enhancement in the marketing of corporate and personal financial products.

The discounted bills decreased by RMB211,107 million or 59.9% over the end of the previous year to RMB141,123 million, primarily because we adjusted the composition of our loan portfolio and moderately reduced the volume of discounted bills in order to increase the proportion of loans to valued customers.

Overseas and other loans increased by RMB47,781 million or 171.1% over the end of the previous year to RMB75,705 million, which was mainly because we enhanced the synergistic marketing domestically and overseas, resulted in a relatively rapid growth of trade finance.

Distribution of Corporate Loans by Maturity

In millions of RMB, except for percentages

	31 December 2010		31 December 2009	
Item	**Amount**	**Percentage (%)**	**Amount**	**Percentage (%)**
Short-term corporate loans	1,412,390	39.3	1,239,973	41.8
Medium- and long-term corporate loans	2,183,050	60.7	1,728,718	58.2
Total	**3,595,440**	**100.0**	**2,968,691**	**100.0**

Short-term corporate loans increased by RMB172,417 million or 13.9% over the end of the previous year. Medium- and long-term corporate loans increased by RMB454,332 million or 26.3%, representing a growth of 2.5 percentage points over the end of the previous year to 60.7% as a percentage of our corporate loans.

Distribution of Corporate Loans by Industry

In millions of RMB, except for percentages

	31 December 2010		31 December 2009	
Item	**Amount**	**Percentage (%)**	**Amount**	**Percentage (%)**
Manufacturing	1,046,317	29.3	886,729	29.9
Production and supply of electric power, gas and water	394,414	11.0	411,410	13.9
Real estate*	543,625	15.0	427,253	14.4
Transportation, logistics and postal services	384,798	10.7	303,520	10.2
Retail and wholesale	292,209	8.1	227,546	7.7
Water, environment and public utilities management	213,705	5.9	155,365	5.2
Construction	148,799	4.1	99,700	3.4
Mining	115,779	3.2	93,340	3.1
Leasing and commercial services	210,882	5.9	144,755	4.9
Information transmission, computer services and software	18,788	0.5	28,199	0.9
Others*	226,124	6.3	190,874	6.4
Total	**3,595,440**	**100.0**	**2,968,691**	**100.0**

Note: Loans in the above table are based on the industries in which the borrowers operated. Real estate loans include loans for the development of real estate projects of enterprises mainly engaging in the real estate industry, mortgage loans for operating properties and non-real estate loans to other enterprises in real estate industry. Others mainly include agriculture, forestry, animal husbandry, fishery, education, hotels and catering industries.

The gross loans to corporate customers in the five major industries, including manufacturing, production and supply of electric power, gas and water, real estate, transportation, logistics and postal services and retail and wholesale, accounted for 74.1% of our total corporate loans, representing a decrease of 2 percentage points over the beginning of the year, and a decrease in industry concentration. The three largest industries with the highest growth in proportion to our total loans were the leasing and commercial services, the water, environment and public utilities management and construction, while the production and supply of electric power, gas and water had the largest decrease in the proportion of loans.

During the reporting period, our newly issued loans were mainly for the industries and sections including infrastructure construction, primary energy, civil engineering projects, and national consolidation and revitalization projects. In addition, the Bank amended the industry-specific credit guidelines timely, extended the coverage of the industry-specific credit guidelines and continued to set limits on exposure to certain industries and strengthen the customer list-based management, according to the changes of the industrial policy of the State and our loan portfolio in order to further improve the loan portfolio distributed by the industry.

Distribution of Retail Loans by Product Type

In millions of RMB, except for percentages

Items	31 December 2010		31 December 2009	
	Amount	Percentage (%)	Amount	Percentage (%)
Residential mortgage loans	724,592	63.3	497,946	63.1
Personal consumption loans	133,093	11.6	85,600	10.8
Loans to private businesses	130,085	11.4	105,953	13.4
Credit card balances	37,820	3.3	14,118	1.8
Loans to rural households	115,580	10.1	79,588	10.1
Others	3,303	0.3	6,137	0.8
Total	**1,144,473**	**100.0**	**789,342**	**100.0**

We implemented control measures on real estate consistently and made timely adjustments to the policy on residential mortgage loans which mainly focused on providing loans to finance first home purchase and imposed strict controls on loans for purchasing the second or more properties. Residential mortgage loans increased by RMB226,646 million or 45.5% over the end of the previous year to RMB724,592 million.

Personal consumption loans increased by RMB47,493 million or 55.5% over the end of previous year to RMB133,093 million. The increase was primarily because we developed personal consumption loans and launched various new products such as residential loans secured by mortgages and loan credits based on salary level in response to the government policy of boosting domestic demand and stimulating consumption.

Loans to private businesses increased by RMB24,132 million or 22.8% over the end of the previous year to RMB130,085 million. The increase was mainly because we achieved sound growth in personal business loans by supporting the development of private business in major specific industries with high quality.

Credit card balances increased by RMB23,702 million or 167.9% over the end of the previous year to RMB37,820 million. The rapid increase was mainly because we provided credit card installment service for customers with good credit record.

Loans to rural households increased by RMB35,992 million or 45.2% over the end of the previous year to RMB115,580 million. The increase was mainly because the Bank fully leveraged on the functions of Huinong Cards and focused on providing small loans to rural households to boost their loan demand.

Distribution of Loans by Geographic Region

In millions of RMB, except for percentages

Items	31 December 2010		31 December 2009	
	Amount	Percentage (%)	Amount	Percentage (%)
Head Office	76,605	1.5	121,899	2.9
Yangtze River Delta	1,353,322	27.4	1,147,735	27.8
Pearl River Delta	717,857	14.5	613,918	14.8
Bohai Rim	869,184	17.5	705,560	17.0
Central China	601,196	12.1	488,156	11.8
Northeastern China	173,876	3.5	131,358	3.2
Western China	1,088,996	22.0	901,637	21.8
Overseas and others	75,705	1.5	27,924	0.7
Total	**4,956,741**	**100.0**	**4,138,187**	**100.0**

During the reporting period, we redefined our regional credit policies to better address the lending needs generated from the accelerating development in Xinjiang and economy pilot zones of Chaidamu, Qinghai in line with the regional development strategy of the State and the special needs of regional development. The Bank also strengthened the marketing of domestic and overseas businesses to facilitate the development of regional credit business. As at 31 December 2010, we recorded a more rapid growth in outstanding loans in Yangtze River Delta and Western China, while the proportion of outstanding loans in overseas and other regions and in Bohai Rim recorded a higher increase rate.

Investments

As at 31 December 2010, our net investment securities and other financial assets decreased by RMB89,241 million or 3.4% to RMB2,527,431 million over the end of the previous year.

Distribution of Investments by Type of Instruments

In millions of RMB, except for percentages

Items	31 December 2010		31 December 2009	
	Amount	Percentage (%)	Amount	Percentage (%)
Non-restructuring-related debt securities	1,832,392	72.5	1,833,221	70.1
Restructuring-related debt securities	661,710	26.2	728,839	27.8
Equity instruments	459	—	487	—
Others[1]	32,870	1.3	54,125	2.1
Total	**2,527,431**	**100.0**	**2,616,672**	**100.0**

Note: 1. Including mainly the trust assets generated by investment of the proceeds from issuance of wealth management products.

As at 31 December 2010, non-restructuring-related debt securities investments decreased by RMB829 million to RMB1,832,392 million over the end of the previous year, mainly because we slightly reduced our investments in debt securities after the six consecutive increases in statutory deposit reserve ratio. The restructuring related debt securities investments decreased by RMB67,129 million to RMB661,710 million over the end of the previous year, mainly because the MOF repaid part of our receivables during the reporting period.

Distribution of Investments by Holding Purpose

In millions of RMB, except for percentages

	31 December 2010		31 December 2009	
Item	**Amount**	**Percentage (%)**	**Amount**	**Percentage (%)**
Financial assets at fair value through profit or loss	50,257	2.0	112,176	4.3
Available-for-sale financial assets	668,503	26.5	730,382	27.9
Held-to-maturity investments	1,036,658	41.0	883,915	33.8
Receivables	772,013	30.5	890,199	34.0
Total	**2,527,431**	**100.0**	**2,616,672**	**100.0**

As at 31 December 2010, the financial assets at fair value through profit or loss decreased by RMB61,919 million or 2.3 percentage points over the end of the previous year, mainly because we optimized the composition of our wealth management product mix and enhanced the sales of non-principal guaranteed wealth management products, resulting in a decline of the size of principal-guaranteed wealth management products. Investments in principal guaranteed wealth management products included in financial assets at fair value through profit or loss continued to decrease. Held-to-maturity investments increased by RMB152,743 million or 7.2 percentage points over the end of the previous year, mainly due to the increase of investments in bonds issued by policy banks and corporate bonds.

Distribution of Non-restructuring-related Debt Securities Investments by Issuer

In millions of RMB, except for percentages

	31 December 2010		31 December 2009	
Item	**Amount**	**Percentage (%)**	**Amount**	**Percentage (%)**
Government bonds	532,968	29.1	535,291	29.2
PBOC bills	544,609	29.7	648,413	35.4
Bonds issued by policy banks	467,973	25.5	408,363	22.3
Bonds issued by other banks and financial institutions	69,315	3.8	81,049	4.4
Bonds issued by entities in public sectors and quasi-governments	40,012	2.2	40,302	2.2
Corporate bonds	177,515	9.7	119,803	6.5
Total	**1,832,392**	**100.0**	**1,833,221**	**100.0**

The investment in bonds issued by policy banks and corporate bonds increased by RMB59,610 million and RMB57,712 million over the end of the previous year, respectively, and their proportion in the total non-restructuring-related debt securities investments both increased by 3.2 percentage points. This was mainly because we refined our investment portfolio in accordance with the market changes and moderately increased the investment in bonds issued by policy banks and high-rating corporate bonds to enhance the yield of investment portfolio. The investment in the PBOC bills decreased by RMB103,804 million compared to the end of previous year, and its proportion in the total non-restructuring-related debt securities investments decreased by 5.7 percentage points. This was mainly due to the maturity of certain PBOC bills during the reporting period.

Distribution of Non-restructuring-related Debt Securities Investments by Remaining Maturity

In millions of RMB, except for percentages

	31 December 2010		31 December 2009	
Item	**Amount**	**Percentage (%)**	**Amount**	**Percentage (%)**
Overdue	7	—	7	—
Less than 3 months	172,198	9.4	330,325	18.0
3–12 months	490,540	26.8	423,421	23.1
1–5 years	714,648	39.0	721,045	39.3
More than 5 years	454,999	24.8	358,423	19.6
Total	**1,832,392**	**100.0**	**1,833,221**	**100.0**

The proportion of our investment in bonds with a remaining maturity of less than three months decreased by 8.6 percentage points, mainly because we reduced our investments in short-term debt securities according to our liquidity management policy, and increased our investment in money market in the face of the significant growth of interest rates. The proportion of our investment in bonds with a remaining maturity of more than five years increased by 5.2 percentage points, mainly because we moderately prolonged the duration of the investment portfolio to boost its yields.

Distribution of Non-restructuring-related Debt Securities Investment by Currency

In millions of RMB, except for percentages

	31 December 2010		31 December 2009	
Item	**Amount**	**Percentage (%)**	**Amount**	**Percentage (%)**
RMB	1,759,340	96.0	1,748,548	95.4
USD	62,250	3.4	76,120	4.1
Other foreign currencies	10,802	0.6	8,553	0.5
Total	**1,832,392**	**100.0**	**1,833,221**	**100.0**

As at 31 December 2010, our investments in foreign currency-denominated debt securities decreased by RMB11,621 million over the end of the previous year to RMB73,052 million, mainly because: (1) we proactively controlled the size of our debt securities denominated in foreign currencies to lower our exchange risk; and (2) we selectively reduced our holdings in certain foreign currency-denominated debt securities.

Investment in Financial Bonds

Financial bonds refer to the securities issued by the PRC policy banks, commercial banks and other financial institutions that are to be repaid pursuant to a pre-determined schedule. As at 31 December 2010, the balance of financial bonds was RMB537,288 million, including bonds of RMB467,973 million issued by the PRC policy banks and bonds of RMB69,315 million issued by commercial banks and other financial institutions. The table below sets out the top ten financial bonds held by the Bank in terms of face value as at 31 December 2010.

In millions of RMB, except for percentages

Bond	Face value	Annual interest rate	Maturity date	Depreciation
2006 policy bank bonds	9,250	3.00%	18 October 2011	—
2004 policy bank bonds	7,380	Interest rate for 1-year time deposits plus 0.76%	05 March 2014	—
2010 policy bank bonds	6,980	3.17%	21 July 2017	—
2010 policy bank bonds	6,710	3.21%	02 June 2017	—
2007 policy bank bonds	6,120	4.13%	20 August 2017	—
2005 policy bank bonds	5,965	Interest rate for 1-year time deposits plus 0.72%	27 April 2015	—
2002 policy bank bonds	5,755	2.85%	19 April 2012	—
2010 policy bank bonds	5,600	4.42%	07 April 2040	—
2004 policy bank bonds	5,570	Interest rate for 1-year time deposits plus 1.53%	01 June 2011	—
2007 policy bank bonds	5,080	Interest rate for 1-year time deposits plus 0.35%	25 October 2017	—

Liabilities

As at 31 December 2010, our total liabilities increased by RMB1,255,507 million or 14.7% over the end of last year to RMB9,795,170 million. Deposits from customers increased by RMB1,390,287 million or 18.5%, while deposits and placements from banks and other financial institutions decreased by RMB17,309 million or 2.9%, mainly due to the decrease in the scale of cooperative deposits from banks and other financial institutions. Financial assets sold under repurchase agreements decreased by RMB63,345 million or 62.8%, mainly due to the sharp decrease of the bill repurchase transactions.

Key Items of Liabilities

In millions of RMB, except for percentages

	31 December 2010		31 December 2009	
Item	Amount	Percentage (%)	Amount	Percentage (%)
Deposits from customers	8,887,905	90.7	7,497,618	87.8
Deposits and placements from banks and other financial institutions	582,952	6.0	600,261	7.0
Financial assets sold under repurchase agreements	37,467	0.4	100,812	1.2
Subordinated bonds issued	49,962	0.5	49,955	0.6
Other liabilities	236,884	2.4	291,017	3.4
Total	**9,795,170**	**100.0**	**8,539,663**	**100.0**

Deposits from Customers

In 2010, we expedited the adjustment and improvement of our outlet layouts, continuously improved the electronic channel construction, promoted the synergistic marketing and cross-selling of products, and consolidated the customer stratification service system, in an effort to facilitate continued fast growth in customer deposits. As at 31 December 2010, deposits from customers increased by RMB1,390,287 million or 18.5% over the end of last year to RMB8,887,905 million. By the customer structure of deposits, the corporate deposits increased by RMB631,728 million or 21.8% over the end of last year, with its proportion increased by 1.1 percentage points over the end of last year to 39.8%, and the retail deposits increased by RMB699,808 million or 16.0% over the end of last year. In terms of the maturity of deposits, the proportion of demand deposits slightly increased by 2.2 percentage points over the end of last year to 57.7%, mainly due to factors such as the influence of rate hike expectations.

Distribution of Deposits from Customers by Business Line

In millions of RMB, except for percentages

	31 December 2010		31 December 2009	
Item	**Amount**	**Percentage (%)**	**Amount**	**Percentage (%)**
Domestic deposits	8,870,588	99.8	7,486,128	99.8
Corporate deposits	3,532,975	39.8	2,901,247	38.7
Time	893,965	10.1	733,303	9.8
Demand	2,639,010	29.7	2,167,944	28.9
Retail deposits	5,065,195	56.9	4,365,387	58.2
Time	2,573,683	28.9	2,373,111	31.6
Demand	2,491,512	28.0	1,992,276	26.6
Other deposits[1]	272,418	3.1	219,494	2.9
Overseas and others	17,317	0.2	11,490	0.2
Total	**8,887,905**	**100.0**	**7,497,618**	**100.0**

Note: 1. Including margin deposits, remittance payables and outward remittance.

Distribution of Deposits from Customers by Geographic Region

In millions of RMB, except for percentages

	31 December 2010		31 December 2009	
Items	**Amount**	**Percentage (%)**	**Amount**	**Percentage (%)**
Head Office	62,129	0.7	44,568	0.6
Yangtze River Delta	2,111,759	23.8	1,748,898	23.3
Pearl River Delta	1,247,222	14.0	1,078,898	14.4
Bohai Rim	1,561,814	17.6	1,348,333	18.0
Central China	1,429,900	16.1	1,214,938	16.2
Northeastern China	464,550	5.2	407,411	5.4
Western China	1,993,214	22.4	1,643,082	21.9
Overseas and others	17,317	0.2	11,490	0.2
Total	**8,887,905**	**100.0**	**7,497,618**	**100.0**

Distribution of Deposits from Customers by Remaining Maturity

In millions of RMB, except for percentages

	31 December 2010		31 December 2009	
Item	**Amount**	**Percentage (%)**	**Amount**	**Percentage (%)**
Demand	5,621,202	63.3	4,492,349	59.9
Less than 3 months	1,006,255	11.3	921,804	12.3
3–12 months	1,775,701	20.0	1,602,159	21.4
1–5 years	482,634	5.4	479,593	6.4
More than 5 years	2,113	—	1,713	—
Total	**8,887,905**	**100.0**	**7,497,618**	**100.0**

Shareholders' Equity

As at 31 December 2010, the shareholders' equity totaled RMB542,236 million, comprising share capital of RMB324,794 million, capital reserve of RMB98,773 million, investment revaluation reserve of RMB-2,171 million, surplus reserve of RMB17,242 million, general and statutory deposit reserve of RMB58,335 million and retained earnings of RMB45,484 million. As at 31 December 2010, net assets per share (net assets as at the end of the year divided by numbers of shares as at the end of the year) was RMB1.67.

The table below sets out the composition of shareholders' equity as at the dates indicated.

In millions of RMB, except for percentages

	31 December 2010		31 December 2009	
Item	**Amount**	**Percentage (%)**	**Amount**	**Percentage (%)**
Share capital	324,794	59.9	260,000	75.8
Capital reserve	98,773	18.2	—	—
Investment revaluation reserve	(2,171)	(0.4)	4,624	1.4
Surplus reserve	17,242	3.2	7,676	2.2
General and regulatory reserve	58,335	10.8	10,772	3.2
Retained earnings	45,484	8.4	59,817	17.4
Currency translation reserve	(386)	(0.1)	(70)	—
Equity attributable to equity holders of the Bank	542,071	100.0	342,819	100.0
Minority interests	165	—	106	—
Total equity	**542,236**	**100.0**	**342,925**	**100.0**

Off-Balance-Sheet Items

Our off-balance-sheet items mainly include the contingent liabilities and commitments, such as credit commitments, capital expenditure commitments, operating lease commitments, bonds underwriting and redemption commitments and legal proceedings. Credit commitment was a major component of the off-balance-sheet items and comprised loan commitments, letters of credit issued, letters of guarantee issued and acceptances.

Composition of Credit Commitments

In millions of RMB, except for percentages

Item	31 December 2010 Amount	31 December 2010 Percentage (%)	31 December 2009 Amount	31 December 2009 Percentage (%)
Loan commitments	955,563	58.3	655,937	53.7
Acceptances	311,664	19.0	271,871	22.3
Letters of guarantee issued	158,584	9.7	151,355	12.4
Letters of credit issued	79,400	4.8	53,933	4.4
Credit card commitments	135,235	8.2	88,587	7.2
Total	**1,640,446**	**100.0**	**1,221,683**	**100.0**

Other Financial Information

Changes in Accounting Policies

There was no significant change in accounting policies during the reporting period.

Differences between the financial statements prepared under IFRSs and those prepared in accordance with CASs

There were no differences between the net profit and owner's equity in the consolidated financial statements prepared under IFRSs and those prepared in accordance with CASs by the Bank.

Items Measured at Fair Value and Internal Control

The Group measured the fair value of financial instruments with an active market mainly based on its market price or the market interest rate. As for financial instruments with no market price or interest rate available, the Group will determine the fair value of such financial assets or liabilities based on its present value or other valuation technology in accordance with observable market information. The Group's financial instruments measured at fair value primarily include RMB-denominated bonds, foreign currency-denominated bonds and derivatives. The fair value of RMB-denominated bonds is mainly based on quoted market price provided by China Government Securities Depository Trust & Clearing Co., Ltd. The fair value of foreign currency-denominated bonds is mainly based on the quoted prices from dealers, brokers and valuation service providers. The fair value of derivatives is mainly determined by adopting valuation model or quoted prices from dealers. Except for the fair value of a few financial instruments which was determined according to the quoted prices from dealers, fair value measurement of most of the financial instruments of the Group was conducted on a daily basis.

The Bank has set up a strict internal control system for fair value measurement. A clear separation of the front, middle and back office functions with cross-supervision and checking mechanism has been realized for our capital investment and transactions business, under which operations of the front office is monitored by the middle office through risk policies, authorization, credit approval and limits, and by the back office through transaction verification and account reconciliation. Fair value measurement is conducted by the middle office, which is separated from business operations to ensure its independence.

Items Measured at Fair Value

In millions of RMB

Item	31 December 2009	Gains(+)/ Losses(-) arising from fair value change for the period	Accumulated fair value change recognised in equity (Gains(+)/ Losses(-))	Impairment charge (reversal) for the period (Gains(+)/ Losses(-))	31 December 2010
Financial assets at fair value through profit or loss	112,176	285	—	—	50,257
Available-for-sale financial assets	730,180	—	(2,885)	76	668,281
Derivative financial assets	4,678	4,495	—	—	9,173
Investment properties	—	198	—	—	786
Precious metals	1,661	370	—	—	4,302
Total assets	**848,695**	**5,348**	**(2,885)**	**76**	**732,799**
Total liabilities	**(121,589)**	**(4,628)**	**—**	**—**	**(47,391)**

Business Review

Corporate Banking

In 2010, we further pushed forward the business operational transformation for corporate banking by enhancing the business innovation capability, strengthening the cross-selling and comprehensive marketing efforts, and optimizing the income composition of businesses. As a result, the investment banking, bancassurance, custody, settlement and cash management businesses have rapidly developed and the overall competitiveness of the Bank has further enhanced. The Bank's strategy to prioritize the development of major urban branches has proved to be successful at the early stage; hence the regional market shares of certain urban area branches have increased significantly. We also strengthened our marketing mechanism and the cooperation with our large corporate customers, as well as established a team of customer services managers with extensive coverage in a multi-level matrix manner, in order to increase our market share in the high-end market. We strengthened our management and enhanced the quality of service provided to our key customers, who were classified into three categories and assigned to the head office, tier-1 branches and tier-2 branches, which allowed us to build our key customer base for the corporate banking business. We enhanced the quality of sales and marketing by strengthening the team building of customer service management and the administration of position sequence.

As at the end of 2010, we had approximately 2.63 million corporate customers, of which approximately 69,700 customers had outstanding loans from us.

Corporate Loans and Deposits

As the liquidity in the market started to reduce more rapidly in 2010, we proactively coped with the fierce market competition through strengthening the integrated marketing synergies of both deposits and loans, and enhancing the innovation and synergies of our corporate treasury and consultancy and advisory services. As a result, we were able to realize a rapid growth of our corporate deposits. As at the end of 2010, we had domestic corporate deposits of RMB3,532,975 million, representing an increase of 21.8% compared to the end of the previous year.

In 2010, we strengthened our support to high quality customers from key industries and major regions, and we continued to refine our customer and industry composition. As at the end of 2010, we had domestic corporate loans and discounted bills amounting to RMB3,736,563 million, representing an increase of 12.5% over the end of the previous year.

During the reporting period, the Bank continued to maintain moderate growth of real estate loan business and restructure the real estate customer mix. We improved the risk management over large-scale real estate enterprises and strengthened the risk limit management, customer list-based management and project management in accordance with the national macro-control policy on the real estate market. As at the end of 2010, the balance of the real estate loans (excluding business property mortgage loans) amounted to RMB419,638 million, representing an increase of RMB74,294 million compared to the end of last year, and 96.4% of which attributed to loans to customers with AA grade or above, representing an increase of 4.2 percentage points over the end of previous year.

Small Enterprise Business

We have explored different ways to improve the services provided by the Bank's designated units for loans to small enterprises, such as creating a small and medium enterprises credit plaza. To enhance the efficiency of granting loans, we continued to improve our credit approval system, formulated a separate plan to increase the amount of loans to small enterprises, and streamlined and improved the credit review and approval procedures. We strengthened the research and development of financial products specifically designed for small enterprises, and launched two featured small enterprise products at all branches, namely the "Easy Loans" and "Self-Service Revolving Credit Facilities", as well as other regional small enterprise featured products, including the financing services provided to key customers for placing orders with upstream suppliers by Sichuan Branch and loans subject to government-managed risk compensation fund provided by Henan Branch. As at the end of 2010, our loans (including discounted bills) to small enterprises amounted to RMB461,081 million, representing an increase of 22.4% over the end of the previous year. We were awarded the "Outstanding Services Institution for Small and Medium Enterprises in 2010" by the China Association of Small and Medium Enterprises and the "Best Supporter for Small and Medium Enterprises in 2010" by Sohu Wealth Management, and were accredited as one of the Top Ten Banks for Small and Medium Enterprises by *Financial Money Magazine*.

Institutional Banking

As at the end of 2010, we established business cooperation with 74 banks including various agency services for issuing bank acceptances, letters of credit and guarantees, custody and payment and settlement of RMB payment. We offered third-party depositary services to 94 securities firms in respect of settled funds for trading, and our contracted customers reached 10.9919 million. Our aggregate daily average balance of funds deposited amounted to RMB125,499 million. Cooperation between the Bank and futures companies has been further strengthened. We had business cooperation with 158 futures brokerage companies, with outstanding margin deposits amounting to RMB29,708 million. We also further strengthened the strategic cooperation with central government departments and provincial governments. During the year, aggregate transaction volume of agency services provided to the treasury of PRC government amounted to RMB193,654 million, representing an increase of 35.4% compared to the previous year.

As at the end of 2010, we entered into comprehensive cooperation agreements with 44 insurance companies. Throughout the year, we collected new insurance premiums of RMB102,396 million and recorded total income of RMB4,320 million from bancassurance. In 2010, the income and premium generated from our bancassurance, property and casualty insurance agency business and life insurance agency business ranked first among all commercial banks in China, respectively. In 2010, we won two major awards, namely the "Best Bank for Bancassurance in China" and the "Most Influential Brand for China's Bancassurance Market" in the seventh accreditation of the "Ten Most Influential Brands in China".

Settlement and Cash Management

Payment and Settlement

Through establishing the largest nationwide settlement network which covered both Urban and County Areas, our customer base was further enlarged and our leading position was strengthened. As at the end of 2010, we had 3.22 million RMB-denominated corporate settlement accounts, representing an increase of 2.3% over the end of the previous year. RMB-denominated corporate settlement transaction volume amounted to RMB194.77 trillion, representing an increase of 35.1% compared to 2009.

Cash Management

Leveraging on our extensive distribution network, expanding product offerings, customized solutions and professional services, our cash management business achieved its breakthrough. As at the end of 2010, our cash management customers reached 68,000, an increase of 33.3% compared to the end of the previous year. Total transaction volume reached RMB51.16 trillion, representing an increase of 55.4% compared to 2009. We have established cash management relationships with 44% of the Top 500 Chinese Enterprises and 60% of the Top 100 Chinese Enterprises. In 2010, we were granted the "Huichuan Award" by *Euro Finance*, the "Cash Management Services Award" by *21st Century Business Herald*, and the "Best Cash Management Bank" by *China Business News*.

Trade Finance and International Settlement

In 2010, we continued to streamline our international trade financing business, strengthen our brand building, and enhance our product innovation. As a result, our international trade finance business grew rapidly with a significant increase in market share. In 2010, the volume of international trade finance transactions conducted by our domestic branches amounted to USD56,307 million, representing an increase of 108.1% over the previous year. Fee and commission income from international trade finance reached RMB873 million.

In 2010, we established at our head office a document center for international settlement to further enhance our processing efficiency through centralization. We commenced cross-border trade settlement services in Renminbi in pilot areas, and launched "Cross-border Financing and Trade Settlement" and "Cross-border Dual Currency Settlement". Our cross-border trade settlement business has been growing steadily and maintained its leading market position. In 2010, the international settlement volume of our domestic branches amounted to USD467,915 million, representing an increase of 34.03% compared to 2009, with an income of RMB901 million. In 2010, we acted in concert with the PRC government's "Go-Global" strategy by supporting domestic enterprises investing in and subcontracting projects overseas. In 2010, our domestic branches issued letters of guarantee of USD6,176 million, representing an increase of 177.1% compared to 2009.

Investment Banking

In 2010, our investment banking business focused on structure optimization and upgrading. We continued to strengthen the competitiveness and sustainability of business by improving our business structure, standardizing business processes, strengthening marketing efforts and accelerating product innovation. Revenue generated from our investment banking services reached RMB10,055 million, representing an increase of 69.4% compared to 2009.

We launched and completed the promotion of Phase II of our financial advisory platform, and developed our professional financial advisory system. As at the end of 2010, there were outstanding perennial financial advisory agreements with 16,800 customers. We made more efforts to develop investment banking services which required more expertise and provided higher value-added to our customers, such as mergers and acquisitions ("M&A") loans, M&A and restructuring financing advisory services, restructuring and listing advisory services and investment and financing advisory services. During the year, approved M&A loans reached RMB24,872 million, and we signed contracts with 17 new customers to provide listing advisory services. We underwrote debt financing instruments of RMB115,938 million as a leading underwriter, and acted as a joint leading underwriter of the first financial bond of a domestic leasing company, becoming the only domestic bank with business involving all permitted debts bonds financing instruments under the relevant policies law in China. We signed a contract with Jin Yuan

Biomass Power Plant in Shandong province for its Clean Development Mechanism (CDM) project, which passed the on-site inspection performed by a third party certified institution designated by the United Nations, representing a breakthrough achieved by our international investment banking business.

We were awarded the "Best Investment Bank on Debt Underwriting", the "Best Innovative Investment Bank", the "Most Promising Investment Bank" and the "Best Debt Underwriting Project" in the election of the best domestic investment banks by the *Securities Times* in 2010.

Custody Services

As at the end of 2010, we had RMB1,565,067 million of assets under custody, representing an increase of 12.5% over the end of the previous year, ranking second among all commercial banks in China. Among which, RMB940,799 million was insurance assets, representing an increase of 11.2% over the end of the previous year, ranking first among all commercial banks in China. In 2010, our custodian and other fiduciary service fees amounted to RMB844 million, and we were once again awarded the "Most Outstanding Assets Custody Services Award" by the CFO World Magazine, and we also received the "Most Outstanding Custodian Bank Award" in its first session of election of the Top Ten Golden Wealth Management Institution organized by *Financial Money Magazine*.

Pension Business

In 2010, we won the bids for a number of pension fund projects from a group of large enterprises, and we actively developed various social security fund businesses, including the new rural pension insurance. As at the end of 2010, our pension funds under custody reached RMB104,785 million, representing an increase of 42.2% over the end of the previous year.

Retail Banking

Targeting to become a leading retail bank in China, we continued to accelerate the business operational transformation for retail banking. We continuously improved our customer service segmentation system, standardized the VIP customer segmentation service, adopted the customer-list based management mechanism and enhanced the corporate banking and retail banking products to promote the synergistic sales of financial products. We expedited the adjustment and renovation of branch outlets and further standardized the image building of branches to enhance their service capability and quality. We integrated existing products, enhanced research and development of new products, launched or improved products and services including self-service revolving credit facilities loans, inter-bank transfer, mobile phone banking and Private Equity Trust and accelerated the research and development of new products such as a product of carried-forward deposit with increased interest rates, Daily Wealth Management, joint account deposit, and Smart Wealth Management. We established our private banking department and became the second licensed institution operating private banking business in China. We enhanced team building, and cultivated a team of internal trainers consisting of over 3,500 persons and a professional retail banking products marketing team and organized training programs to improve service standards and marketing skills at branch outlets. Overall service capability of our branch outlets was enhanced significantly. As at the end of 2010, we had nearly 10,000 domestic Associate Financial Planners (AFP), over 1,200 international Certified Financial Planners (CFP) and more than 450 Executive Financial Planners (EFP), maintaining a leading position among all commercial banks in China.

As at the end of 2010, we were ranked first among large commercial banks with approximately 350 million retail customers and 9.727 million VIP customers.

Retail Loans

In 2010, we attached importance to the marketing for retail loans and continually refined our products and enhanced risk management. We focused on providing credit facilities for the first purchase of ordinary residential housing according to the national real estate macro-control policies. New consumption loan products such as residential loans secured by mortgages and loan credits based on salary level were launched in response to the government policy of boosting domestic demand. We optimized the business of loans to finance the operations of private businesses so to support the development of private enterprises. Transformation of the business model of retail loans was accelerated. Leveraging on the platform of retail loan centre, we promoted the reform on procedures to centralize middle and back office operations, enhanced business processing efficiency and quality of customer service, so as to achieve a breakthrough of our retail loans business. As at 31 December 2010, the balance of retail loans of domestic branches reached RMB1,144,473 million, representing an increase of 45.0% over the end of the previous year. In 2010, we were selected as the “2010 Retail Loans Provider with Outstanding Competitiveness”, and our “Golden Key” brand was awarded “Excellent Financial Brand” in the 2010 China International Finance Exhibition.

Retail Deposits

As market liquidity remained ample at the beginning of 2010 but gradually shifted to a normal level by the end of the year, we timely adjusted our marketing strategy and optimized our retail deposit composition. We enhanced the innovation of our retail products, further improved the call deposit service, namely “Shuang Li Feng”, and personal deposit certification service, and promoted our featured businesses, such as auto-transfer and fund collection. As at 31 December 2010, the balance of domestic retail deposits reached RMB5,065,195 million, representing an increase of RMB699,808 million over the end of the previous year, ranking first among all commercial banks in terms of market share expansion.

Bank Cards

As at the end of 2010, the number of bank cards issued reached 409 million, which ranked first among all commercial banks in China, while the number of Kins Deposit Card issued amounted to 385 million. The aggregate number of credit cards issued reached 24.4844 million. Bank card transaction volume reached RMB2,217,109 million, representing an increase of 57.2% compared to 2009. Our dedicated merchants of bank cards amounted to 341,900, representing an increase of 24.6% over the end of the previous year. The total commission income generated by the bank card business was RMB6,442 million, representing an increase of 33.6% compared to 2009.

We continued to push forward the brand building of our Kins card, improve its functionality and enhance its brand image. In 2010, we launched 75 types of credit cards under various themes and Co-brand cards, and successively issued various innovative products, such as Platinum Credit Card Soldiery Security Card, “Pleasant Goat & Big Big Wolf Card”, “Kins C Card” and IC Deposit Card issued in compliance with the PBOC 2.0 standards. Our “Kins C Card” won the “Excellent Solution Award” in the 2010 China International Finance Exhibition. In addition, we received the “Best Marketing for China UnionPay Cards for 2010” from China UnionPay.

Item	31 December 2010	31 December 2009	Growth Rate (%)
Number of debit cards issued (unit: 10,000)	38,533.96	34,746.81	10.9
Number of credit cards issued (unit: 10,000)	2,125.34	1,542.75	37.8
	2010	**2009**	**Growth Rate (%)**
Transaction volume for deposit cards (RMB100 million)	19,790.33	12,920.44	53.2
Transaction volume for credit cards (RMB100 million)	2,278.78	1,073.68	112.2

Agency Distribution of Fund Products

In collaboration with over 50 fund management companies and innovative securities firms, we distributed over 600 fund products as agents. We, together with fund management companies, launched "one customer-to-many fund products" specific account for wealth management, targeting medium and high-end investors, and served as an agent for the issuance of seven specific account products throughout the year. We implemented a series of marketing promotions, including "Jijinbao" Wealth Forum, to further strengthen the brand awareness of "Jijinbao" business. In 2010, we acted as an agent for the issuance of fund products with a total transaction volume of RMB111,847 million and received fees and commissions of RMB1,230 million.

Agency Sales of PRC Government Bonds

In 2010, we acted as an agent for the issuance of certificated PRC government bonds of RMB22.8 billion and cashing of certificated PRC government bonds of RMB20.76 billion. We also served as an agent for the issuance of electronic PRC government bonds of RMB15.925 billion and cashing of electronic PRC government bonds of RMB4.42 billion. We were granted the award of "2010 Outstanding Underwriters of Certificated PRC Government Bonds" and "2010 Outstanding Underwriters of PRC Government Bonds in Book Entry Form" by the MOF and the PBOC.

Private Banking Business

In September 2010, we officially opened our private banking department as the second licensed institution operating private banking business. We offered comprehensive financial and non-financial services to high net worth customers with individual financial assets of over RMB8 million. We adopted a "1+N" model for customer service to provide five series of services, namely personal financial management, personal assets management, private financing consulting service, private value-added service and retail cross-border financial consulting services. As at the end of 2010, private banking sub-division were established in 12 cities including Beijing, Shanghai and Shenzhen, with various private banking products issued. As a result, our brand awareness and service system have been improved continuously.

Treasury Operations

Our treasury operations consist primarily of money market activities, investment and trading activities, treasury transactions on behalf of customers, precious metal business, and other business lines. In 2010, as the global economy experienced ups and downs, China's economy had slowed down and the CPI increased to 4.6% at the end of the year. The outbreak of European debt crisis resulted in significant fluctuations in global financial market, and dramatic ups and downs in interests and capital flow in the domestic market, and the exchange reform of RMB was restarted accordingly. We further optimized the overall investment and customer composition by adopting a flexible approach in response to the changes in domestic and overseas financial markets, adjusting investment strategies, optimizing operational structure as well as actively expanding the business of derivatives, exchange, bonds and precious metals and continuously strengthening our risk management.

Money Market Activities

In 2010, the PBOC raised the statutory deposit reserve ratio six times to hedge the excess liquidity of banking system. Liquidity management encountered great pressure as the level of liquidity fluctuated from time to time. We enhanced market study and monitoring, in order to improve our fund profitability and efficiency while ensuring our liquidity. In 2010, our domestic RMB financing transaction volume amounted to RMB9,419,342 million, including lending of RMB7,422,061 million and borrowing of RMB1,997,281 million, securing a leading position in respect of both financing transactions and Shibor quotation listing.

We continued to adopt a prudent investing strategy for short-term foreign currency investment and dynamically adjust the arrangements for financing terms to ensure the liquidity of foreign currency. Besides, we also grasped the investing opportunities to improve the profitability of foreign currency operations.

Investment and Trading Activities

As at the end of 2010, our net investment securities and other financial assets amounted to RMB2,527,431 million, representing a decrease of RMB89,241 million compared to the end of the previous year.

Trading Activities

In 2010, we conducted in-depth study of market movement, adjusted trading strategy and strictly controlled foreign exchange risk exposure under challenging market conditions, our trading accounts have recorded outstanding results.

In 2010, our RMB bond trading volume reached RMB2.45 trillion, while RMB swap transactions reached RMB187.6 billion, securing a leading position of RMB dominated market by various standards. We were named as the "Outstanding Market Maker" for the first two consecutive quarters, and the "Most Outstanding Market Maker" for the third quarter by National Association of Financial Market Institutional Investors, and we were also accredited as one of the Outstanding Evaluators of National Bond of 2010 by China Government Securities Depository Trust and Clearing Company.

In 2010, we have further strengthened the position as a market maker in the inter-bank foreign exchange market with the total value of market making transactions amounted to USD612.699 billion, of which the value of foreign exchange RMB spot transactions amounted to USD466.6 billion, ranking the second in the inter-bank market; the value of forward transactions amounted to USD4.489 billion, ranking the second in the inter-bank market; the value of RMB foreign exchange swap transactions amounted to USD141.61 billion, ranking the fifth in the inter-bank market, and the second in terms of the total value of market making transactions.

Banking Book Activities

In 2010, the yield curve of bond reflected a previous-down and late-up trend. In response to the interest rate fluctuation risk in the future, we actively reduced the proportion of available-for-sale financial assets and optimized the account allocation structure. We maintained stable profitability by controlling the duration of our portfolio and moderating the investments in high yield bonds. We optimised the balance with the investments of national bonds, financial bonds and other notes issued by the PBOC. We increased the proportion of bonds with manageable risk control, high credit rating and higher yield to diversify our investment portfolio in line with the recovery trend of domestic economy. As at the end of 2010, the balance of our bond investments in RMB reached RMB2,415,840 million, representing a decrease of RMB12,404 million compared to the end of previous year.

In 2010, as affected by the European debt crisis, we continued to pursue a prudent foreign currency investment strategy to control re-investment scale and select investments with sound credit rating. We avoided complicated investments to control interest risks and portfolio durations. As at the end of 2010, our foreign bonds investment package for our own account amounted to USD8,638 million.

Treasury Transactions on Behalf of Customers

We actively improved exchange settlement and foreign purchase and sale business against RMB by grasping the opportunity of the expected appreciation of RMB after the commencement of exchange reform, and enhanced the product innovation and risk control. As at the end of 2010, the transaction volume of our RMB exchange settlement and sales on behalf of customers reached USD222.574 billion, representing an increase of 45.3% compared to 2009, and that of foreign exchange trading on behalf of customers (including "Wai Hui Bao") amounted to USD12.966 billion.

Wealth Management

Retail Wealth Management

In 2010, we featured prudent wealth management and focused on products with low and medium risks. We accelerated the frequency of product insurance and the new products were rolled out on a weekly basis. We issued our first open-ended wealth management product, namely "An Xin Express" and our first structured deposit product linked with gold price and crude oil price, which better satisfied our customers' needs for wealth management.

As at the end of 2010, we issued 326 types of retail wealth management products of RMB888,367 million, realizing an increase by more than five times for two consecutive years and our market share in retail wealth management market has grown significantly. Our wealth management product"An Xin Express", was awarded the "2010 Best Ten Bank Wealth Management Products in China" by the *Moneyweek*.

Corporate Wealth Management

In 2010, we placed 142 types of corporate treasury services products of RMB130,534 million, representing an increase of 54.0% compared to 2009. The market share of our corporate treasury product was enhanced significantly. Our products such as "Ben Li Feng Corporate Trust Treasury Services Product", "An Xin De Li Corporate Series Products" and "Hui Li Feng Corporate Series Products" gained positive market feedback with their stable yields and flexible maturities.

During the reporting period, the Bank strictly complied with the relevant regulations of the CBRC and checked up its wealth management products for financing trusts. As at the end of 2010, the Bank has recognized principal guaranteed banking-trust products in the financial statements for accounting purpose, and recognition of non-principal guaranteed banking-trust products into the financial statements in accordance with relevant regulatory requirements. Overall risk exposures of the banking-trust business were well managed with its effective scale control, high credit rating and a portfolio mainly focusing on utilities projects invested by PRC government. Effects on our capital adequacy, provision coverage and results of operation arising from the consolidation of non-principal guaranteed banking-trust products into the financial statements on our capital were limited.

Precious Metal Business

In 2010, the prices of precious metal have continuously recorded new peaks while the investment and consumption of precious metal had maintained its rapid growth. We traded precious metals of 2,124 tons (including 1,167 tons of gold and 957 tons of silver) on behalf of customers and for our own account in 2010. We sold and repurchased 13 tons of retail gold, representing an increase of 560% and 220%, respectively, compared to 2009, and the income of precious metal business was RMB303 million, representing an increase of 328% compared to 2009. To meet the demands of different customers for risk hedging and investments, we introduced precious metal forward business and precious metal leasing business to our customers, accelerated the research and development of agency retail spot deferred trading system and gold passbook product, and launched the system development for retail paper gold (silver) business. Targeting at retail, corporate and institutional customers, we sped up the establishment of precious metal business system, focusing on the development of products, financing and services. In 2010, we were awarded the "Most Outstanding Trading Member — First Prize" and "the Award for Gold Trading" by Shanghai Gold Exchange.

Distribution Channels

Branch Outlets

We accelerated the upgrade project of branch outlets, standardized the image of branch outlets, pushed forward the establishment of model branch outlets and wealth management centre and launched the new standard for branches' image. We have optimized the management procedures for the classification, arrangements and standardized establishment of branches outlets. We accelerated the development and promotion of information management, management system of intelligent service and other transformation application systems. In 2010, we have completed the relocation of 785 branch outlets, the standardized transformation and reconstruction of 4,671 branch outlets and established 11,925 branch outlets with specific functional zones. We have set up 13,953 self service centers and 10,018 branch outlets with VIP service centers.

Electronic Banking

We were dedicated to establishing a network of E-banking transaction channels (e.g. Internet banking, telephone banking and mobile banking), a network of E-banking services channels (e.g. customer service centers, portal websites and information services platforms) and an E-commercial system covering 12 industries, so as to satisfy the multi-level and diversified demands of the costumers. In 2010, our electronic banking brand "Golden E" was granted seven awards in the third session of E-finance "Golden Cup Award", including the "Most Competitive Electronic Finance Brand" and the "Outstanding Contribution to County Area Banking Business". As at the end of 2010, we had over 150 million electronic banking customers, representing an increase of 109.4% compared to the end of 2009. We completed approximately 14,488 million electronic transactions, accounting for 56.3% of our total number of transactions, representing an increase of 6.5 percentage points in comparison with the previous year.

Internet Banking

We have adopted the latest application server and Internet technology to innovate and upgrade E-banking functions and optimize operational procedures in order to streamline business processes and improve the services to our customers. We launched a new function of shortcut transfer to raise the capital flow efficiency. In addition, we officially connected with the Online Payment Cross-bank Clearance System of the PBOC and provided prompt inquiry and concentrated management of various bank accounts as well as cross-bank transfers. As at the end of 2010, we had 40.51 million retail Internet banking customers and the total transaction volume for our Internet Banking was RMB37.75 trillion. Our retail Internet banking business received the "Best Comprehensive Online Banking of China" from the China Financial Certification Authority (CFCA).

In 2010, we have successfully commenced the operation of corporate Internet banking system, which linked up the computer systems of the Bank and our corporate customers. We have commenced the operation of corporate Internet banking system for Small and Medium Enterprises and initiated diversified corporate Internet banking system by providing various services, including inter-bank transfer, inquiry and comprehensive financial management. As at the end of 2010, we had 794,200 retail Internet banking customers and the total transaction volume for our Internet Banking was RMB35.11 trillion.

In 2010, we adopted a new version of our website and established a website for mobile banking. The click-through rate of our portal websites exceeded 2 billion, ranking second among the banking websites in China.

Telephone Banking

In 2010, we have finished the upgrading of V4.0 of Phone Banking in 29 branches and launched functions including self-registration and shortcut key to streamline the setup and transaction procedures. As at the end of 2010, we had 35.58 million phone banking customers, comprising 35.03 million retail customers and 556,700 corporate customers, and the total transaction volume of our phone banking business was RMB205.9 billion.

We have formulated a service network based on our three major customer service centers in Tianjin, Chengdu and Shanghai, and achieved the strategic objective of providing manual customer services in 37 branches within China. We established a smooth and prompt response mechanism to deal with customers' complaints, and maintained effective and efficient operation of customer service during the World Expo and Asian Games by providing one-stop and 24-hour services to our customers. During the reporting period, we have received 444 million calls via our 95599 customer service centre.

Mobile Banking

In 2010, we have formulated a mobile phone banking system based on Mobile Banking (WAP), Mobile Banking (3G) and SMS Banking to provide services, such as account notification, account alert, money transfer and fee payment. As at the end of 2010, our mobile banking business had 14.83 million retail customers and the annual transactions amounted to RMB23,566 million. We also had 56.68 million customers contracted for our SMS Banking with a total of 2,764 million short messages sent to our contracted customers.

Self-Service Banking

In 2010, we installed the new version of self-service terminals for 30 branches, providing nearly 60 types of services, including inquiry, fund transfer, financial management and loans to Huinong Cards holders. The security of self-service terminals and the ability to provide financial service and management support were significantly improved. As at the end of 2010, we had 54,510 cash-related self-service banking facilities, which was the top among large commercial banks, with an annual total transaction volume of RMB4.80 trillion. We had 16,437 non cash-related self-service banking facilities with an annual total transaction volume of RMB510.7 billion. We had 2,213,800 telephones for money transferring and the total transaction volume amounted to RMB7.54 trillion.

E-Commerce

In 2010, we rolled out E-commerce payment solution to 12 major industries including agricultural, forestry, husbandry and fishery industries, fund management and insurance, transportation and public utilities. Comprehensive online services for collecting and making payment and various value-added services were provided to more than 2,000 enterprises. As at the end of 2010, our merchant's network had 2,170 members, with a total transaction volume of RMB184,746 million.

Major Domestic Subsidiaries

1. ABC-CA Fund Management Co., Ltd., which was established in March 2008 in Shanghai with a registered capital of RMB200,000,001, 51.67% of which was held by the Bank. As at 31 December 2010, the total assets of ABC-CA Fund Management Co., Ltd. was RMB320 million and the net profit was RMB64.44 million for the year of 2010.

2. ABC Financial Leasing Co., Ltd., which was established in September 2010 in Shanghai with the registered capital of RMB2 billion, 100% of which was held by the Bank. As at 31 December 2010, the total assets of ABC Financial Leasing Co., Ltd. were RMB2,040 million and the net profit was RMB19.85 million for the year of 2010.

3. ABC Hubei Hanchuan Rural Bank Limited Liability Company, which was established in August 2008 in Hanchuan, Hubei Province with the registered capital of RMB20 million, 50.00% of which was held by the Bank. As at 31 December 2010, ABC Hubei Hanchuan Rural Bank Limited Liability Company had total assets of RMB130 million, loans of RMB66 million, deposits of RMB100 million, and the net profit was RMB3.24 million for the year of 2010.

4. ABC Hexigten Rural Bank Limited Liability Company, which was established in August 2008 in Hexigten Banner, Chifeng City, Inner Mongolia Autonomous Region with the registered capital of RMB19.60 million, 51.02% of which was held by the Bank. As at 31 December 2010, ABC Hexigten Rural Bank Limited Liability Company had total assets of RMB180 million, loans of RMB96 million, deposits of RMB150 million, and the net profit was RMB3.17 million for the year of 2010.

5. ABC Ansai Rural Bank Limited Liability Company, which was established in March 2010 in Ansai County, Yan'an City, Shaanxi Province with the registered capital of RMB20 million, 51% of which was held by the Bank. As at 31 December 2010, ABC Ansai Rural Bank Limited Liability Company had total assets of RMB150 million, loans of RMB41 million and deposits of RMB51 million.

6. ABC Jixi Rural Bank Limited Liability Company, which was established in May 2010 in Jixi County, Xuancheng City, Anhui Province with the registered capital of RMB29.4 million, 51.02% of which was held by the Bank. As at 31 December 2010, ABC Jixi Rural Bank Limited Liability Company had total assets of RMB100 million, loans of RMB59 million and deposits of RMB72 million.

Overseas Business

In 2010, we moved forward in the distribution and establishment of overseas branch outlets. Our Sydney Representative Office was opened on 10 March 2010. The applications for the upgrading of four representative offices in New York, London, Tokyo and Seoul to operating institutions were approved by the CBRC. Our branches in Hong Kong and Singapore have further optimized asset allocation and customer structure by pursuing a sound operating strategy and consolidating our traditional leading businesses. Both branches also strengthened joint marketing and synergic business development between domestic and overseas branches, and actively launched new services such as RMB settlement for cross-border trade. ABC International Holdings Limited integrated ABCI Securities Company Limited and ABCI Insurance Company Limited smoothly and the establishment of diversified operating platform was under progress. ABC International Holdings Limited also focused on coordinating development of various financial services at home and abroad, and served as a joint global coordinator and joint bookrunner for the IPO and listing of our H shares. As at the end of 2010, total assets of our overseas branches and subsidiaries reached RMB82,254 million, and the net profit was RMB1,144 million.

Information Technology

During the reporting period, the construction of our new core banking system gained phased achievements, and the system of IT products kept improving. We have launched a centralized framework of information system, and maintained the secure and smooth operation of the core banking system to further improve our IT governance.

Significant Progress in the Construction of New-generation Core Banking System

We have completed the construction project of a new-generation core banking system and IT infrastructure, core business system as well as basic data platform. We rationalized and analyzed our business and IT infrastructure from an overall strategic perspective, which provided us with a comprehensive, advanced and scientific framework for the construction of our IT system. We finished the development, testing and overall design of the new-generation operating system, BoEing, by analyzing the design concepts of international advanced core operating systems. We also implemented data governance project, completed the comprehensive data governance planning, imported advanced financial database model and redefined and raised the quality standard of data to unify the data service platform.

Increased Efforts on Research and Development of Information Technology Products

We organized the construction of several major information systems to provide a strong technology support for product innovation and operating decisions. The new accounting and reporting system, IFAR, was successfully put into operation and satisfied the needs for the capital market as well as international and China accounting and financial reporting standards. Three major projects of "centralized operation, centralized supervision and centralized authorization" have achieved significant progress and the overall operational workflow was reorganized and optimized. As such, a new operating system with separate front, middle and back offices have been established. The C3 system for credit management was launched bankwide, which significantly improved the operation and risk management of our credit business. We completed the relocation of the E-banking system and the upgrading of basic software, which have improved the overall operation of E-banking business. Several projects including the management system of private banking, Phase II of financial information management system, informational management of operational risks, entrusted assets disposal system, and County Area Banking Business client information system were launched and implemented in the whole Bank. In 2010, 13 information projects of the Bank were awarded the "Outstanding Technological Development for Banking Institutions" by the PBOC.

Continuous Improvement in IT Infrastructure

We continued to improve and integrate IT infrastructure to ensure structural security and stability and improve the efficiency of resource utilization. We have launched various major infrastructure projects, including the integration of open platform system, the optimization of Internet system, the standardization of computer rooms in branches, information security and outlets network integration, all of which have significantly improved the carrying capacity and utilization rate of our infrastructure.

Secure and Stable Operation of Information System

We are a leader in the domestic banking industry in terms of our capability of providing a stable and efficient technological platform for our business operations. We have implemented an integrated production and operation system, contingent management system and disaster recovery management system. Besides, we promoted a regulated and standardized operation to continuously enhance the ability of our risk management and control. Our information system provided a stable platform for the operation of the Bank, which achieved a significant growth of 21.66% in average daily transaction volume and a historical peak of over 100 million transactions. In 2010, the utilization rate of the key operating system of the Bank reached 99.98%.

Continuous Improvement of IT Governance

We continued to explore efficient methods to improve IT governance. We have enhanced the cooperation and coordination between IT and the other business departments as well as branches. We have promoted the research and design of the construction of a risk management system for information technology, and the construction of an information technology system, including a basic regime, management procedures and information brochures. We have formulated the IT standards and regulatory provisions. During the reporting period, we have finished the assessments for 43 national and industrial standards. We have optimized the examination and motivation mechanism of technology management, and developed the engineers culture.

Human Resources Management

Comprehensive Human Resources Reform

During the reporting period, we completed a comprehensive human resources reform by formulating four main systems for our human resources regarding the organization, positions, performances and remunerations. We continued to enhance the organizational structure, deepen the reform of County Area Banking Business Division, integrate and optimize our operational structure at each level, and concentrate on post-reform assessment work. We implemented the systematic reform of different positions and launched the measures for position management. In addition, we commenced the establishment of a "multi-category" grading system. According to this system, the original single promotion channel of administrative positions have been refined into several categories, such as managerial, professional and operational categories, in order to improve the suitability of our staff with their positions. A career management system with three main categories and 24 grades have been established. We fully adopted a comprehensive closed-loop performance management system regarding "planning, communication and mentoring, performance assessment and usage of performance assessment results". Our performance management was strengthened by enhancing the performance-based incentives and the application of the performance assessment results for determining rewards and penalties, appointment and dismissal, promotion and compensation of our employees. We have established a unified remuneration system by promoting the reform of value-oriented compensation system, formulating measures regarding the staff remunerations and establishing a position-based grading system focusing on the ability and performance of our staff.

Cultivation and Development of Human Resources

We have insisted on the philosophy of "Accomplished Staff" to continuously optimize the training and development system of human resources. We launched "Six Major Projects" for senior management, reserve talents, talents for our international offices, professional talents with excellent leadership and technical skills. We have reformed the mechanisms for the selection of senior management to enhance the competitiveness of our promotion mechanism. "Candidate Database" with about 10,000 candidates for potential promotion was established for the three levels of our branches. Furthermore, "Foreign Language Speakers Database" and "Secondee Database" were set up to cover candidates who are familiar with one or more of the required eight foreign languages and candidates with one or more of the required five expertise for work secondment, respectively. This allowed us to reserve intelligents for our outstanding management team. We launched an exchange system for the management team between our head office and branches, and implemented an exchange system for the management team in different provinces and an internship system for fresh university graduates in order to set up a platform for the practice of our staff. We have taken the lead among financial institutes to launch the recruitment plan of "village officials" by recruiting college graduates.

During the reporting period, we cooperated with renowned universities and training institutes to cultivate management talents, elite employees and potential candidates with strategic thinking, international perspective and modern financial management philosophy. We continued to implement the job qualification system and completed qualification exams for nearly 120,000 candidates for four types of positions. We completed the rotating training for branch managers and the training for more than 200,000 regional managers, risk management and internal control managers, independent credit approval officers and operations officers. We formulated the management guidelines for training centers and training projects according to the ISO10015 Training Qualification Management standards and enhanced the assessment of training quality and the establishment of the training assessment mechanism. We introduced an international professional training project and conducted rotating training for our internal instructors. We also sped up the establishment of online colleges and formulated the curricular system for online classes.

During the reporting period, we were successively awarded the "Top Ten Employers of China Financial Industry" by China HR, the "Outstanding Practices in Chinese Corporate Social Responsibilities Ranking" (the Best Staff Caring Corporation) by China Business News and the "Most Popular Employer" by 51 job.

Management of Remuneration and Benefit

During the reporting period, we continued to optimize and reform the remuneration management system to attract and motivate talents for their long-term service by adhering to the policy of "determining remuneration in accordance with the position, performance and ability of staff". We have implemented the basic pension insurance, basic medical insurance, unemployment insurance, injury insurance, maternity insurance and housing funds scheme in accordance with applicable national laws and regulations. We have established bankwide enterprise annuity and supplementary medical insurance system, and optimized the pension, medical and housing welfare system for our staff. An incentive and constraint remuneration mechanism of a modern commercial bank was established.

County Area Banking Business

We provide customers in the County Areas with a broad range of financial products and services through 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". During the reporting period, we adopted our differentiated market positioning strategy and further solidified our leadership and dominant position in the County Areas by capitalizing on the synergy between the Urban Areas and County Areas, accelerating reform of the operational mechanism, providing more innovative banking services and expanding our County Area banking product and service offerings.

Mechanism Reform

Organizational Structure

The Bank further streamlined the management framework of County Area banking division. Under the head office, we have set up a structure of "four departments and five centres" comprising specialized departments including the County Area Policies and Planning Department (Office of the County Area Banking Business Management Committee), Rural Industries Banking Department, Rural Households Banking Department, and County Area Credit Management Department, as well as supporting centres including the County Area Banking Business Accounting and Performance Review Center, Risk Management Center, Product Research and Development Center, Human Resources Management Center, and Treasury and Capital Management Centre. This represented a vertical organizational structure comprising 3 levels of supervision and guidance and 1 level of operation, i.e. the head office, tier-1 sub-divisions, tier-2 sub-divisions and County Area business units. During the reporting period, the Bank set up County Area Credit Management Department at the head office and tier-1 branches in 8 provinces (autonomous regions and municipalities) that were selected to conduct the Bank's County Area Banking Business on a pilot basis. In addition, the Bank set up corresponding County Area credit management departments at tier-2 branches to handle the evaluation and approval of loans, credit execution and post-disbursement management for the County Area Banking Business.

Product R&D

The Bank actively explored and developed a product innovation mechanism for the County Areas. 22 tier-2 branches and county-level sub-branches were selected as bases for product development, and 12 sub-branches in the County Areas were appointed to serve as the direct communication channels with the head office regarding product innovation in the County Areas. During the reporting period, we developed various new products for the County Areas, such as small-amount hydroelectric power loans, construction loans, loans for County Area Tourism Development and Construction, and regional products such as the "New Countryside" residential mortgage loans, as well as Huinong Cards withdrawals by POS machines and tele-transfer machines on a pilot basis. We continuously broadened and upgraded the County Area products. We also put more efforts in brand building and marketing of products for the County Areas. The comprehensive County Area banking product portfolio comprised over 70 County Area-specific products and 275 banking products commonly used in both the Urban and County areas under the brand "Jinyinong".

Credit Management

The Bank established a separate credit management system to cater to the needs of the development of the County Area Banking Business. We carried out the assessment and revision of the County Area credit guidelines, improved the credit management system of the County Areas, including basic procedures, credit approval, guarantee and authorization, and explored innovative post-disbursement management of the County Area Banking Business. We strengthened research on agriculture-related industries, improved credit admission criteria for key industries and introduced localized regional credit policies at certain branches. We also further improved our credit review and approval system and strengthened the designated teams for credit review and approval of the County Area Banking Business to implement a "resource-sharing credit approval platform with professional independent review decision". We established a credit risk monitoring system including regular monitoring, real-time monitoring and special monitoring in County Areas.

Risk Management

The Bank was committed to strengthening the County Area risk management system. We gradually enhanced vertical risk control by appointing on-site risk managers to county-level sub-branches. We established a comprehensive County Area risk management system based on the characteristics and management needs of the County Area Banking Business, improved various systems including the County Area customer grading system, classification of loans to rural households and the treatment of impairment allowance, and implemented the specific risk allowance and write-offs policies for County Area Banking Business. The suspension and resumption management procedures of County Area credit products were fully implemented and the authorization to start up new business operations was standardized for dynamic adjustments. In addition, we provided guidelines to branches for the establishment of an effective system of forecasting and addressing risks of natural disasters in a timely manner and standardizing management of damaged credit assets. In order to monitor risks of the County Area Banking Business effectively, we strengthened risk analysis of County Area Banking Business, established credit risk supervision system in key sub-branches identified in County Areas and conducted inspections on county-level government financing vehicles, county-level real estate loans and small-amount loans to rural households.

Treasury and Capital Management

The Bank formulated a series of administrative measures including capital, treasury and pricing so as to establish an asset and liability management system framework for County Area Banking Business Division. We established mechanism to allocate County Area credit resource with priority and implemented separate credit planning under the strategy of County Area Banking Business to reasonably determine its credit quota. We also set up a separate capital management mechanism and performed economic capital budget management. Moreover, the Bank implemented centralized treasury operations in County Areas and formulated the Administrative Measures on Treasury Operations of County Area Banking Business Division.

Accounting and Performance Review

The independent accounting and reporting system of the County Area Banking Business Division was further improved. In addition to adding and adjusting a number of accounting items and specialized accounts for County Area Banking Business, we launched an independent accounting and reporting system of the County Area Banking Business Division. Performance evaluation measures on key sub-branches identified in County Areas were formulated to enhance management. The Bank made further improvements to the performance management system of the County Area Banking Business Division, optimized performance evaluation indicator system of its departments and supporting centres, and improved the integrated performance assessment system for County Area Banking Business sub-division and grading system of the County Area business units.

Human Resources Management

The Bank formulated the Administrative Measures on Staff Management of County Area Banking Business Division, provided guidance on County Area recruitment plans, and put more efforts in recruiting university graduates. We reformed and implemented a new prioritizing remuneration policy for staff in County Areas and developed an incentive system for County Area Banking Business. We separately determined the total amount of salaries allocated to the County Area banking division, and the remuneration package was determined based on the differentiated performance evaluation and the salary policy to ensure reasonable salary increment for staff of the County Area banking division. Bonus were given to staff of key sub-branches identified in County Areas who achieved the performance targets for specific development projects, Huinong Cards and small-amount loans to rural households. Furthermore, we also organized large scale training sessions for staff in County Areas.

County Area Corporate Banking Business

During the reporting period, the Bank focused on providing services to agricultural industrialization enterprises, small and medium enterprises in County Area, County Area urbanization, real estate in County Areas and merchandise distribution in rural areas.

We created innovative products and services. We launched three new products including County Areas tourism development loans, small hydroelectric power loans and County Area construction loans, and completed the development and testing of the Counties and Towns Fiscal Payment Platform. We also amended the Administrative Measures of Seasonal Procurement of Loans, Administrative Measures of Financing and Credit Facility Insurance for Agricultural Industrialization Group Customers, and Administrative Measures of Chattel Mortgage of Small and Medium Enterprises in County Areas. In addition, we formulated multiple integrated financial service solutions including the Guidelines of the Supply Chain Financing Services for County Area Small and Medium Enterprises, Integrated Corporate Banking Services for Small-amount Loan Companies and Financial Services Plan for Merchandise Market. The Bank also enhanced the guidelines on marketing and sales practices to sub-branches and improved integrated service capabilities provided to valued customers.

The Bank improved its sales management and optimized the banking services provided to head office's core customers by developing various sales teams and appointing designated manager for each core account, and tailoring integrated banking service plans covering both the product and service portfolios and coordination mechanism between different branches for each core account. The Bank entered into a Framework Agreement on Comprehensive Strategic Cooperation in Supporting Leading Enterprises in the Agricultural Modernization Process with the Ministry of Agriculture. In addition, the Bank promoted advisory business for agriculture-related enterprises to assist them in domestic and overseas issuance and listing of shares, private equity financing, and overseas mergers and acquisitions.

As at the end of 2010, corporate loans of the Bank's County Area Banking Business amounted to RMB1,037.956 billion, accounting for 28.9% of all corporate loans of the Bank and representing an increase of RMB206.863 billion, or 24.9%, compared to the end of last year. Corporate deposits of the Bank's County Area Banking Business was RMB1,170.028 billion, accounting for 33.1% of all corporate deposits of the Bank and representing an increase of 25.3% compared to the end of last year.

County Area Retail Banking Business

During the reporting period, the Bank accelerated the development of credit product for retail banking in County Areas. We rolled out construction loans for rural households, private vessel mortgage loans, consumption loans for wage-earners in County Areas, private boat mortgage loans, agricultural machinery mortgage loans and loans to rural households. We actively explored a new service model to meet the cash needs of agricultural household and launched a pilot bank card programme for agricultural customers by using POS machines and money transfer telephones to improve the payment procedures in rural areas. Functions of Huinong Card improved significantly as it could be used to handle the new rural cooperative medical insurance and the new rural insurance agency business. As at the end of 2010, a total of 20,000 ATMs, 137,100 POS machines and 947,000 transfer telephones were set up in County Areas. We have established an extensive County area and regional banking service network consisting of branches, ATM, transfer telephones, County Areas banking service counters and e-banking services.

The Bank established the service specification of new rural insurance agency business, enhanced the incentive measures on sales agency business of branches in County Areas and further expanded the scope of the new rural insurance agency and new rural cooperative medical insurance businesses. As at end of 2010, 135 county level sub-branches of the Bank confirmed their participation in the new rural insurance programme in the 320 pilot counties designated by the State in the first round, and 225 county level sub-branches of the Bank confirmed to participate in the new rural insurance programme in the 519 pilot counties designated by the State in the second round. The Bank confirmed to participate in the new rural insurance programme in the 118 pilot counties designated by the provincial government. In addition, 313 sub-branches of the Bank secured the agency business of new rural cooperative medical insurance.

The Bank actively pursued strategic cooperation to facilitate the development of County Area Retail Business. Supported by the agricultural resources network of Sincere Holdings and our e-channel and machines, we established e-channel for handling funding of purchases and sales, which has improved the usage of Huinong card and provided credit facilities for qualified agricultural households to purchase agricultural machinery, and co-launched Kins Huinong Card with Sinofert Holdings. We also cooperated with national youth organization to carry out small loans projects to encourage young people in rural areas to start their own businesses. The cooperation with Ministry of Commerce and China Mobile in the information system development of "Universal Rural Retailing Network Project" also facilitated the integration of commodities, information and capital flows in rural areas.

As at the end of 2010, the balance of loans of County Area Retail Banking Business was RMB437.560 billion, representing an increase of 43.4% compared to the end of last year. The balance of deposits of County Area Retail Banking Business was RMB2,360.143 billion, representing an increase of 15.8% compared to the end of last year. A total of 61.855 million Huinong Cards were issued, representing an increase of 28.497 million cards compared to the end of last year.

Financial Position

Assets and Liabilities

As at the end of 2010, total assets of the County Area Banking Business reached RMB3,843,686 million, representing an increase of 18.8% over the end of last year. Net loans and advances to customers, net reached RMB1,444,910 million, representing an increase of 25.6% over the end of last year, 6.2 percentage points higher than that of our overall business. The increases were primarily attributable to the opportunities arising from China's urbanization, County Area industry structure upgrade and greater support for the County Area's economy provided by the PRC government, and exploration of the County Area's financial demands, so as to materialize the rapid growth of County Area Banking Business. The total deposits reached RMB3,612,346 million, representing an increase of 19.0% over the end of last year, 0.5 percentage point higher than that of our overall business. The increases were primary due to our extensive County Area network and large customer base and the effort to continuously strengthen financial product innovation, so as to further cement our market position in the County Area deposits market.

The following table sets forth the major items of assets and liabilities of the County Area Banking Business at the dates indicated:

In millions of RMB, except percentages

Item	31 December 2010 Amount	Percentage (%)	31 December 2009 Amount	Percentage (%)
Total loans and advances to customers	1,505,286	—	1,193,413	—
Allowance for impairment losses	(60,376)	—	(43,327)	—
Loans and advances to customers, net	1,444,910	37.6	1,150,086	35.6
Intra-bank balance[1]	2,196,002	57.1	1,975,226	61.1
Other assets	202,774	5.3	109,791	3.3
Total assets	**3,843,686**	**100.0**	**3,235,103**	**100.0**
Deposits	3,612,346	97.9	3,034,646	94.3
Other liabilities	77,428	2.1	182,760	5.7
Total liabilities	**3,689,774**	**100.0**	**3,217,406**	**100.0**

Notes: 1. Intra-bank balance refers to funds provided by our County Area Banking Business to other businesses within the Bank through internal funds transfers.

Profit

In 2010, profit before tax of our County Area Banking Business increased by 64.8% to RMB34,527 million compared to 2009, primarily due to the continued growth of the County Area Banking Business, as well as an improvement in the portfolio of interest-earning assets and an increase of net interest spread, which resulted in a rapid increase in external interests income.

The following table sets forth the income statement of the County Area Banking Business in the years indicated.

In millions of RMB, except percentages

	2010	2009	Change	Growth Rate(%)
External interest income	76,969	57,708	19,261	33.4
External interest expense	(40,976)	(41,830)	854	-2.0
Interest income from intra-bank balance[1]	53,479	54,575	(1,096)	-2.0
Net interest income	**89,472**	**70,453**	**19,019**	**27.0**
Net fee and commission income	16,967	13,693	3,274	23.9
Other non-interest income	1,486	1,215	271	22.3
Operating income	**107,925**	**85,361**	**22,564**	**26.4**
Operating expenses	(55,873)	(46,892)	(8,981)	19.2
Provisions for impairment losses	(17,525)	(17,524)	(1)	0.0
Total Profit before tax	**34,527**	**20,945**	**13,582**	**64.8**

Notes: 1. Interest income from intra-bank balance refers to income earned on funds provided by County Area Banking Business to other businesses of the Bank at internal funds transfer pricing, which is determined based on market rates.

Key Financial Indicators

As at 31 December 2010, the key financial indicators of County Area Banking Business continued to improve. Return on total assets was 0.77%, an increase of 0.15 percentage point over the last year. Net interest spread was 4.29%, 32 basis points higher than that of our overall business. Asset quality kept improving, and non-performing loan ratio was 2.51%. As a result, the gap between the asset quality of County Area Banking Business and that of our overall business has been further reduced. The ability of risk cushion has been further strengthened, and the allowance to non-performing loans was 159.92% and the allowance to total loans was 4.01%.

The following tables set forth key financial indicators of our County Area Banking Business at the dates or for the periods indicated.

Unit: %

Item	2010	2009
Return on average total assets	0.77	0.62
Average yield of loans	5.51	5.50
Average cost of deposits	1.22	1.45
Cost-to-income ratio	47.43	50.44

Item	31 December 2010	31 December 2009
Loan-to-deposit ratio	41.67	39.33
Non-performing loans ratio	2.51	3.69
Allowance to non-performing loans	159.92	98.26
Allowance to total loans	4.01	3.63

Risk Management

The Bank has 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.

In 2010, we adopted a comprehensive risk management system. Through preparing for the implementation of the New Basel Capital Accord and strengthening daily risk management, we further enhanced our risk management level.

Comprehensive Risk Management System

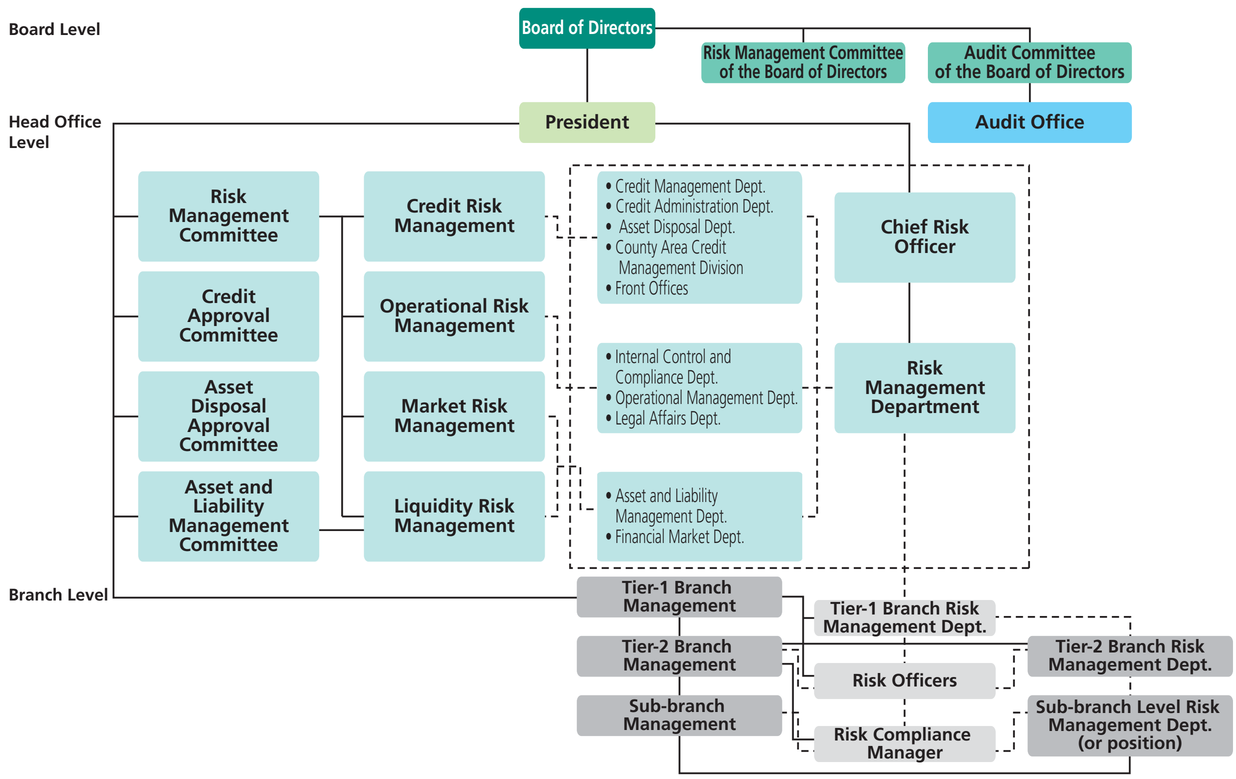
Comprehensive risk management refers to timely identification, measurement and control of existing or potential risks in business operation of all aspects, processes and staff through the integration of risk management strategies, policies, organizations, tools and personnel, so as to ensure effective risk management in decision making, implementation and supervision. In 2010, the Bank also completed the consultation on the establishment of comprehensive risk management system, refined the risk management system framework and policy system and facilitated the implementation of the New Basel Capital Accord. The Bank continued to optimize the methods and tools of the economic capital measurement, risk exposure limit management and stress test. We strengthened the information system, enhanced the measuring system to quantify risk and streamline management. The Bank also strengthened risk monitoring and risk reporting, and carried out risk assessment and compliance initiatives to establish a bank-wide in-depth risk management culture. The Bank established a consolidated management framework and enhanced the risk control of the Group.

Organizational Structure of Risk Management

The Board of Directors assumes the ultimate responsibility for risk management. The Risk Management Committee and the Audit Committee under the Board of Directors perform the risk management functions and review the key risk issues.

The Risk Management Committee under Senior Management is responsible for formulating risk management strategy and reviewing major risk management policies. During the reporting period, the Risk Management Committee monitored and analyzed the bank-wide risk profile and tendency, reviewed annual risk management plan and risk exposure limit and optimized the policy and measures of risk management. It also assessed the effectiveness on, coordinated and supervised the implementation of risk management tools.

In 2010, the Bank continued to refine its risk management framework. Tier-1 branches appointed risk management supervisors to tier-2 branches, who were responsible to supervise and report on the risk management works of the respective branches. 2,980 risk and compliance managers were appointed to branches in county areas. They supervised and submitted reports on the risk management, internal control and compliance management of respective branches in the county areas. They were also responsible for classifying risks, conducting review on asset impairments, monitoring risk exposures of key operations and evaluating risk level.



Risk Management Structure

Risk Management System

In 2010, the Bank continued its prudent risk management strategy to further optimize risk management system. The Bank also drafted the risk appetite statement and administrative measures, enhanced the construction of the policy frameworks of specific risk management, implemented a series of measures and operational rules for risk exposure limit management, impairment classification, significant credit risk management initiatives, suspension and resumption of County Area Banking Business, treasury transaction, liquidity risk management, operational risk classification, information system emergency management and reputation risk management. The Bank formulated the assessment methods on the qualification of the head of the branch-level risk management departments, and organized the recruitment examination for those positions. To enhance the management of the risk and compliance managers, the Bank launched a qualification assessment system. The Bank has standardized the risk level assessment method for monitoring the risk level of the branches. The Bank implemented consolidated management methods to strengthen the risk management of the subsidiaries.

The New Basel Capital Accord Implementation

During the reporting period, we implemented the New Basel Capital Accord. The Bank accelerated the development and application of Internal Rating Based System (IRB), implemented the pre-evaluation through the New Basel Capital Accord of the CRBC. We have made official application for the implementation of the Accord according to the regulatory arrangements in due course. The Bank also tested the internal rating system, implemented internal rating system certification and optimized relevant policies and regulation. The Bank developed 27 non-retail exposure statistics models and launched the preliminary non-retail IRB system. The Bank developed the first risk-weighted asset calculation engine in the banking industry in China, which has commenced operation. We strived to develop the retail IRB system project, accelerate the establishment of data warehouse on credit risks of retail business and develop the scorecard for retail loans and risk parameters. The Bank launched the internal model approached (IMA) project for market risk, carried out the establishment of market risk data warehouse and developed the risk value model. The Bank established an initiative and sustainable operational risks identification mechanism, developed and applied the tools for operational risk assessment, commenced continuous supervision and loss data collection through the information system of operational risk management.

Risk Analysis and Reporting

In 2010, the Bank further enhanced the reporting of risk analysis. We continued to focus on economic and financial environment and keep track of the macroeconomic and industrial policies of the PRC. We also analyzed and assessed overall risk exposures of the Bank. Capitalizing on the risk management tools such as the IRB system, we widened the horizon and enhanced the perspectives of the analytical report. We transmitted risk information timely by fully utilizing the function of risk alert and risk reporting platform. We adopted the credit risk reporting system, optimized and upgraded the operational risk reporting system and regulated the mechanism of reporting risks by two separate departments to improve the efficiency, comprehensiveness and interaction of risk reporting.

Credit Risk

Credit risk is the risk of loss arising from the default by an obligor or a counterparty when payments fall due. We are exposed to credit risk primarily from our loan portfolio, investment portfolio, guarantee business and various other on- and off-balance sheet credit risk exposures.

Credit Risk Management

In 2010, the Bank proactively implemented the PRC government's macroeconomic control policies, adjusted and improved various regulations on credit risk management policies properly and optimized the system and mechanism for credit risk management in response to the changes of the economic and financial conditions. The Bank inspected the risks on key businesses, enhanced the termination of customers with potential risks, improved the industry-specific risk exposure limits management and customer list-based management. The Bank also adjusted and optimized credit profiles, strictly standardized the operational procedures of credit business and enhanced the post-disbursement monitoring of key customers. By accelerating disposal process of non-performing loans and completing the upgrade of credit management system, the risk management of the Bank was further improved.

Credit Risk Management Structure

The credit risk management system comprises the Board of Directors and its Risk Management Committee, the Senior Management and its Risk Management Committee, Credit Approval Committee, Risk Management Department, Credit Risk Management Department, Credit Administration Department and front offices, forming a credit risk management structure characterized by centralized management and multi-level authorization.

Risk Management of Corporate Banking

The Bank strengthened the development of credit management system and refined the business operational procedures. We formulated the industry-specific credit guidelines for the industries of iron and steel, coal and textiles, coke, water and electricity utility, tourism and shipping, and expanded the coverage of these credit policies. We formulated the classification standards and lists for customers of the industries with excess production capacity. The customer lists were adjusted based on the development of the industries. Dozens of control policies for the management of custody, financing and syndicated loans businesses were introduced. We fully implemented the Interim Measures for the Administration of Working Capital Loans, the Interim Measures for the Administration of Retail Loans, the Interim Measures for the Administration of Fixed Asset Loans and the Guidelines on Project Financing Business issued by the CBRC to manage the entrusted payment on loans. We carried out the pilot credit business for key customers and key projects, optimized the credit deferring procedures and strengthened the implementation, supervision and management of credit system. Post-disbursement management was further enhanced through the launch of the post-disbursement management inspection policy.

The Bank optimized credit authorization management and advanced the reform on credit approval mechanism. We differentiated and streamlined management of credit authorization. We also adopted tailored authorization procedures for key customers in targeted industries, key projects, core customers of the Head Office and key urban branches. Approval for credit authorization for high risk business was tightened. Aside from improving credit business management of key cities, we also differentiated credit regulations, adjusted business entry criteria and streamlined business procedures. Measures were formulated for assessing the reviewer and approver of the credit business in order to standardize and strengthen the management competence of the relevant personnel. The Bank strengthened the management of customer rating system, optimized rating policies, cancelled direct identification practices and enhanced the rating coverage.

The risk management on the credit limits of certain industries was implemented to enhance risk control. We formulated guidelines on credit limits for key industries and carried out imperative credit limits management on the real estate industry. The scale and development of industrial loans were adjusted to optimize the loan structure according to the PRC government's macroeconomic control policies, regulatory requirements and changes of loan quality of the government.

The Bank enhanced the risk control on key business. We conducted comprehensive risk inspection on real estate loans, loans to local government financing vehicles according to the regulatory requirements. The administrative measures for the loans of commodity housing were amended to tighten the customer list-based management and project management for corporate real estate. We enhanced loan recovery, post-disbursement management and online supervision of the real estate industry. We also enhanced supervision on the corporate capital application so as to reinforce the supervision on specified capital customers and closed operation. Repayment was required to be made strictly according to the selling progress. We also conducted stress test on loans for residential property development and the real estate group borrowers. Loans to local government financing vehicles were reclassified for better preservation. Through raising the entry barriers of customers and optimizing the management of rating system, we imposed tighter approval procedures and enhanced the management on guarantee, loan disbursement and post-disbursement of loans to local government financing vehicles. We mainly extended loans to local government financing vehicles which located in economically developed regions such as Yangtze River Delta, Pearl River Delta and Bohai Rim, and our assets quality and risk mitigation level were higher than the average level of the industry. Overall risk exposures of loans were controllable.

To strengthen the management of non-performing loans, we formulated administrative measures and refined management procedures for non-performing loans. By optimizing the management of the write-off of doubtful debts, we were able to dispose asset loss timely and calculate profit and loss accurately. We also prepared a list of accounts with non-performing loans to regulate the review and approval of asset disposal. Comprehensive and specialized inspection planning was made to strengthen supervision. We eliminated the risks of non-performing loans by enhancing the management and restructuring of non-performing loans. We also take initiatives to develop the non-performing asset management system and establish the information system on non-performing asset disposal.

Risk Management of Retail Loans

We centralized the retail loan operation and regulated core risks by refining procedures. Procedures for the credit rating of individuals were revised to optimize the score cards for retail business. We specified the criteria on loan disbursement to finance second-home and strictly complied with the relevant policies and regulatory requirements relating to the residential mortgage loans. We commenced the suspension and resumption management of retail loans in urban branches. We implemented penetrating supervision in tier-2 branches and sub-branches and carried out risk identification of loans to private business. We enhanced operational procedures of post-disbursement management and management of collateralized certificates of personal loans to reinforce risk control of the retail banking business.

Risk Management of Credit Card Service

The Bank improved risk monitoring on credit card acquiring business and formulated rules on POS acquiring transactions and administration measures of POS equipment. We strengthened efforts in management of credit card approval and limits adjustments. We optimized credit approval processes for credit cards and quasi-credit cards. With the launch of the card risk inspection system (CRIS) and the management system of the merchants of the credit card acquiring business, we improved the prevention of credit card fraud and introduced comprehensive data management of the merchants of the credit card acquiring business. The Bank established a professional regulatory team to regulate and deal with transactions of merchant risks and enhance the risk management of our credit card business.

Risk Management of Treasury Operations

The Bank enhanced the system of risk management procedures on treasury operations, formulated policies on annual credit risk management, and prepared the compliance handbook of financial market business. We standardized credit management for treasury operations, developed the credit management procedures of treasury operations in the credit management system, and integrated treasury operations into the overall credit management for customers. We also conducted researches for formulating risk management measures for various countries and strengthened daily monitoring and risk analysis of our debtors.

Risk Management of County Area Banking Business

Please refer to the section "County Area Banking business — Mechanism Reform — Risk Management" in this annual report.

Loan Risks Classification

We formulated and kept refining relevant regulations on loan risk classification in accordance with the Guidelines of Loan Credit Risk Classification issued by the CBRC. We have adopted five-category classification system and 12-category classification system.

The Bank assessed the risk and classified the loans based on the possibilities of repayment. Principle factors taken into consideration include: the borrower's repayment ability, repayment record and willingness to repay the loan, profitability of the loan project, the loan guarantees as well as the legal obligations relating to loan repayment.

The corporate loans were managed with 12-category classification. With specific loan classification, we enhanced the sensitivity of risk identification and reflected the loan risks objectively and dynamically. The Bank managed some of the County Area corporate customers who are classified as small businesses pursuant to the rules of the CBRC with five-category classification to ensure the objectivity of classification, simplify processes and increase efficiency.

Retail loans were managed with five-category classification. In applying the loan classification criteria to retail loans, the Bank primarily considers the length of time by which payments of principal or interest are overdue and the type of collateral, based on which the retail loans are automatically classified by the CMS. In addition, the 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.

During the reporting period, we refined our loan risk classification system and reinforced loan detection and monitoring to adjust the classification for potential risk and to ensure objective and prudent loan classification.

Credit Management System Cluster

In 2010, the Bank completed the development of credit management system cluster (C3) and put it into operation. By launching online credit business which covered all products, processes and operation units, we effectively enhanced management and operation efficiency. Along with the implementation of automated monitoring of each operation process, the credit risk management and control were significantly enhanced.

Credit Risk Analysis

Maximum exposures to credit risk (before taking account into any collateral and other credit enhancement) were set out as follows:

In millions of RMB

Items	31 December 2010	31 December 2009
Balances with central banks	2,020,679	1,468,910
Deposits with banks and other financial institutions	77,893	61,693
Placements with banks and other financial institutions	95,375	49,435
Financial assets at fair value through profit or loss	50,257	112,176
Derivative financial assets	9,173	4,678
Financial assets held under resale agreements	525,331	421,093
Loans and advances to customers	4,788,008	4,011,495
Available-for-sale financial assets	664,067	729,895
Held-to-maturity investments	1,036,658	883,915
Receivables	772,013	890,199
Other financial assets	45,200	35,621
Balance sheet items	10,084,654	8,669,110
Credit commitments	1,640,446	1,221,683
Total	**11,725,100**	**9,890,793**

Distribution of Loans by Collateral

In millions of RMB, except for percentages

Item	31 December 2010		31 December 2009	
	Amount	Percentage (%)	Amount	Percentage (%)
Loans secured by mortgages	2,208,766	44.6	1,562,141	37.7
Loans secured by pledges	535,659	10.8	677,776	16.4
Guaranteed loans	1,190,599	24.0	1,101,661	26.6
Unsecured loans	1,021,717	20.6	796,609	19.3
Total	**4,956,741**	**100.0**	**4,138,187**	**100.0**

Distribution of Overdue Loans by Period Overdue

In millions of RMB, except for percentages

	31 December 2010		31 December 2009	
Item	**Amount**	**Percentage of total loans (%)**	**Amount**	**Percentage of total loans (%)**
Overdue for less than 90 days (including 90 days)	21,172	0.4	20,417	0.5
Overdue for 91 to 360 days	10,027	0.2	16,299	0.4
Overdue for 361 days to 3 years	35,179	0.7	40,233	1.0
Overdue for more than 3 years	9,366	0.2	1,201	—
Total	**75,744**	**1.5**	**78,150**	**1.9**

Restructured Loans and Advances

In millions of RMB, except for percentage

	31 December 2010		31 December 2009	
Item	**Amount**	**Percentage of total loans (%)**	**Amount**	**Percentage of total loans (%)**
Restructured loans and advances	**10,612**	**0.2**	11,675	0.3

Loan Concentration

In millions of RMB, except for percentages

Top 10 single borrowers	Industry	Amount	Percentage of total loans (%)
Borrower A	Transportation, logistics and postal services	19,846	0.40
Borrower B	Production and supply of power, gas and water	17,038	0.34
Borrower C	Real estate	11,490	0.23
Borrower D	Construction	10,278	0.21
Borrower E	Manufacturing	10,193	0.21
Borrower F	Real estate	10,000	0.20
Borrower G	Manufacturing	9,939	0.20
Borrower H	Water, environment and public utilities	8,967	0.18
Borrower I	Transportation, logistics and postal services	8,817	0.18
Borrower J	Transportation, logistics and postal services	8,580	0.17
Total		**115,148**	**2.32**

As at the end of 2010, the total loans granted to the largest single borrower and top ten single borrowers accounted for 3.18% and 18.45% of our regulatory capital, respectively, both of which were in compliance with regulatory requirements.

Distribution of Loans by Five-category Classification

In millions of RMB, except for percentages

Item	31 December 2010		31 December 2009	
	Amount	Percentage (%)	Amount	Percentage (%)
Normal	4,539,665	91.58	3,693,136	89.24
Special mention	316,671	6.39	324,810	7.85
Non-performing loans	100,405	2.03	120,241	2.91
Substandard	34,987	0.71	52,575	1.27
Doubtful	57,930	1.17	62,895	1.52
Loss	7,488	0.15	4,771	0.12
Total	**4,956,741**	**100.00**	**4,138,187**	**100.00**

As at the end of 2010, the balance of non-performing loans was RMB100,405 million, representing a decrease of RMB19,836 million compared to the end of last year. Non-performing loan ratio dropped by 0.88 percentage point to 2.03%. The balance of special-mentioned loans was RMB316,671 million, representing a decrease of RMB8,139 million compared to the end of last year. Special-mentioned loans accounted for 6.39% of total loans, representing a decrease of 1.46 percentage points. The quality of loans of the Bank has been improved mainly because the Bank (1) timely revised and issued industry-specific credit policies according to the changes in macro-economy and financial market and applicable regulatory requirements so as to prevent credit risks of specific industries; (2) implemented industry-specific risk exposure limit management and customer list-based management, managed the suspension and resumption of products of County Area Banking Business, and terminated business with customers with potential risks; (3) developed and applied innovative techniques and tools for risk management to enhance the ability in identifying, measuring and responding to risks; and (4) continued to put efforts on the recovery and disposal on non-performing loans.

Distribution of Non-Performing Loans by Product Type

In millions of RMB, except for percentages

Item	31 December 2010 Amount	31 December 2010 Percentage (%)	31 December 2010 Non-performing loan ratio (%)	31 December 2009 Amount	31 December 2009 Percentage (%)	31 December 2009 Non-performing loan ratio (%)
Corporate loans	89,157	88.8	2.48	108,785	90.5	3.66
Of which: Short-term corporate loans	38,645	38.5	2.74	46,329	38.6	3.74
Medium- and long-term corporate loans	50,512	50.3	2.31	62,456	51.9	3.61
Discounted bills	39	0.1	0.03	66	—	0.02
Personal loans	10,967	10.9	0.96	11,072	9.2	1.40
Residential mortgage loans	4,715	4.7	0.65	5,389	4.5	1.08
Credit card balances	488	0.5	1.29	282	0.2	2.00
Personal consumption loans	454	0.5	0.34	456	0.4	0.53
Loans to private business	2,522	2.5	1.94	3,426	2.8	3.23
Loans to rural households	1,835	1.8	1.59	942	0.8	1.18
Others	953	0.9	28.85	577	0.5	9.40
Overseas and others	242	0.2	0.32	318	0.3	1.14
Total	**100,405**	**100.0**	**2.03**	**120,241**	**100.0**	**2.91**

As at the end of 2010, the balance of corporate non-performing loans was RMB89,157 million, representing a decrease of RMB19,628 million over the end of last year, and non-performing loan ratio dropped by 1.18 percentage points to 2.48%. The balance of personal non-performing loans declined by RMB105 million to RMB10,967 million over the end of last year, and non-performing loan ratio decreased by 0.44 percentage point to 0.96%.

Distribution of Non-Performing Loans by Geographical Location

In millions of RMB, except for percentages

Item	31 December 2010 Amount	31 December 2010 Percentage (%)	31 December 2010 Non-performing loan ratio (%)	31 December 2009 Amount	31 December 2009 Percentage (%)	31 December 2009 Non-performing loan ratio (%)
Head Office	2,001	2.0	2.61	2,127	1.8	1.74
Yangtze River Delta	15,760	15.7	1.16	22,194	18.5	1.93
Pearl River Delta	13,727	13.7	1.91	14,888	12.4	2.43
Bohai Rim	16,503	16.4	1.9	19,642	16.3	2.78
Central China	14,142	14.1	2.35	16,086	13.3	3.30
Northeastern China	5,065	5.0	2.91	6,146	5.1	4.68
Western China	32,965	32.9	3.03	38,840	32.3	4.31
Overseas and others	242	0.2	0.32	318	0.3	1.14
Total	**100,405**	**100.0**	**2.03**	**120,241**	**100.0**	**2.91**

In 2010, the overall quality of loans in different regions improved while the balance of non-performing loans and non-performing ratio both decreased. The balance of non-performing loans decreased most significantly in Yangtze River, Western China and Bohai Rim by RMB6,434 million, RMB5,875 million and RMB3,139 million, respectively.

Distribution of Corporate Non-Performing Loans by Industry

In millions of RMB, except for percentages

	31 December 2010			31 December 2009		
Item	Amount	Percentage (%)	Non-performing loan ratio (%)	Amount	Percentage (%)	Non-performing loan ratio (%)
Manufacturing	29,298	32.8	2.80	34,445	31.7	3.88
Production and supply of power, gas and water	13,274	14.9	3.37	16,062	14.8	3.90
Real estate	9,597	10.8	1.77	14,816	13.6	3.47
Transportation, logistics and postal services	5,250	5.9	1.36	9,243	8.5	3.05
Wholesale and retail	8,676	9.7	2.97	10,412	9.6	4.58
Water, environment and public utilities	5,079	5.7	2.38	3,715	3.4	2.39
Construction	4,078	4.6	2.74	2,761	2.5	2.77
Mining	494	0.6	0.43	1,179	1.1	1.26
Leasing and commercial services	2,805	3.1	1.33	3,152	2.9	2.18
Information transmission, computer service and software	247	0.3	1.31	551	0.5	1.95
Others	10,359	11.6	4.58	12,449	11.4	6.52
Total	**89,157**	**100.0**	**2.48**	**108,785**	**100.0**	**3.66**

The balance of non-performing loans and non-performing loan ratio in major industries both decreased. The balance of non-performing loans decreased most significantly in three industries, namely real estate, manufacturing and transportation, logistics and postal services by RMB5,219 million, RMB5,147 million and RMB3,993 million, respectively and the non-performing ratio dropped by 1.70 percentage points, 1.08 percentage points and 1.69 percentage points, respectively.

Changes to the allowance for Impairment Losses

In millions of RMB

Item	Individually assessed	Collectively assessed	Total
As at 1 January 2010	55,596	71,096	126,692
Charge for the year	4,164	39,372	43,536
Write-offs	(307)	(48)	(355)
Transfer-in/out	(952)	(188)	(1,140)
— Recoveries of loans written-off in previous years	11	7	18
— Unwinding of discount on allowance	(1,015)	(130)	(1,145)
— Exchange differences	(15)	(65)	(80)
— others	67	—	67
As at 31 December 2010	**58,501**	**110,232**	**168,733**

We insisted on prudent approach when determining the loan risks. We adopted a strict loan classification and provided for impairments after taking accounts into uncertainties, including the macro-economic development. As at the end of 2010, allowance for impairment losses on loans was RMB168,733 million, representing an increase of RMB42,041 million over the end of last year. Specifically, the balance of allowance for impairment losses assessed on a collective basis was RMB110,232 million, increased by RMB39,136 million over the end of last year. The balance of allowance for impairment losses assessed on an individual basis was RMB58,501 million, increased by RMB2,905 million over the end of last year. The ratio of allowance to non-performing loans increased by 62.68 percentage points over the end of last year to 168.05%, and the ratio of allowance to total loans was 3.40%. All of the above ratios complied with the regulatory requirements, representing an enhancement of risk mitigation.

Market risk

Market risk refers to the risk of losses in the on- and off-balance sheet businesses of banks as a result of an adverse change in market prices. Market risk comprises interest rate risk, exchange rate risk, stock price risk and commodity price risk. The Bank is exposed to market risks, mainly including interest rate risk and exchange rate risk. The risk management organizational structure of the Bank comprises of the Board of Directors and its risk management committee, senior management and its risk management committee, Risk Management Department, Asset and Liability Management Department and the business units bearing the market risk.

In 2010, the Bank continued to improve the system of market risk management, by clarifying the trend of bank-wide market risk and refining the market risk limits. The Bank also strengthened the effectiveness and specialization in risk management of our treasury services, upgraded the online transaction management system and carried out initiatives in implementing an internal model for market risk. As a result, the market risk management continued to improve.

Diversification of Trading Book and Banking Book

The on- and off-balance sheet assets and liabilities are classified into trading book and banking book. Trading book covers the financial instruments and commodities positions held for trading or hedging purposes. Any other positions are included in the banking book.

Market Risk Management for Trading Book

The Bank managed the market risk of the trading book by adopting measures such as exposure limit management, authorization and credit of transaction, sensitivity analysis, duration and stress testing. During the reporting period, we further optimized market risk management policies on treasury transaction and investment and developed measures for wealth management products for asset pool and corporate derivatives trading business. We also carried out initiatives in advanced measurements of market risks in order to strengthen our measurement of market risks. The Bank also optimized the function of RMB and foreign currency transaction system, launched a treasury transaction system in overseas branches and achieved centralized measurements and monitoring of market risk in the bank-wide treasury operations.

Market Risk Management for Banking Book

We managed the market risk of banking book by adopting measures such as exposure limit management, stress testing, scenario analysis and gap analysis.

Interest Rate Risk Management

Interest rate risk refers to risk causing loss to our income or economic value arising from adverse movements of the statutory or market interest rate. The interest rate risks of the banking book of the Bank mainly arise from a mismatch of the maturity or repricing dates of interest rate-sensitive assets and liabilities in the banking book and inconsistencies in the change of the benchmark interest rate on which assets and liabilities based.

In 2010, the Bank enhanced its research and study on economic cyclical fluctuation, macroeconomic control policies, trends of interest rates and demand and supply of capital by enhancing the prospectiveness of interest rate management policy. The Bank closely monitored the trends of the market interest rate and promptly adjusted the internal and external prices. We also enhanced the management on interest rate pricing and repricing periods. Measurement and management of interest rate risk were enhanced to ensure that the exposure of interest rate risk was within an acceptable scope.

During the reporting period, the Bank regularly measured and analyzed the interest rate risk by carrying out gap analysis, sensitivity analysis, scenario analysis and stress testing to alleviate the adverse effect of change of interest rate on our net interest income.

Exchange Rate Risk Management

Exchange rate risk refers to risk due to mismatches in the currency denominations of assets and liabilities. Exchange rate risk mainly consists of the trading exchange rate risks that could be hedged, and the exchange rate risk caused by structural assets and liabilities (the “structural exchange rate risk”), which are difficult to be mitigated in operations.

In 2010, the Bank further improved the management on exchange rate exposure and currency structure of assets and liabilities, regularly monitored exchange rate risk exposure and conducted sensitivity analysis, and enhanced measurement and supervision of exchange rate risk. The Bank also entered into arrangements to reduce risk of foreign currency-denominated proceeds from overseas listing, controlled exposure limit, coordinately developed the foreign currency-denominated deposits and lending, and controlled the bank-wide exposure of the exchange rate risk within a reasonable scope.

Market Risk Exposure Limit Management

The market risk exposure limit of trading book of the Bank includes exposure, loss and risk limits, and the market risk exposure limit of the banking book includes exposure and stress testing limits. In 2010, we further improved the market risk exposure limit system, and established the dual monitoring and reporting mechanism involving the risk management department and the business unit (or entity) bearing the market risk. We also formulated a list of annual market risk exposure limits for treasury transaction and investment and refined exchange rate risk, loss and wealth management product limits. As a result, the management of market risk exposure limit was enhanced.

Interest Rate Risk Analysis

As at the end of 2010, the negative accumulative gap sensitive to interest rate due within one year was RMB776,386 million, representing a decrease of RMB229,408 million in absolute terms compared to the end of last year.

Interest Rate Risk Gap

In millions of RMB

	Within 1 month	1–3 months	3–12 months	1 year and below, sub-total	1–5 years	Over 5 years	Non-interest earning
31 December 2010	(2,392,729)	704,969	911,374	(776,386)	147,712	1,052,323	(7,731)
31 December 2009	(2,160,613)	842,107	312,712	(1,005,794)	266,780	1,018,594	(56,320)

Note: Please refer to "Note 51 to Financial Statements: Market Risk" for details.

Interest Rate Sensitivity Analysis

In millions of RMB

	31 December 2010		31 December 2009	
Movements in basis points	Movements in net interest income	Movements in other comprehensive income	Movements in net interest income	Movements in other comprehensive income
Increased by 100 basis points	(13,638)	(15,273)	(12,516)	(14,826)
Decreased by 100 basis points	13,638	16,333	12,516	15,851

The above interest rate sensitivity analysis indicates the movements in net interest income and other comprehensive income under different interest rates, assuming that there is a parallel shift in the yield curve and in interest rates, and without taking into account any risk management measures adopted by the management to reduce interest rate risk.

Based on our assets and liabilities as at 31 December 2010, net interest income for the year immediately following 31 December 2010 will decrease (or increase) by RMB13,638 million if interest rates immediately increase (or decrease) by 100 basis points. Other comprehensive income will decrease by RMB15,273 million, if interest rates immediately increase by 100 basis points, or increase by RMB16,333 million if interest rates immediately drop by 100 basis points.

Exchange Rate Risk Analysis

Our exchange rate risk is mainly the exposure risk arising from the exchange rate of USD against RMB. In 2010, the average exchange rate of RMB appreciated against USD accumulatively by 2,055 basis points or 3.1%. As at the end of 2010, our net foreign exchange exposure of domestic financial assets/liabilities was USD-230 million, representing a decrease of USD4,647 million compared to the end of last year primarily, because the Bank conducted relevant hedging transactions to eliminate exchange risks, which reduced the net foreign exchange exposure of financial assets/liabilities.

Foreign Exchange Exposure

In millions of RMB

	31 December 2010		31 December 2009	
	RMB	USD equivalent	RMB	USD equivalent
Net foreign exchange exposure of domestic financial assets/liabilities	(30,117)	(4,547)	26,706	3,911
Net foreign exchange exposure of overseas financial assets/liabilities	28,593	4,317	3,456	506
Net foreign exchange exposure of domestic and overseas financial assets/liabilities	(1,524)	(230)	30,162	4,417

Note: Please refer to "Note 51 to Financial Statements: Market Risk" for details.

Exchange Rate Sensitivity Analysis

In millions of RMB

Currency	Increase/decrease in exchange rate of foreign currency against RMB	Impact on profit before tax 31 December 2010	Impact on profit before tax 31 December 2009
USD	+1%	(247)	269
	-1%	247	(269)
HKD	+1%	(54)	3
	-1%	54	(3)

Foreign currency assets and liabilities held by the Bank were mainly denominated in USD and HKD. Based on the exchange rate exposure as at the end of the reporting period, the profit before tax will decrease (or increase) by RMB247 million if USD appreciates (or depreciates) against RMB by 1%.

Liquidity Risk

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 in response to asset growth or to fulfill payment obligations. Our liquidity risk mainly derives from concentrated cash withdrawals, massive deferred payments by borrowers, serious mismatches of assets and liabilities and the difficulties in liquidating large-value assets.

The objective of liquidity risk management is to identity, measure, monitor and report the liquidity risk effectively by establishing a sound liquidity risk management mechanism in order to ensure that the liquidity requirement and the obligation to pay can be satisfied in different situations and to balance the efficiency and security of our capital.

Liquidity Risk Management

In 2010, the PBOC controlled the liquidity in the market by increasing the statutory deposit reserve ratio and conducting open market operations. The Bank closely monitored the policies and market changes and managed liquidity risks with various measures and tools. Through real-time monitoring the cash reserve ratio of the Bank and forecasting daily liquidity, analyzing the macroeconomic in weekly meetings, analyzing liquidity risk monthly and carrying out quarterly stress testing, liquidity risks are measured and monitored. The Bank put effort into marketing for deposits and maintaining smooth financing channel in the market in order to maintain a healthy liquidity and stable liability position. The Bank established a model for coordinating customers' behavior, adjusted dynamically and monitored contractual cash flow. The Bank established an index system for alerting and supervising liquidity risk of head office and sub-branches to regularly monitor and indicate risks. The Bank also optimized the stress testing model for conducting minimum-term survival stress test regularly, and implemented contingency exercises for improving the ability in liquidity emergency handling.

Liquidity Risk Analysis

In 2010, macroeconomic environment was very complicated and the monetary policy was tightened gradually. The statutory deposit reserve ratio increased six times and the interest rate was hiked twice during the year. The liquidity of the inter-bank market contracted from the middle of the year. Market interest rate was hiked gradually with increasing volatility. Therefore, the potential risk of liquidity was higher.

The Bank closely monitored the changes in monetary policies and growth of deposits and loans, dynamically adjusted the liquidity management strategies, and rationalized the term of investment and financing. By adjusting the policy of deposits with banks and other financial institutions, enhancing the forecast of large amounts of cash flow and enhancing the application of short-term capital, the operating income increased, while the payment obligations were performed in ordinary course. As a result, the liquidity and profitability of capital were both achieved and the liquidity position was secured during the year.

Liquidity Gap Analysis

The table below sets out net position as at the dates indicated.

In millions of RMB

	Past due/ undated	On demand	Within 1 month	1–3 months	3–12 months	1–5 years	Over 5 years	Total
2010	1,736,220	(5,715,521)	259,754	(44,614)	280,782	1,465,927	2,433,370	415,918
2009	1,229,392	(4,610,962)	11,497	187,297	90,335	1,212,325	2,103,376	223,260

Note: Please refer to "Note 51 to Financial Statements: Liquidity Risk" for details.

The Bank assessed liquidity risk through liquidity gap analysis. As at the end of 2010, the gap of liquidity repayable on demand increased primarily due to the fluctuation in capital markets, the expectation of interest hikes and a relatively rapid growth of the current liability. With the expectation that the PBOC would continue to raise statutory deposit reserve ratio to tighten the market liquidity, the Bank actively optimized the maturity term structure and increased the proportion of assets due within one month properly in order to maintain a sufficient medium and short term liquidity and satisfy daily payment.

Operational Risk Management and Anti-Money Laundering

Operational Risk Management

Operational risk refers to the risk or loss resulting from inadequate or failed internal control procedures, from human or information system related factors, or from external events, including legal risk, but not including strategy risk or reputation risk.

The Bank established three lines of defense for operational risk management. The first line is operational department, the second line is risk management departments and internal control and compliance departments, and the third line is audit office.

In 2010, the Bank further stepped up the operational risk management mechanism, optimized the information system for operational risk management, and enhanced operational management and internal controls. We prepared guidelines for establishments to monitor major risks. We designated the risk compliance managers to supervise and assess the front-line operation risks regularly and enhanced the prevention measures of operations risks in establishments. We developed the standards for classification and bank-wide evaluation and measurement of operational risks. We streamlined the bank-wide potential risks and assessed risk on bank cards, e-banking, and IT. We identified potential risks and risk levels qualitatively and quantitatively with the methods and tools covering risk identification, management and self-evaluation of operation risk and analysis on missing data. We also developed the reform and assessment mechanism. We created the bank-wide operational risk data warehouse and strengthened data collection of operational risk loss. We actively established a back office and developed various back office core systems in order to speed up the implementation of back office functions, including centralized operation, centralized supervision, centralized authorization and centralized reconciliation. The Bank also enhanced regulatory assessment, identification of legal risks and contract management. The operational risk management system was established to report, monitor, assess and measure the operational risks.

Anti-Money Laundering

In 2010, the Bank further improved the internal control of anti-money laundering (AML) management, enhanced the quality of AML data reporting and fulfilled the responsibility of AML. We enhanced the internal control procedures and optimized the internal control mechanism of AML. We carried out on-site AML inspections and improved AML performance and the compliance of the relevant businesses. We enhanced awareness of suspicious risk reports and devoted more technical and human resources to improve the quality of reports related to substantial and suspicious transactions. We also provided AML training and improved the overall AML ability of the Bank. We stepped up supervision on terrorism financing and coordinated AML inspection efforts. Customers' risks were classified and customer information and transaction records were maintained in accordance with relevant regulations. We cooperated with relevant authorities to prevent and fight against money laundering.

Reputation Risk Management

Reputation risk refers to risks resulting from negative feedback from related stakeholders due to the operation, management or other acts of the Bank or external events.

Reputation risk management of the Bank was placed under the corporate governance mechanism and comprehensive risk management system so as to establish and refine the reputation risk management mechanism. The Bank put effort in preventing reputational risks and addressing reputational risk events in order to minimize loss resulting from reputation risks.

During the reporting period, the Bank formulated the Management Measures on Reputation Risks and established a reputation risk management system covering all business lines and all levels of departments, identified the division of responsibilities, reporting system, handling procedures and subsequent evaluation system of reputation risks management, and reputation risk management was included in the criteria of integrated due diligence assessment of the whole Bank. The Bank improved the management level of reputation risk by setting up a reputation risk management team. The Bank also strengthened the communication with regulators and media, submitted reports and forecasts of reputation risk to regulators and conducted examination on reputation risks regularly. Awareness of reputation risk prevention increased substantially through educating and cultivating management culture of reputation risks to employees.

Capital Management

We take capital as the object and tool to conduct capital management through measurement, planning, allocation, monitoring, evaluation and application, and coordinate the overall operation of book capital, regulatory capital and economic capital. During the reporting period, we formulated administrative measures on capital adequacy ratios and economic capital and measures on economic capital supervision and assessment, and established the capital management system. We conducted quantitative measurements on the New Capital Accord regularly and improved our internal model according to the measurement results in order to enhance the quality of capital management. The Bank also formulated the capital planning for 2010–2012, which set out the basic principles on capital management, objectives of capital adequacy ratio, capital replenishment mechanism and capital management measures. During the planning period, we replenished the capital by retaining profits and strengthened capital management capability and maintained the capital adequacy ratio at a reasonable level by strengthening profitability, exploring capital enhancement tools, refining capital control mechanism, establishing capital adequacy assessment procedures and strengthening capital planning management.

Financing Management

The aims of financing management of the Bank were to utilize various capital instruments reasonably, refine our capital base and structure and reduce capital costs.

For details of financing in the initial public offering of the Bank, please refer to "Changes in Share Capital and Shareholdings of Substantial Shareholders — Details of Issuance and Listing of Securities" in this annual report.

Economic Capital Allocation and Management

In 2010, we reinforced the gross economic capital constraint and limit control, strengthened the coordination and management of economic capital, regulatory capital and book capital, and refined the allocation mechanism of economic capital. Business expansion of branches was placed under strict constrains of its own accumulated capital. The business expansion model of the Bank transformed from scale-oriented to expansion with capital constrains. The Bank applied more diversified tools and methods for the management of economic capital, and the capital management information system officially commenced operation. The Bank introduced economic capital assessment management in addition to economic capital allocation and increased the application of economic capital. The Bank continued to enhance the knowledge training of allocation, execution and control, supervision and analysis of economic capital and nurture the concept of economic capital constrains.

Capital Adequacy Ratio

We calculated and disclosed the capital adequacy ratio in accordance with the Administrative Measures on the Capital Adequacy Ratio of Commercial Banks promulgated by the CBRC and relevant regulatory requirements. In 2010, with the rapid development of our businesses and significant growth of our risk-weighted assets, we enhanced the capital base through issuing new shares and retaining profits to ensure the capital size and capital adequacy fulfilled the business development needs and regulatory requirements. As at the end of 2010, our capital adequacy ratio and core capital adequacy ratio were 11.59% and 9.75% respectively, up by 1.52 and 2.01 percentage points, respectively, compared to the end of the previous year.

Capital Adequacy Ratio

In millions of RMB

Item	31 December 2010	31 December 2009
Core capital:		
Share capital	324,794	260,000
Capital reserves	96,602	—
Surplus reserve and general risk reserves	75,577	18,448
Unappropriated profit[1]	27,945	59,817
Minority interest	165	106
Total core capital	525,083	338,371
Supplementary capital:		
General allowance of impairment loans	49,567	66,057
Reserve of fair value changes of available-for-sale financial assets	—	2,312
Long-term subordinated bonds	50,000	50,000
Cumulative gain in fair value	248	—
Total supplementary capital	99,815	118,369
Total capital base before deductions	624,898	456,740
Deductions:		
Equity investments which are not consolidated	774	197
Other deductible item[2]	—	16,194
Total capital base after deductions	624,124	440,349
Risk-weighted assets and market risk capital adjustment	5,383,694	4,373,006
Core capital adequacy ratio[3]	**9.75%**	**7.74%**
Capital adequacy ratio[3]	**11.59%**	**10.07%**

Notes:
1. *The unappropriated profit as at 31 December 2010 has deducted the cash dividends to be declared in the second half of 2010 as proposed by the Board of Directors.*
2. *Deductions of other long-term subordinated bonds held by the Bank as required by the Notice on Optimizing the Mechanism of Capital Replenishment of Commercial Banks issued by the CBRC in 2009.*
3. *Capital adequacy ratio and core capital adequacy ratio as at 31 December 2009 have not deducted the cash dividend of 2009 totaling RMB20 billion, which were planned to be distributed to all shareholders whose names appeared on the register on 31 December 2009. If the above-mentioned cash dividend of 2009 planned to be distributed were deducted from the core capital, the capital adequacy ratio and the core capital adequacy ratio as at 31 December 2009 would be 9.61% and 7.28%.*

Outlook

With the implementation of the 12th Five-year Plan of the PRC, we believe that economic transformation will achieve remarkable progress in the future in line with the rapid domestic economic growth, which will create more favourable operating environment and bring more business opportunities to the Bank. In particular, urbanization, agricultural modernization and economic development in County Areas will provide good opportunities for us to expand the markets in County Areas, allowing us to create returns for our shareholders by fully capitalizing on the potential advantages of our differentiated market positioning.

In the face of the aftermath of the global financial crisis, the European sovereign debt crisis and the US quantitative easing monetary policy, obstacles remain in the global economic recovery process. In the meantime, the Chinese economy is facing the pressure of deceleration in economic growth, adjustment to macroeconomic policies and increasing difficulty in inflation control.

As for the banking industry, besides coping with the changes of macro economy, both home and abroad, the industrial development is also under various challenges. Firstly, with the restructuring of national economy and more stringent macro-economic control, pressure for risk control arising from the rapid loan growth since 2009 is emerging. Secondly, the developing pace of market-oriented interest rates and reform of RMB exchange rates mechanism will directly hamper the capabilities of risk-based pricing and assets allocation of banks. Since the profitability and development prospects will be affected, expedition of the business transformation becomes the top of the list. Thirdly, the CBRC has further reinforced its prudential regulation on the banking industry after the promulgation of Basel Agreement III, and commercial banks will be subject to more strict capital constraint. Accordingly, enhancing capital efficiency will be an important task for all commercial banks.

In 2011, with a view towards building a leading listed commercial bank, we will continue to improve our corporate governance, strengthen the management foundation and the capital constraint, and effectively control risks. We will enhance our core competitiveness and sustainability to cope with all kinds of risks and challenges from the uncertainties.

Firstly, we will capitalize on the opportunity arising from the national 12th Five-year Plan to push forward the business transformation. According to the regional development strategies of the State and the development strategy in major cities, we will further expand our business presence and loan facilities provided to specialized economic development areas, such as key economic development zones and State-level industrial zones. Increased financial services will be provided to some of the emerging strategic industries including information technology, energy conserving and environmental protection, new energy resources, modern services, modern energy and integrated logistics system. We will seize the opportunities arising from the national strategies of boosting domestic demand and consumption and increasing household income, to facilitate the strategic transformation of retail business and cater for the increasing demand for investment and wealth management, consumption credit facilities and payment via E-banking. Capitalizing on the great opportunity brought by the agricultural modernization and rapid growth of the county economy, we will further improve the service quality of our County Area Banking Business in order to solidify our leading position in the county market. We will also actively expand the new rural insurance and new rural cooperative business by fully utilizing Huinong Card and further enhance our strategic value.

Secondly, we will enhance the capital constraint and further optimize our sustainable development mechanism. We will be committed to transforming our business operations from a capital-intensive model to capital-efficiency model and enhancing capital management by maintaining our capital at a reasonable level. Based on the target capital adequacy ratio and capital supply, we will manage the total amount of economic capital reasonably and enhance its value creativity through improving the supervision and implementing economic capital assessment. We will strategically promote the development of fee- and commission-based businesses by consolidating and expanding the market share of our traditional leading businesses and actively developing high valued-added services, including investment banking and cash management. We will increase the profit contribution from the treasury business by refining our bonds and notes portfolio, expanding our bonds and wealth management product offerings, developing the derivatives and precious metal business, and setting up a worldwide 24-hour trading network.

Thirdly, we will accelerate the development of a comprehensive risk management system, and strengthen the risk control of key industries. We will further improve our risk governance mechanism. The Board will perform its core function of balancing the business development and risk management, and formulating risk management strategy and risk preference. Focusing on the advanced internal ratings-based approach for credit risk, internal models for market risk and advanced measurement approaches for operational risks, we will accelerate the development and application of quantitative risk management tools to enhance the application of risk management measures. Risk management and control in major fields will also be strengthened by implementing quota management and list-based management on specific industries according to the national macro-control measures. We proactively strengthen the risk control by providing loan guarantees and source of repayment, implementing risk assessment on customers and loan obligation management, and reinforcing the risk supervision, measurement and mitigation.

Fourthly, we will further strengthen our management foundation. Corporate governance will be further improved and move towards standardization and systematization with our own characteristics. We will continue to push forward the transformation of operational management from function-oriented to process-oriented. Integrated reforms of financial management will be enhanced and the system of performance-based management and mechanism of resources allocation will be improved. We will leverage on operation scale, pace, structure, efficiency and quality and realize the transformation from scale expansion towards value creation. We will adapt to the new requirements of establishing a leading IT bank, strengthen the information technology foundation and put more emphasis on the integration of operations and technologies. Customer experience, information utilization, process support as well as operation security will be highly valued. We will also enhance the integrated management of structure, application, statistics, resources and team building, and upgrade our overall IT capability.

Changes in Share Capital

Details of changes in share capital

Unit: Share

	31 December 2009		Increase/decrease during the reporting period(+/-)			31 December 2010	
	Number of shares	Percentage (%)	New shares issued	Others	Subtotal	Number of shares	Percentage (%)
1) Shares subject to restrictions on sales	**260,000,000,000**	**100.0**	**38,528,625,000**	**-6,547,322,096**	**31,981,302,904**	**291,981,302,904**	**89.9**
1. State-owned shares	260,000,000,000	100.0	10,000,000,000	-1,515,294,096	8,484,705,904	268,484,705,904	82.7
2. Shares held by other domestic investors	—	—	15,260,263,000	-5,032,028,000	10,228,235,000	10,228,235,000	3.1
3. Shares held by foreign investors	—	—	13,268,362,000	—	13,268,362,000	13,268,362,000	4.1
2) Shares not subject to restrictions on sales	**—**	**—**	**26,265,492,000**	**6,547,322,096**	**32,812,814,096**	**32,812,814,096**	**10.1**
1. RMB — denominated ordinary shares	—	—	10,310,325,000	5,032,028,000	15,342,353,000	15,342,353,000	4.7
2. Foreign — invested shares listed overseas	—	—	15,955,167,000	1,515,294,096	17,470,461,096	17,470,461,096	5.4
3) Total number of shares	**260,000,000,000**	**100.0**	**64,794,117,000**	**—**	**64,794,117,000**	**324,794,117,000**	**100.0**

Notes: 1. "Shares subject to restrictions on sales" refer to the shares held by shareholders who are subject to restrictions on sales in accordance with laws, regulations and rules or undertakings.

2. "State-owned shares" refer to the shares held by the MOF, Huijin, the SSF and the SSF-Account III managed by the SSF. "Shares held by other domestic investors" refer to the shares held by strategic investors of A shares and the allottees of A shares under off-line placement. "Shares held by foreign investors" refer to the shares held by foreign cornerstone investors. "Foreign invested shares listed overseas" refer to the H shares as defined in "No. 5 Standards on the Content and Format of Information Disclosure of Companies with Public Offerings — Content and Format of the Report of Change in Corporate Shareholding" (Revision 2007) of the CSRC.

3. "Others" refer to the shares converted from state-owned shares within or outside the PRC as a result of the initial public offerings, the shares which are released from restrictions on sales and held by the allottees of the A shares under off-line placement who are originally subject to such restrictions. Positive numbers represent increases whereas negative numbers represent decreases. Pursuant to the requirements of transfer and disposal of state-owned shares in domestic and foreign capital markets and the "Approval regarding the Transfer of State-owned Shares of Agricultural Bank of China by the MOF" (Cai Jin Han [2010] No.44), the MOF and the SSF performed their obligations in the form of share transfer, while Huijin performed its obligation in the form of one-off cash payment, respectively. Shares transferred to the A share account of the SSF are subject to the lock-up period which was imposed on the transferring state-owned shareholders. Shares transferred to the H share account of the SSF are not subject to the lock-up period and become the outstanding shares listed overseas.

4. During the reporting period, there were changes in the number of shares since the Bank issued shares to the SSF, and the regulatory authorities approved the issuances of A shares and H shares in the PRC and Hong Kong, respectively. Details of the above are set out in the "Details of Issue and Listing of Securities" in this section. The transfers of shares under the initial public offerings were completed in the Shanghai Branch of China Securities Depository and Clearing Corporation Limited and Computershare Hong Kong Investor Services Limited, respectively.

Details of changes in shares subject to restrictions on sales

Unit: Share

Name of shareholders	Number of shares subject to restrictions on sales as at the beginning of the year	Number of shares released/ decreased from restrictions on sales during the year	Increase in the number of shares subject to restrictions on sales during the year	Number of shares subject to restrictions on sales as at the end of the year	Reason for restrictions on sales	Date of release of restrictions on sales
MOF[1]	130,000,000,000	2,638,235,263	—	127,361,764,737	Restrictions upon issuance	15 July 2013
Huijin	130,000,000,000	—	—	130,000,000,000	Restrictions upon issuance	15 July 2013
SSF[2]	—	108,235,293	11,231,176,460	11,122,941,167	Restrictions upon issuance	15 July 2013 15 May 2015
Strategic investors of A shares[3]	—	—	10,228,235,000	10,228,235,000	Restrictions upon issuance	15 July 2011 15 January 2012
Allottees of A shares under offline placement	—	5,032,028,000	5,032,028,000	—	Restrictions upon issuance	15 October 2010
Cornerstone investors of H shares[4]	—	—	13,268,362,000	13,268,362,000	Restrictions upon issuance	16 January 2011 16 July 2011
Total	**260,000,000,000**	**7,778,498,556**	**39,759,801,460**	**291,981,302,904**	**—**	**—**

Notes:

1. *Shares subject to restrictions on sales held by the MOF decreased due to the transfer of stated-owned shares.*
2. *It represents the shares held by the SSF and the shares held by the SSF-Account III managed by the SSF pursuant to the requirements of state-owned shares transfer. Among which, the shares held by the SSF which are subject to restrictions on sales decreased due to the transfer the state-owned shares to its H share account pursuant to the performance of obligation by itself and subsequently these shares are no longer subject to restrictions on sales.*
3. *The lock-up period of 50% of shares held by strategic investors of A shares was 12 months from the listing date of A shares, while the lock-up period of the remaining 50% shares was 18 months from the listing date of A shares.*
4. *The lock-up period of shares held by six cornerstone investors of H shares, including Qatar Investment Authority, was 12 months from the listing date of H shares. The lock-up period of 50% of shares held by the other cornerstone investors was six months from the listing date of H shares and the remaining 50% of shares held by them was 12 months from the listing date of H shares.*

The trading date of shares subject to restrictions on sales

Unit: Share

Date	Number of new shares for trading upon the expiry of the restrictions on sales	The remaining number of shares subject to the restrictions on sales	The remaining number of shares not subject to the restrictions on sales	Description
15 October 2010	5,032,028,000	291,981,302,904	32,812,814,096	Allottees of A shares under off-line placement
16 January 2011	912,960,000	291,068,342,904	33,725,774,096	Cornerstone investors of H shares
15 July 2011	5,114,117,500	285,954,225,404	38,839,891,596	Strategic investors of A shares
16 July 2011	12,355,402,000	273,598,823,404	51,195,293,596	Cornerstone investors of H shares
15 January 2012	5,114,117,500	268,484,705,904	56,309,411,096	Strategic investors of A shares
15 July 2013	258,592,941,197	9,891,764,707	314,902,352,293	A shares held by the MOF and Huijin, and A shares transferred to the SSF from the MOF[1]
15 May 2015	9,891,764,707	—	324,794,117,000	A shares held by the SSF, and A shares transferred to the SSF by itself

Note: 1. A shares held by the MOF and Huijin are not subject to the above lock-up period of 36 months after the approval of conversion to H Shares by the relevant authority.

The shareholdings of top 10 shareholders subject to restrictions on sales and the terms of restrictions on sales

Unit: Share

No.	Shareholders subject to restrictions on sales	Number of shares subject to restrictions on sales held	Date of trading	Numbers of new shares for trading	Restrictions on sales
1	Huijin	130,000,000,000	15 July 2013	130,000,000,000	36 months
2	MOF	127,361,764,737	15 July 2013	127,361,764,737	36 months
3	SSF[1]	11,122,941,167	15 July 2013	1,231,176,460	36 months
			15 May 2015	9,891,764,707	58 months
4	Qatar Investment Authority	6,816,775,000	16 July 2011	6,816,775,000	12 months
5	Kuwait Investment Authority	1,947,650,000	16 July 2011	1,947,650,000	12 months
6	Standard Chartered Bank	1,217,281,000	16 July 2011	1,217,281,000	12 months
7	China Life Insurance Company Limited — Dividend distribution — Individual dividend — 005L — FH002 Hu	1,188,757,000	15 July 2011	594,378,500	12 months
			15 January 2012	594,378,500	18 months
8	State Grid Asset Management Company Limited	746,268,000	15 July 2011	373,134,000	12 months
			15 January 2012	373,134,000	18 months
9	China National Tobacco Corporation	746,268,000	15 July 2011	373,134,000	12 months
			15 January 2012	373,134,000	18 months
10	China Railway Construction Investment Company	742,974,000	15 July 2011	371,487,000	12 months
			15 January 2012	371,487,000	18 months

Note: 1. It represents the shares held by the SSF and the shares held by the SSF-Account III managed by the SSF pursuant to the requirements of state-owned shares transfer.

Details of Issuance and Listing of Securities

On 21 April 2010, the SSF entered into the Share Subscription Agreement of Agricultural Bank of China Limited with the MOF, Huijin and the Bank, pursuant to which the SSF subscribed for 10,000,000,000 shares newly issued by the Bank for a total consideration of approximately RMB15.52 billion.

On 15 and 16 July 2010, the shares of the Bank were listed on the Shanghai Stock Exchange and the Hong Kong Stock Exchange, respectively. The total number of A shares and H shares offered in the initial public offerings was approximately 54,790 million shares, representing 16.87% of the Bank's total share capital after the initial public offerings. Of which, there were approximately 25,570 million A shares and approximately 29,220 million H shares, representing 7.87% and 9.00% of the Bank's total share capital after the initial public offerings, respectively. The over-allotment options of A shares and H shares were exercised in full. The offer prices of A shares and H shares were RMB2.68 and HKD3.20, respectively. The total proceeds from the initial public offerings of A shares and H shares were approximately USD22.1 billion, of which approximately RMB68.5 billion was proceeds from the issuance of A shares. After deducting the expenses of the issuance, all the proceeds were used to strengthen the capital base of the Bank. The Bank had a total of 324,794,117,000 shares in the share capital, comprising 294,055,293,904 A shares and 30,738,823,096 H shares, upon the completion of the initial public offerings of A shares and H shares.

The Bank had no employee shares.

Particulars of Shareholders

The number of shareholders and particulars of shareholding

As at the end of the reporting period, the Bank had a total of 620,299 shareholders, including 32,609 H share shareholders and 587,690 A share shareholders.

Particulars of shareholding of the top 10 shareholders (the shareholding of H share shareholders is based on the data set out in the register of members of the Bank maintained in the H shares registrar)

Unit: Share

Total number of shareholders 620,299 (as set out in the registers of A shares and H shares as at 31 December 2010)

Particulars of shareholding of the top 10 shareholders
(the data below based on the registers of shareholders as at 31 December 2010)

Name of shareholders	Nature of shareholders	Type of shares	Shareholding percentage (%)	Total number of shares held	Number of shares subject to restrictions on sales held	Number of pledged or locked-up shares
Huijin	State-owned	A shares	40.03	130,000,000,000	130,000,000,000	None
MOF	State-owned	A shares	39.21	127,361,764,737	127,361,764,737	None
Hong Kong Securities Clearing Company Nominees Limited	Overseas legal entity	H shares	8.89	28,889,057,076	11,564,169,000	Unknown
SSF	State-owned	A shares	3.02	9,797,058,826	9,797,058,826	None
Ping An Life Insurance Company of China, Ltd. — Traditional — Ordinary Insurance Products	Other	A shares	0.44	1,441,773,826	—	None
SSF-Account III for state-owned shares transfer	State-owned	A shares	0.41	1,325,882,341	1,325,882,341	None
Fortune Trust Investment Company Limited — Single Unit Trust Fund R2008ZX013	Other	A shares	0.38	1,244,100,089	—	None
Standard Chartered Bank	Overseas legal entity	H shares	0.37	1,217,281,000	1,217,281,000	Unknown
China Life Insurance Company Limited — Dividend distribution — Individual dividend — 005L — FH002 Hu	Other	A shares	0.37	1,188,757,000	1,188,757,000	None
State Grid Asset Management Company Limited	State-owned legal entity	A shares	0.23	746,268,000	746,268,000	None
China National Tobacco Corporation	State-owned legal entity	A shares	0.23	746,268,000	746,268,000	None

Note: The H shares were held by the Hong Kong Securities Clearing Company Nominees Limited on behalf of a number of beneficial owners.

Apart from the SSF-Account III which is managed by the SSF, the Bank is not aware of any connections between the above shareholders or whether they are parties acting in concert.

Unit: Share

Particulars of shareholding of the top 10 shareholders not subject to the restrictions on sales
(the data below was based on the register of shareholders as at 31 December 2010)

Name of shareholders	Number of shares not subject to restrictions on sales	Type of shares
Hong Kong Securities Clearing Company Nominees Limited	17,324,888,076	H shares
Ping An Life Insurance Company of China, Ltd. — Traditional — Ordinary Insurance Products	1,441,773,826	A shares
Fortune Trust Investment Company Limited — Single Unit Trust Fund R2008ZX013	1,244,100,089	A shares
CNOOC Finance Corporation Limited	446,045,014	A shares
Sino Life Insurance Co., Ltd — Investment Plan — Investment Plan of Personal Insurance	425,044,929	A shares
Ping An Life Insurance Company of China, Ltd. — Proprietary capital	334,533,697	A shares
ICBC-Credit Suisse Fund Management Co., Ltd — Agricultural Bank of China — ABC Enterprise Annuity Council	296,021,712	A shares
Taiping Life Insurance Company Limited — Traditional — Ordinary Insurance Products — 022L — CT001 Hu	242,722,782	A shares
UBS AG	234,926,718	A shares
China Pacific Life Insurance Co., Ltd. — Dividend distribution — Individual dividend	230,580,000	A shares

Apart from Ping An Life Insurance Company of China, Ltd. — Traditional — Ordinary Insurance Products which is managed by Ping An Life Insurance Company of China Ltd., the Bank is not aware of any connections between the above shareholders or whether they are parties acting in concert.

Shareholdings of substantial shareholders

During the reporting period, the Bank's substantial shareholders and the de facto controller remained unchanged.

MOF

The MOF, established in October 1949, is a ministry under the State Council, and is empowered to perform its duties in respect of state finance and tax.

As at 31 December 2010, the MOF held 127,362 million shares of the Bank, accounting for 39.21% of the total share capital of the Bank.

Huijin

Huijin was established on 16 December 2003. It is a wholly state-owned company invested by the State according to the Company Law of the PRC with a registered capital of RMB552,117 million and a paid-in capital of RMB552,117 million. Mr. Lou Jiwei is the legal representative. Huijin is a wholly-owned subsidiary of China Investment Corporation. It is authorized by the State Council to make equity investment in state-owned key financial institutions, exercise the rights and perform the obligations as an investor in such financial institutions to the extent of its capital contribution on behalf of the State in accordance with the laws, in order to preserve and appreciate the value of the state-owned financial assets. Huijin does not engage in other commercial activities or intervene in the normal operation of major state-owned financial enterprises in which Huijin is interested.

As at 31 December 2010, Huijin held 130 billion shares of the Bank, accounting for 40.03% of the total share capital of the Bank.

As at 31 December 2010, there was no corporate shareholder who held more than 10% equity interest in the Bank, excluding Hong Kong Securities Clearing Company Nominees Limited.

Interests and Short Positions in Shares and Underlying Shares Held by Substantial Shareholders and Other Persons

As at 31 December 2010, the following persons had or were deemed to have interests or short positions in shares or underlying shares of the Bank which are recorded in the register required to be kept pursuant to Section 336 of the Securities and Futures Ordinance of Hong Kong:

Unit: Share

Name	Capacity	Number of shares held	Nature	Percentage of issued class shares (%)	Percentage of total issued shares (%)
MOF	Beneficial owner/ nominee[1]	138,682,352,926 (A shares)	Long position	47.16	42.70
Huijin	Beneficial owner	130,000,000,000 (A shares)	Long position	44.21	40.03
Qatar Investment Authority	Interests of controlled entity[2]	6,816,775,000 (H shares)	Long position	22.18	2.10
Qatar Holding LLC	Beneficial owner	6,816,775,000 (H shares)	Long position	22.18	2.10
Capital Research and Management Company	Investment manager	4,036,462,000 (H shares)	Long position	13.13	1.24

Note: 1. *10,976,470,582 A shares are held by the SSF but the voting rights of these shares were transferred to the MOF according to the abovementioned share subscription agreement dated 21 April 2010 and the Approval on the Proposed Transfer of State-owned Shares of the Agricultural Bank of China Limited issued by the MOF on 5 May 2010.*

2. *Qatar Investment Authority is deemed to be interested in 6,816,775,000 H shares of the Bank held by Qatar Holding LLC, a 100% subsidiary of Qatar Investment Authority.*

Our Directors

Name	Position	Gender	Age	Tenure
Xiang Junbo	Chairman, Executive Director	Male	53	2009.01–2012.01
Zhang Yun	Vice Chairman, Executive Director, President	Male	51	2009.01–2012.01
Yang Kun	Executive Director, Executive Vice President	Male	52	2009.01–2012.01
Pan Gongsheng	Executive Director, Executive Vice President	Male	47	2010.04–2013.04
Lin Damao	Non-Executive Director	Male	56	2009.01–2012.01
Zhang Guoming	Non-Executive Director	Male	55	2009.01–2012.01
Xin Baorong	Non-Executive Director	Female	59	2009.01–2012.01
Shen Bingxi	Non-Executive Director	Male	58	2009.01–2012.01
Cheng Fengchao	Non-Executive Director	Male	51	2009.01–2012.01
Anthony Wu Ting-yuk	Independent Non-Executive Director	Male	56	2009.01–2012.01
Qiu Dong	Independent Non-Executive Director	Male	53	2009.01–2012.01

Note: The table sets out certain information of the directors as at the date when the Board approved the 2010 Annual Report. Please refer to "Appointments and Removals" in this section on the information relating to the change of directors (including proposed directors).

XIANG Junbo Chairman, Executive Director

Mr. XIANG Junbo received a PhD in law from Peking University and is a Research Fellow. He has served as Chairman of the Board of Directors and Executive Director of the Bank since January 2009. 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; and director of the Personnel and Education Department of the NAO from 1999 to 2002. Mr. Xiang served 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 became President of the Bank in June 2007 and was elected as alternate member of the 17th CPC Central Committee in October 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.

ZHANG Yun Vice Chairman, Executive Director, President

Mr. ZHANG Yun received a PhD in economics from Wuhan University and is a Senior Economist. He has served as Vice Chairman, Executive Director and President of the Bank since January 2009. Mr. Zhang previously served successively as deputy president of Shenzhen branch of the Bank, deputy president of Guangdong branch, and president of Guangxi Autonomous Region branch. Mr. Zhang was appointed as executive assistant president and general manager of Personnel Department of the Bank in March 2001, and executive vice president of the Bank in December 2001. Mr. Zhang currently serves as president of County Area Banking Business Division, chairman of County Area Banking Business management committees and vice president of National Association of Financial Market Institutional Investors.

YANG Kun Executive Director, Executive Vice President

Mr. YANG Kun received a Master's degree in economics from Nankai University and is a Senior Economist. He has served as Executive Director and Executive Vice President of the Bank since January 2009. Mr. Yang previously served successively in the Bank as deputy general manger of the Personnel and Education Department, deputy general manager of the Agency Business Department, general manager of the Market Development Department and president of Anhui branch. Mr. Yang had served concurrently as executive assistant president of the Bank and president of Anhui branch since January 2002. In November 2003, Mr. Yang had served as executive assistant president of the Bank and was appointed as executive vice president of the Bank in March 2004. Mr. Yang currently serves as chairman of the board of directors of ABC-CA Fund Management Co., Ltd. and chairman of the board of directors of ABC Financial Leasing Co., Ltd.

PANG Gongsheng Executive Director, Executive Vice President

Mr. PAN Gongsheng received a PhD in economics from and a Research Fellow of Renmin University of China. Mr. Pan is also an expert entitled to Government Special Allowance by the State Council. Mr. Pan is the member of the Eleventh Chinese People's Political Consultative Conference ("CPPCC") National Committee. He has served as Executive Vice President of the Bank since January 2009 and Executive Director of the Bank since April 2010. Mr. Pan previously served successively as 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 the 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 was appointed as executive vice president of the Bank since April 2008. Mr. Pan currently serves as an adjunct professor of Renmin University of China and chairman of the board of directors of ABC International Holdings Limited.

LIN Damao Non-Executive Director

Mr. LIN Damao received a Bachelor's degree and is an Accountant. He has served as non-executive director of the Bank since January 2009. Mr. Lin previously served successively 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.

ZHANG Guoming Non-executive Director

Mr. ZHANG Guoming received a Bachelor's degree and is an Accountant. He has served as non-executive director of the Bank since January 2009. 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 currently also serves as non-executive director of ABC International Holdings Limited.

XIN Baorong Non-Executive Director

Ms. XIN Baorong received a Bachelor's degree and is a Senior Engineer, a China Certified Public Accountant and a China Certified Asset Appraiser. She has served as non-executive director of the Bank since January 2009. Ms. Xin previously served successively 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.

SHEN Bingxi Non-Executive Director

Mr. SHEN Bingxi received a PhD in economics from Renmin University of China and is a Research Fellow. He has served as non-executive director of the Bank since January 2009. Mr. Shen previously served successively 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; and counsel of Financial Market Department of PBOC. Mr. Shen was a guest research fellow at University of Tokyo, and is now an adjunct professor of Zhejiang University and University of International Business and Economics.

CHENG Fengchao Non-executive Director

Mr. CHENG Fengchao received a PhD in management from Hunan University and is a Senior Accountant, a China Certified Public Accountant and a China Certified Asset Appraiser. He has served as non-executive director of the Bank since January 2009. Mr. Cheng previously served successively 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 School of Economics of Peking University and Beijing Technology and Business University, PhD supervisor of Hunan University, member of Committee for Restructuring of Listed Companies of the CSRC and independent director of Tongfang Co., Ltd. Currently, he is also the non-executive director of ABC International Holdings Limited.

Anthony WU Ting-yuk Independent Non-executive Director

Mr. Anthony WU Ting-yuk 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 CPPCC National Committee. He has served as independent non-executive director of the Bank since January 2009. Mr. Wu previously served successively as chairman of Far East and China, Ernst & Young PLL, 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; member of Hong Kong Commission on Strategic Development; member of Steering Committee on Community Care Fund; 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.

QIU Dong Independent Non-Executive Director

Mr. QIU Dong received a PhD in Economics and is a professor, PhD supervisor and an expert entitled to Government Special Allowance by the State Council. He once served as principal of Northeast Finance and Economics University and a representative of the Tenth National People's Congress. He is now a Changjiang scholar and distinguished guest professor of Tianjin University of Finance and Economics and the chairman of academic committee of National Accounting Research Institute of Beijing Normal University. He has served as independent non-executive director of the Bank since January 2009. Mr. Qiu is currently serving as vice president of National Accounting Society of China, vice president of Statistical Education Society of China, vice president of China Association of Market Information and Research; 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 National Bureau of Statistics of the PRC member of Economics Teaching Steering Committee for Universities and Colleges, Ministry of Education; member of the Advisory Committee of the National Bureau of Statistics of the PRC; member of National Statistical Teaching Material Editing and Censoring Committee, and member of Selection Committee for Science and Technology Progress Award on Statistics of China; an adjunct professor of Jinan University, Zhongnan University of Finance and Law, Southwestern University of Finance and Economics and Shanxi University of Finance and Economics, invited research fellow of Xi'an Statistics Research Institute and member of Editorial Board of Statistical Research and Finance & Trade Economics.

Supervisors

Name	Position	Gender	Age	Tenure
Che Yingxin	Chairman of the Board of Supervisors	Male	56	2009.01–2012.01
Pan Xiaojiang	Supervisor Representing Shareholders	Male	58	2009.01–2012.01
Wang Yurui	Supervisor Representing Employees	Male	55	2009.04–2012.04
Wang Xingchun	Supervisor Representing Employees	Male	46	2009.04–2012.04
Jia Xiangsen	Supervisor Representing Employees	Male	55	2009.04–2012.04

CHE Yingxin Chairman of the Board of Supervisors

Mr. CHE Yingxin holds a Bachelor's degree. He has served as chairman of the Board of Supervisors of the Bank since January 2009. Mr. Che previously served successively as governor of Lushi sub-branch, deputy governor of Luoyang branch, governor of Sanmenxia branch, president of Xinyang branch and 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.

PAN Xiaojiang Supervisor Representing Shareholders

Mr. PAN Xiaojiang received a PhD in management from Tsinghua University and is a Senior Economist and a China Certified Public Accountant. He has served as supervisor representing shareholders of the Bank since January 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 the Bank in July 2003. Mr. Pan is currently Office Director of the Board of Supervisors of the Bank.

WANG Yurui Supervisor Representing Employees

Mr. WANG Yurui holds a Bachelor's degree and is an Engineer. He was appointed as supervisor representing shareholders of the Bank in January 2009 and has served as supervisor representing employees of the Bank since April, 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; supervisor (at the director level) of the board of supervisors of Bank of Communications in August 2003; full-time supervisor (at the director level) of the Board of Supervisors of the Bank in August 2004; and full-time supervisor (at the deputy bureau level) of the Board of Supervisors of the Bank in April 2008. 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.

WANG Xingchun Supervisor Representing Employees

Mr. WANG Xingchun received a Master's degree in economics from the Graduate School of the PBOC and is a Senior Economist. He has served as supervisor representing employees of the Bank since April 2009. Mr. Wang previously served successively in 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 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 the Bank in February 2002; general manager of the Legal Affairs Department of the Bank in November 2003; general manager of the Legal and Compliance Department of the Bank in June 2006; general manager of the Legal Affairs Department of the Bank in July 2008; and branch principal of the Audit office of the Bank in January 2011.

JIA Xiangsen Supervisor Representing Employees

Mr. JIA Xiangsen graduated from a Master program in money and banking at the Chinese Academy of Social Sciences and is a Senior Economist. He has served as supervisor representing employees of the Bank since April 2009. Mr. Jia previously served successively as officer and deputy section chief of the PBOC Beijing Branch, and deputy director of the PBOC Fengtai District Office. Then Mr. Jia served in several positions in the Bank, including vice president of Beijing Fengtai sub-branch, deputy chief of the Education Division of Beijing branch, deputy director of the Credit Cooperation Management Department of Beijing branch and deputy chief of the Science and Technology Division of Beijing branch. Mr. Jia also once served as president of Beijing Dongcheng sub-branch and assistant to president of Beijing branch. Mr. Jia was appointed as vice president of Beijing branch of the Bank in November 1994, general manager of the Corporate Banking Department of the Bank in December 2000, president of Guangdong branch of the Bank in November 2003, principal of the Audit Office of the Bank in April 2008, and chief auditor and principal of the Audit Office of the Bank in March 2010.

Our Senior Management

Name	Position	Gender	Age	Tenure
Zhang Yun	Vice Chairman, Executive Director, President	Male	51	2009.01–
Yang Kun	Executive Director, Executive Vice President	Male	52	2009.01–
Zhu Hongbo	Executive Vice President, Secretary of the Party Discipline Committee	Male	48	2010.02–
Guo Haoda	Executive Vice President	Male	53	2009.01–
Pan Gongsheng	Executive Director, Executive Vice President	Male	47	2009.01–
Cai Huaxiang	Executive Vice President	Male	51	2010.02–
Li Zhenjiang	Secretary to the Board of Directors, Company Secretary	Male	40	2009.01–

For detailed biographies of Zhang Yun, Yang Kun and Pan Gongsheng, please see "Our Directors" above. The biographies of other senior management personnel are as follows:

ZHU Hongbo Executive Vice President, Secretary of the Party Discipline Committee

Mr. ZHU Hongbo received a PhD in management from Nanjing University and is a Senior Economist. He has served as executive secretary of the Party Discipline Committee of the Bank since January 2009 and executive vice president and secretary of the Party Discipline Committee since February 2010. Mr. Zhu previously served successively as deputy director and director of the General Office of the Bank; and president of Hainan Branch, Jiangsu Branch and Beijing Branch. Mr. Zhu joined the senior management and served as president of Beijing Branch in June 2006, and was appointed as secretary of the Party Discipline Committee of the Bank since April 2008. Mr. Zhu currently serves as vice chairman of the China Institute of Rural Finance.

GUO Haoda Executive Vice President

Mr. GUO Haoda holds a Bachelor's degree and is a Senior Economist. Mr. Guo is an expert entitled to Government Special Allowance by the State Council. He has served successively as executive vice president of the Bank and president of Beijing branch since January 2009 and has served as executive vice president of the Bank since March 2010. Mr. Guo previously served as vice president and president of Jiangsu province Suzhou branch; president of Shenzhen branch; and president of Jiangsu branch. Mr. Guo was appointed as executive vice president of the Bank and president of Beijing Branch in April 2008. Mr. Guo received National May 1st Labor Medal in 2003. Mr. Guo currently serves as vice president of All-China Environment Federation.

CAI Huaxiang Executive Vice President

Mr. CAI Huaxiang received a Master's degree in engineering from China University of Geosciences and is a Senior Economist. He has served as executive vice president of the Bank since February 2010. 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.

LI Zhenjiang Secretary to the Board of Directors, Company Secretary

Mr. LI Zhenjiang received a PhD in economics from Nankai University and is a Senior Economist. He 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 the 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 Restructuring Office of the Bank in August 2007, director of Research Office of the Bank in January 2008, and general manager of Strategic Management Department of the Bank in October 2008.

Appointments and Removals

On 11 January 2010, Mr. Zhu Hongbo and Mr. Cai Huaxiang were appointed as Vice Presidents of the Bank at the ninth meeting of the first session of the Board of Directors. The qualifications of Mr. Zhu and Mr. Cai were approved by the CBRC on 9 February 2010.

On 21 April 2010, Mr. Pan Gongsheng was elected as executive director of the Bank at the second extraordinary general meeting for 2010. The qualification of Mr. Pan was approved by the CBRC on 28 April 2010.

On 19 August 2010, Mr. John Dexter Langlois, an independent non-executive director, passed away due to illness.

On 2 March 2011, Mr. Frederick Ma Si-hang and Mr. Wen Tiejun were elected as independent non-executive directors of the Bank at the first extraordinary general meeting for 2011. The qualifications of Mr. Ma and Mr. Wen are subject to the approval of the CBRC.

On 28 March 2011, Mr. Yuan Linjiang ceased to act as non-executive director due to the requirement of other work.

On 29 March 2011, Mr. Li Yelin was nominated as a candidate for non-executive director by the Board. The appointment of Mr. Li is subject to the approval of the shareholders' meeting and the ratification of his qualification by relevant authorities including the CBRC.

Annual Remuneration

We have established a compensation policy and continued to improve the performance assessment and incentive and constraints mechanism of the directors, supervisors and senior management. The remuneration of directors, supervisors and senior management during 2010 is set out in the below table.

Unit: RMB Ten Thousand

Name	Position	Remuneration paid (before tax) (1)	Contribution to social insurance, housing fund and supplemental medical insurance (2)	Salary of part-time positions (3)	Total remuneration before tax (4)=(1)+(2)+(3)
XIANG Junbo	Chairman, Executive Director	73.50	20.00	—	93.50
ZHANG Yun	Vice Chairman, Executive Director, President	66.86	17.99	—	84.85
CHE Yingxin	Chairman of Board of Supervisors	65.39	17.84	—	83.23
YANG Kun	Executive Director, Executive Vice President	63.12	17.60	—	80.72
PAN Gongsheng	Executive Director, Executive Vice President	63.11	17.57	—	80.68
Anthony WU Ting-yuk	Independent Non-Executive Director	—	—	38.00	38.00
QIU Dong	Independent Non-Executive Director	—	—	44.00	44.00
PAN Xiaojiang	Supervisor Representing Shareholders	57.71	14.16	—	71.87
WANG Yurui	Supervisor Representing Employees	43.21	13.29	—	56.50
WANG Xingchun	Supervisor Representing Employees	44.06	11.67	3.00	58.73
JIA Xiangsen	Supervisor Representing Employees	54.43	13.53	3.00	70.96
ZHU Hongbo	Executive Vice President, Secretary of the Party Discipline Committee	63.11	17.58	—	80.69
GUO Haoda	Executive Vice President	63.11	17.58	—	80.69
CAI Huaxiang	Executive Vice President	63.11	17.57	—	80.68
LI Zhenjiang	Board Secretary, Company Secretary	55.28	15.25	—	70.53

Note: 1. *The Directors, Supervisors and Senior Management members of the Bank who are also our employees are entitled to receive emoluments from the Bank. The emoluments include salary, bonus and contributions to all kinds of social insurance and housing fund from the Bank. The Independent Non-executive Directors of the Bank are entitled to receive salary and allowance. The Chairman of the Board of Directors, Executive Directors and Senior Management members did not receive any remuneration from any subsidiaries of the Bank.*

2. *Mr. Lin Damao, Mr. Zhang Guoming, Ms. Xin Baorong, Mr. Shen Bingxi, Mr.Yuan Linjiang and Mr. Cheng Fengchao, the Non-executive Directors of the Bank, were not entitled to any remuneration from the Bank.*

3. *Mr. John Dexter Langlois ceased to act as Independent Non-executive Director of the Bank in August 2010 and his pre-tax salary for his term of the year 2010 was RMB278,500.*

4. *The total remuneration paid by the Bank in 2010 to the Directors, Supervisors and the Senior Management members was RMB11,034,800.*

According to the requirements of the relevant government authorities, the total final remuneration payable to the Chairman of the Board of Directors, the President, the Chairman of the Board of Supervisors, Executive Directors and other Senior Management members for the year 2010 is still subject to final confirmation. A separate announcement will be published to disclose the details of remuneration. Due to such reasons, the total pre-tax remuneration paid for the year 2010 as set out in the table above does not include the final amount of annual remuneration and the scope of calculation of which is also different from the total amount of annual remuneration for the year 2009 which has already been confirmed.

During the reporting period, we did not implement share incentives, and none of the directors, supervisors and members of the Senior Management held or trade shares, or held share options or were granted restricted shares of the Bank.

Information on Employees

We had 444,447 employees (and additional contracted labor of 41,353) as at the end of 2010, representing an increase of 3,303 persons over the end of last year. Among our employees, 102 persons were at our major domestic subsidiaries and 235 persons were local employees at our overseas branch outlets.

Distribution of Employees of the Bank by Regions

	31 December 2010	
	Number of Employees	Percentage (%)
Head Office	6,131	1.4
Yangtze River Delta	56,783	12.8
Pearl River Delta	46,831	10.5
Bohai Rim	59,099	13.3
Central China	100,255	22.6
Northeastern China	53,393	12.0
Western China	121,618	27.4
Sub-total of Domestic Branch Outlets	444,110	99.9
Major Domestic Subsidiaries	102	0.0
Overseas Branch Outlets	235	0.1
Total	**444,447**	**100.0**

Information on Branch Outlets

Domestic Branch Outlets

As at the end of 2010, we had 23,486 domestic branch outlets, including the Head Office, 32 tier-1 branches, five branches directly managed by the Head Office, 310 tier-2 branches, 3,520 tier-1 sub-branches and 19,618 other establishments.

Number of Domestic Outlets by Regions

	31 December 2010	
	Number of Domestic Branch Outlets	Percentage (%)
Head Office[1]	7	0.0
Yangtze River Delta	3,104	13.2
Pearl River Delta	2,571	11.0
Bohai Rim	3,328	14.2
Central China	5,202	22.2
Northeastern China	2,228	9.5
Western China	7,046	30.0
Total of Domestic Branch Outlets	**23,486**	**100.0**

Note: 1. Including Head Office, business department dealing with discounted bills, large customers department, the credit card center, Changchun Training Institute, Tianjin Training Institute and Wuhan Training Institute.

Overseas Branch Outlets

As at the end of 2010, we had two overseas branches and six overseas representative offices, namely Hong Kong and Singapore branches and New York, London, Tokyo, Frankfurt, Seoul and Sydney representative offices.

Major Subsidiaries

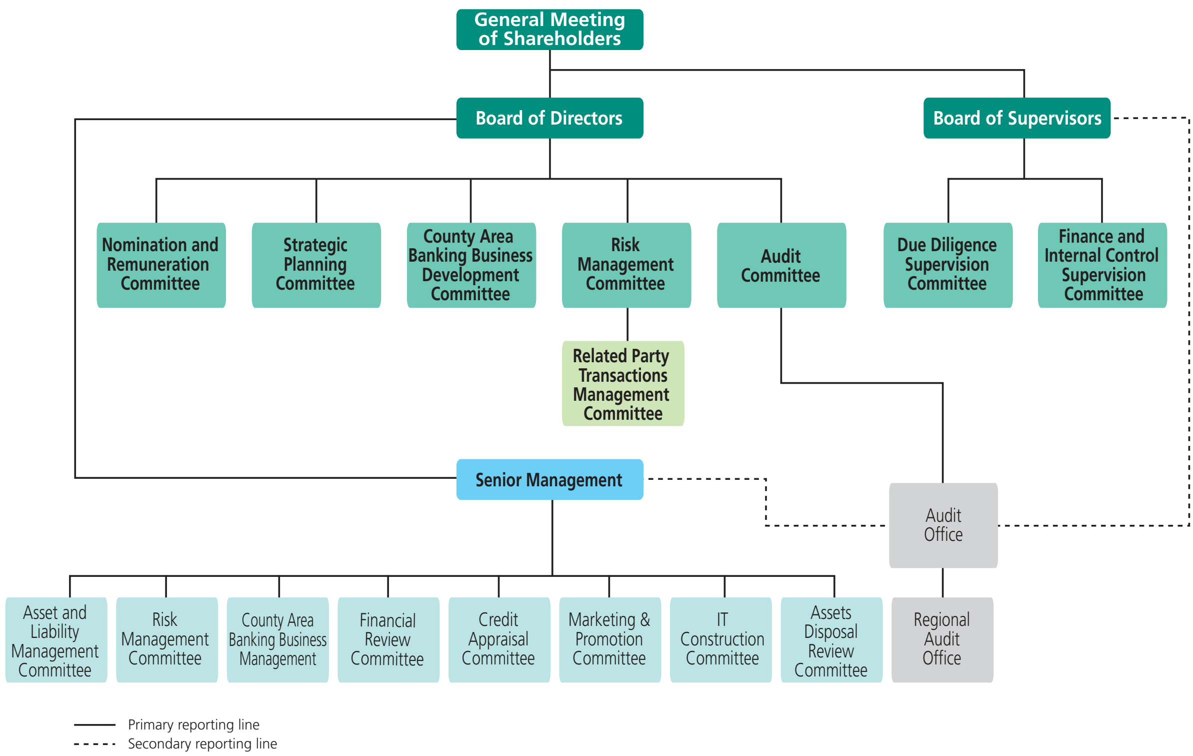
As at the end of 2010, our major domestic subsidiaries were ABC-CA Fund Management Co., Ltd., ABC Financial Leasing Co., Ltd., ABC Hubei Hanchuan Rural Bank Limited Liability Company, ABC Hexigten Rural Bank Limited Liability Company, ABC Ansai Rural Bank Limited Liability Company and ABC Jixi Rural Bank Limited Liability Company. Please refer to "Discussion and Analysis — Business Review — Major Domestic Subsidiaries" for details.

Our major overseas subsidiaries were ABC International Holdings Limited and China Agricultural Finance Co., Ltd. incorporated in Hong Kong.

Corporate Governance

On the concepts of scientific decision-making, effective supervision, and prudent operation as a modern commercial bank, we have continued to improve our corporate governance through reforming our corporate governance structure and mechanism. In order to comply with the regulatory requirements of the domestic and foreign capital markets, during the reporting period, we have amended a series of corporate governance documents, including our Articles of Association, by-laws of the General Meeting of Shareholders, the Board of Directors and the Board of Supervisors[1], procedures of granting authorization to the Board by the General Meeting of Shareholders and information disclosure system, to establish an independent and cooperative corporate governance system with balance of powers under effective supervision as a listed bank, and to ensure the effective operations of the General Meeting of Shareholders, the Board of Directors, the Board of Supervisors and the Senior Management.

Since our listing on 16 July 2010, save for the situation as described under "Non-compliance with the requirements of Audit Committee / Non-compliance with the requirements of Independent Non-executive Directors" of this section, we complied with all of the code provisions stipulated in the Code on Corporate Governance Practices as set out in Appendix 14 to the Hong Kong Listing Rules, and have generally followed the recommended best practice according to the Code on Corporate Governance Practices. The overall corporate governance system was effective and stable.



The Corporate Governance Structure Chart of the Bank

[1] *The revisions were considered and approved at the first extraordinary general meeting of the Bank in 2011 on 2 March 2011.*

Board of Directors and Special Committees

Composition of the Board

As at the end of the reporting period, the Board of Directors of the Bank comprised twelve members, including four executive directors, namely Mr. XIANG Junbo, Mr. ZHANG Yun, Mr. YANG Kun and Mr. PAN Gongsheng; six non-executive directors, namely Mr. LIN Damao, Mr. ZHANG Guoming, Ms. XIN Baorong, Mr. SHEN Bingxi, Mr. YUAN Linjiang and Mr. CHENG Fengchao; and two independent non-executive directors, namely Mr. Anthony WU Ting-yuk and Mr. QIU Dong. Details of the Directors are set out in the section headed "Directors, Supervisors and Senior Management" in the annual report.

Functions of the Board

The primary functions of the Board include, but not limited to, the followings:

- convening the General Meeting of Shareholders and reporting to the General Meeting of Shareholders;
- implementation of the resolution of the General Meeting of Shareholders;
- decision on development strategy (including County Area Banking Business development strategy);
- decision on business plan and investment plan;
- decision on plan of risk-based capital allotment;
- formulation of proposal of annual financial budgets and final accounts;
- formulation of profit distribution and loss appropriation plans;
- formulation of plan of increase or reduction of registered capital;
- formulation of plan of issuance of corporate bonds or other securities and listing plan;
- formulation of general internal management policies (including those for County Area Banking Business), 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;
- other functions authorized by the General Meeting of Shareholders or the Articles of Association.

Meetings of the Board of Directors

In 2010, the Bank convened a total of seven board meetings, on which 50 proposals on IPO plan, amendment of the Articles of Association, 2009 annual report, 2009 corporate social responsibility report, management measures on consolidated financial statements, Articles of Internal Auditing, General Rules for Internal Control, General Regulation for Connected Transactions Management, information disclosure system and administrative measures of insider information and insiders, etc, were reviewed and approved.

The attendance of directors during the reporting period is introduced below:

Members of the Board	Number of actual attendance/ meetings requiring attendance	Attendance Rate
Incumbent Directors		
XIANG Junbo	7/7	100%
ZHANG Yun	7/7	100%
YANG Kun	7/7	100%
PAN Gongsheng	4/4	100%
LIN Damao	7/7	100%
ZHANG Guoming	7/7	100%
XIN Baorong	7/7	100%
SHEN Bingxi	7/7	100%
CHENG Fengchao	7/7	100%
Anthony WU Ting-yuk	7/7	100%
QIU Dong	7/7	100%
Resigned Directors		
YUAN Linjiang	7/7	100%
John Dexter LANGLOIS	5/5	100%

Implementation of Resolutions of the General Meeting of Shareholders by the Board of Directors

In accordance with the *Proposal on SSF's Equity Investment on Agricultural Bank of China* and *Proposal on the Changes on Registered Capital of Agricultural Bank of China and the Amendments to the Articles of Association* passed in the first extraordinary general meeting of the Bank in 2010, the SSF completed the equity investment on the Bank, and the Bank has completed the registration of changes in capital and amendments to the Articles of Association.

In accordance with the *Proposal on Profit Distribution Plan for 2009, Proposal on Final Accounting Plan for 2009* and *Proposal on Dividend Distribution Plan before and after Listing of Agricultural Bank of China* passed in the second extraordinary general meeting for 2010, the Board of Directors has put all above-mentioned documents into implementation.

In accordance with the *Proposal on the Initial Public Offering Plan of Agricultural Bank of China* and *Proposal on the Relevant Authorization for the Public Offering* in the second extraordinary general meeting for 2010, the Bank was successfully listed on the Shanghai Stock Exchange and Hong Kong Stock Exchange on 15 and 16 July, respectively.

The *Proposal on the Election of Executive Director of Agricultural Bank of China* was passed in the second extraordinary general meeting for 2010. Appointment of Mr. Pan Gongsheng was approved by the CBRC.

In accordance with the *Proposal on the Appointment of Accounting Firm for 2010 and IPO* passed in the second extraordinary general meeting of the Bank in 2010, the Board of Directors has appointed Deloitte Touche Tohmatsu CPA Ltd., and Deloitte Touche Tohmatsu as our independent auditors for 2010 and the IPO.

The *Proposal on the Amendment of Articles of Association of the Agricultural Bank of China* was passed in the second extraordinary general meeting for 2010 and approved by the CBRC on 13 October 2010.

In accordance with the *Proposal on Capital Planning for 2010–2012 of Agricultural Bank of China* passed in the third extraordinary general meeting, the Bank maintained sufficient capital and achieved the capital planning goal as at the end of 2010.

The *Proposal on Budget for Investment in Fixed Assets for 2010* and the *Proposal on Donation for Earthquake in Yushu* were passed in annual general meeting for 2009. The Board of Directors has put all above-mentioned documents into implementation.

In accordance with the *Proposal on the Provisional Measures of Performance Assessment of the Chairman of Agricultural Bank of China*, the *Proposal on the Provisional Measures of Performance Assessment of the Chief Supervisor of the Agricultural Bank of China* and the *Proposal on the Remuneration Policy for Directors and Supervisors for 2009* passed in the annual general meeting for 2009, the Bank has paid relevant allowance.

In accordance with the *Proposal on the Amendment of Authorization to the Board of Directors by the Shareholders' Meeting of the Agricultural Bank of China* passed in the annual general meeting for 2009, the Board of Directors strictly followed the authorization delegated by the shareholders' meeting and fulfilled its responsibilities.

Implementation of Authorization to the Board of Directors by the Shareholders' Meeting

The Board of Directors strictly complies with the requirements of the Articles of Association and the *Proposal on the Authorization to the Board of Directors by the Shareholders' Meeting* to perform its duties, make scientific decisions and regulate the exercise of powers. During the reporting period, there was no excessive matter being approved beyond the powers of the Board of Directors.

Independence of and Performance of Duties by Independent Non-executive Directors

Independent Non-executive Directors are not involved in the business or financial interests in the Bank or our subsidiaries and do not take any managerial position in the Bank so to ensure their independence. We have received independence confirmations from all Independent Non-executive Directors and confirmed their independency.

During the reporting period, Independent Non-executive Directors of the Bank played an active role in the meetings of the Board of Directors and special committees, maintained close communication with senior management and provided many pertinent suggestions concerning the Bank's business operation and major decision-makings. They honestly fulfilled their obligations and made great contribution to promote the scientific and reasonable decision-making mechanism of the Board. The Bank has formulated the Work Measures on Annual Report for Independent Directors to further clarify the duties of independent non-executive directors and ensured due diligence in conducting their responsibilities.

During the reporting period, no objection was made on the resolutions of Board of Directors or special committees by the independent non-executive directors.

Committees of Board of Directors

During the reporting period, the committees under the Board of Directors comprised Strategic Planning Committee, County Area Banking Business Development Committee, Nomination and Remuneration Committee, Audit Committee, and Risk Management Committee. The Related Party Transaction Management Committee was established under the Risk Management Committee.

The composition and duties of each of the committees are as follow[1]:

Strategic Planning Committee

As at the end of the reporting period, Strategic Planning Committee comprised ten Directors, including Mr. XIANG Junbo, the Chairman, Mr. ZHANG Yun, the Vice Chairman, and Mr. YANG Kun, Mr. PAN Gongsheng, Mr. ZHANG Guoming, Ms. XIN Baorong, Mr. SHEN Bingxi, Mr. YUAN Linjiang, Mr. CHENG Fengchao and Mr. Anthony WU Ting-yuk. Mr. XIANG Junbo is the Chairman of the Strategy Planning Committee. The duties of the Strategic Planning Committee are primarily to review general development strategy and specific strategic development plans, major investment and financing plans, M&A plans and other material matters critical to the development of the Bank and make proposal to our Board of Directors.

During the reporting period, the Strategic Planning Committee convened two meetings and reviewed three proposals including the capital planning for 2010–2012.

1 *On 2 June 2010, the Board of Directors of the Bank elected Mr. YANG Kun as a member of the Strategic Planning Committee, County Area Banking Business Development Committee and Risk Management Committee, and elected Mr. PAN Gongsheng as a member of the Strategic Planning Committee of the Bank. On 19 August 2010, Mr. John Dexter LANGLOIS, the Independent Non-executive Director of the Bank, passed away due to illness and his duties as a member of the Strategic Planning Committee, Nomination and Remuneration Committee and Audit Committee, and the Chairman of the Risk Management Committee and the Related Party Transaction Management Committee terminated accordingly. On 5 January 2011, the Board of Directors of the Bank nominated Mr. Frederick Ma Si-hang and Mr. Wen Tiejun as candidates of Independent Non-executive Directors of the Bank, and agreed to elect Mr. Frederick Ma Si-hang to be a member of Nomination and Remuneration Committee and a member and the Chairman of Risk Management Committee and Related Party Transaction Management Committee, and to elect Mr. Wen Tiejun to be a member of County Area Banking Business Development Committee, Nomination and Remuneration Committee and Audit Committee under the Board of Directors of the Bank, both of which are subject to the approval of the Shareholders' General Meeting and the approval of the CBRC regarding their director qualifications. In the first extraordinary general meeting of the Bank for 2011 on 2 March 2011, they were approved to be the Independent Non-executive Directors of the Bank. Their appointments are still subject to approval by the CBRC. On 28 March 2011, Mr. YUAN Linjiang tendered his resignation as Non-executive Director of the Bank due to the requirement of other work. On 29 March 2011, Mr. LI Yelin has been nominated by the Board of Directors of the Bank as a candidate for Non-executive Director of the Bank, and members of the Strategic Planning Committee, Risk Management Committee and Related Party Transaction Management Committee under the Board of Directors of the Bank subject to the approval by Shareholders' General Meeting and the approval of relevant authorities including the CBRC regarding his qualifications.*

County Area Banking Business Development Committee

As at the end of the Reporting Period, the County Area Banking Business Development Committee of the Bank comprised six directors, including Mr. ZHANG Yun, the Vice Chairman, Mr. YANG Kun, Mr. ZHANG Guoming, Ms. XIN Baorong, Mr. SHEN Bingxi and Mr. QIU Dong. Mr. ZHANG Yun, the Vice Chairman, is the Chairman of the County Area Banking Business Development Committee. The duties of the County Area Banking Business Development Committee are primarily to review development strategic plan, policies and basic management rules, risk management plans of County Area Banking Business and other major matters of great importance to the development of County Area Banking Business. It is also responsible for monitoring the implementation of our County Area Banking Business strategic plans, policy and management rules, evaluating services for County Area Banking customers, and making suggestions to the Board of Directors.

During the reporting period, the County Area Banking Business Development Committee convened one meeting for considering the Proposal on the Mid- to Long-Term Development Plan for County Area Banking Business.

Nomination and Remuneration Committee

As at the end of the Reporting Period, the Nomination and Remuneration Committee comprised five directors, including Mr. ZHANG Yun, the Vice Chairman, Mr. LIN Damao, Mr. SHEN Bingxi, Mr. Anthony WU Ting-yuk and Mr. QIU Dong. Mr. QIU Dong was the Chairman of the Nomination and Remuneration Committee. The duties of the Nomination and Remuneration Committee are primarily to review and monitor our remuneration and performance evaluation system, to make proposal to the Board of Directors on the election and appointment procedures, qualifications, compensation and incentive plans for directors, supervisors and senior management, and to assess the performance and due diligence of directors and senior management.

During the reporting period, the Nomination and Remuneration Committee convened three meetings with 100% attendance by each member for considering five proposals including the nomination of members of the special committees under the Board of Directors, nomination of senior management members and remuneration policy for Directors, Supervisors and Senior Management of 2009.

Audit Committee

As at the end of the reporting period, the Audit Committee comprised four directors, namely Mr. LIN Damao, Ms. XIN Baorong, Mr. Anthony WU Ting-yuk and Mr. QIU Dong. Mr. Anthony WU Ting-yuk was the Chairman of the Audit Committee. The duties of the Audit Committee are primarily to supervise, inspect and review our internal audit, financial statement and internal control, and to make proposals to the Board of Directors.

Performance of Audit Committee

During the reporting period, the Audit Committee convened five meetings with 100% attendance by each member for considering eight proposals including the 2009 annual report, Articles of Internal Auditing, Working Measures on Annual Report for Independent Directors and Working Guidelines on Annual Report of Audit Committee under the Board of Directors and reviewing five reports including internal audit work report. The Audit Committee regularly reviews the financial reports of the Bank and reviewed and approved the annual report, interim report and the third-quarterly report of the Bank. It is also responsible for monitoring the performance of external auditors and reviewed various reports such as the results of annual auditing and recommendations on management from external auditors.

The Audit Committee convened a meeting on 28 March 2011 and considered that the 2010 Financial Statement truthfully and completely reflected our financial position. The Audit Committee reviewed the auditors' reports from Deloitte Touche Tohmatsu, discussed the issues relating to the engagement of accounting firm for 2010, and agreed to submit it to the Board of Directors for review.

Formulation and Perfect of Working Rules of Audit Committee

The Board of Directors of the Bank has formulated the Working Rules of Audit Committee to regulate the duties of Audit Committee to monitor the auditing work and administer the auditing system. During the reporting period, the Board of Directors formulated the Articles of Internal Auditing and the Working Guidelines on Annual Report for the Audit Committee to further clarify the obligations of Audit Committee in internal auditing, financial reporting, internal control and information disclosure in annual report.

Risk Management Committee

As at the end of the reporting period, the Risk Management Committee comprised 6 directors, including Mr. YANG Kun, Mr. LIN Damao, Mr. ZHANG Guoming, Mr. YUAN Linjiang, Mr. CHENG Fengchao and Mr. QIU Dong. Mr. John Dexter LANGLOIS, the former Chairman, passed away, resulting in a vacancy of the position of chairman. Mr. Frederick Ma Si-hang has been appointed as the Chairman of the Risk Management Committee but his director qualification is still subject to the approval of the CBRC. The duties of the Risk Management Committee are primarily to review our risk strategy, risk management policies, procedures and internal control procedures, supervise and assess the performance of relevant senior management members and risk management departments in respect of risk management, and to make proposals to the Board of Directors.

During the reporting period, the Risk Management Committee convened two meetings for reviewing two proposals regarding the Administrative Measures for Consolidated Financial Statements and General Rules for Internal Control, and reviewing the reports of risk exposure and the implementation of Basel II of the Bank.

Related Party Transaction Management Committee

As at the end of the Reporting Period, the Related Party Transaction Management Committee comprised two directors, including Mr. YUAN Linjiang and Mr. QIU Dong. Mr. John Dexter LANGLOIS, the former Chairman, passed away, resulting in a vacancy of the position of chairman. Mr. Frederick Ma Si-hang has been appointed as the Chairman of the Related Party Transaction Management Committee but his qualification is still subject to the approval of the CBRC. The duties of the Related Party Transaction Management Committee are primarily to identify related parties of the Bank, review and approve our general management system for related party transactions, review and file the related party transactions, and make proposals to our Board of Directors.

Specific Statement and Independent Opinions of Independent Directors on the Guarantee Business of the Bank

Pursuant to the provisions and requirements set forth in the circular ZJF [2003] No.56 issued by China Securities Regulatory Commission, WU Ting-yuk and QIU Dong, the independent directors of the Bank, made the following statement regarding the guarantee business of the Bank based on the principles of equity, fairness and objectivity:

The guarantee business of the Bank has been approved by the People's Bank of China and China Banking Regulatory Commission and is one of the ordinary businesses of the Bank. The Bank has formulated specialized administrative measures, operational procedures and approval procedures for the guarantee business. The guarantee business of the Bank is mainly issuing letters of guarantee. As at 31 December, 2010, the balance of letters of guarantee issued by the Bank amounted to approximately RMB158,584 million.

Responsibilities of the Directors on the Financial Statements

The directors are responsible for monitoring the preparation of financial statements of each accounting period that give a true and fair view of the financial position, operating results and cash flows of the Group. In preparation for the financial statements as at the year ended 31 December 2010, the directors adopted and applied relevant accounting policies consistently, and made judgment and estimation cautiously and reasonably.

During the reporting period, the Bank was in compliance with relevant laws and regulations and the requirements of the listing rules where it was listed, and disclosed the annual report of 2009, and the interim report and the third-quarterly report of 2010.

Independent Operation of the Bank

The business, personnel, assets, entities and finance of the Bank are independent of its controlling shareholders. The Bank has sufficient operating assets of its own to operate business independently.

Board of Supervisors and Special Committees

Composition of the Board of Supervisors

The Board of Supervisors of the Bank comprised five supervisors, two of whom are supervisors representing shareholders, namely Mr. CHE Yingxin and Mr. PAN Xiaojiang, and three are supervisors representing employees, namely Mr. WANG Yurui, Mr. WANG Xingchun and Mr. JIA Xiangsen. The Chairman of the Board of Supervisors of the Bank is Mr. CHE Yingxin.

Functions and Authorities and Operation of the Board of Supervisors

Main functions and authorities of the Board of Supervisors shall include without limitation to the following:

- supervising the performance of the Board of Directors and senior management, supervising and enquiring the due diligence of directors and senior management, and urging directors and senior management to rectify their behavior which cause detriment to the interest of the Bank;

- proposing to dismiss or initiate litigation against the directors and senior management who are in violation of laws, administrative regulations and the Articles of Association or the resolutions of the General Meeting of Shareholders;

- carrying out departure audit of directors and senior management when necessary;

- supervising the financial activities, business decision, risk management and internal control of the Bank, and providing guidance to the work of internal auditing department;

- checking financial information including the financial reports, business reports and profit distribution plans prepared by the Board of Directors for submission to the Shareholders' Meeting, and appointing registered accountants or certified public auditors to review such information on behalf of the Bank if any problem is detected;

- supervising the implementation of strategic plans, policies and general management system for the development of County Area Banking Business;

- submitting proposals to the General Meeting of Shareholders;

- nominating the supervisors representing shareholders, external supervisors and independent directors;

- formulating the amendments to by-laws of the Board of Supervisors; and

- other functions as required by applicable laws, administrative regulations, the rules and the Articles of Association herein or as authorized by the General Meeting of Shareholders.

Discussions by the Board of Supervisors take the form of the meetings of the Board of Supervisors. The meetings of the Board of Supervisors consist of regular meetings and extraordinary meetings. Regular meetings of the Board of Supervisors shall be convened at least 4 times each year.

The Office under the Board of Supervisors is the division for carrying out regular tasks of the Board of Supervisors. It is responsible for arranging meetings of the Board of Supervisors and special committees and preparing documents and minutes of those meetings.

The Bank has established the Due Diligence Supervision Committee and the Finance and Internal Control Supervision Committee under the Board of Supervisors.

Due Diligence Supervision Committee

The Due Diligence Supervision Committee comprised three supervisors, namely Mr. CHE Yingxin, Mr. PAN Xiaojiang and Mr. WANG Xingchun. The Chairman of the Due Diligence Supervision Committee is Mr. CHE Yingxin.

The Due Diligence Supervision Committee shall conduct the tasks authorized by the Board of Supervisors and report to the Board of Supervisors.

The main responsibilities of the Due Diligence Supervision Committee are as follows:

- developing working plan and implementation plan regarding the supervision on the due diligence of the Board of Directors, the Senior Management, directors and senior management, and implementing thereof after approving by the Board of Supervisors;
- giving the view on supervising the due diligence of the Board of Directors, the Senior Management, directors and senior management, and making suggestions to the Board of Supervisors;
- developing plans for audit on the departure of directors and senior management when necessary, and organizing the implementation thereof after approving by the Board of Supervisors;
- making recommendations to the Board of Supervisors on the candidates for supervisor representing shareholders, external supervisors, independent directors, members of the special committees under the Board of Supervisors;
- drafting methods to assess supervisors, organizing performance assessment of supervisors and making suggestions to the Board of Supervisors;
- studying and handling issues or documents reported or provided by the Board of Directors, the Senior Management, directors and senior management personnel; and
- other matters authorized by the Board of Supervisors.

Finance and Internal Control Supervision Committee

The Finance and Internal Control Supervision Committee comprised three supervisors, namely, Mr. CHE Yingxin, Mr. WANG Yurui and Mr. JIA Xiangsen. The Chairman of the Finance and Internal Control Supervision Committee is Mr. CHE Yingxin.

The Finance and Internal Control Supervision Committee shall conduct the tasks authorized by the Board of Supervisors and report to the Board of Supervisors.

The main responsibilities of the Finance and Internal Control Supervision Committee are as follows:

- developing working plans and implementation plans regarding the supervision on the finance and internal control of the Board of Supervisors, and organizing the implementation thereof after approving by the Board of Supervisors;
- supervising the implementation of planning, policies and basic management systems for County Area Banking Business development strategy, assessing the implementation results, and making suggestions to the Board of Supervisors;
- checking the financial reports and business reports of the Bank and the profit distribution plan formulated by the Board of Directors, and making suggestions to the Board of Supervisors;
- drafting plans for supervising and inspecting financial activities, operating decisions, risk management and internal control of the Bank by the Board of Supervisors, and organizing the implementation thereof after approving by the Board of Supervisors; and making suggestions to the Board of Supervisors on engaging an external auditor for auditing the Bank's finance if necessary;

- guiding the work of internal auditing department of the Bank;
- studying and handling issues or documents reported or provided by the Board of Directors, the Senior Management, directors and senior management personnel; and
- other matters authorized by the Board of Supervisors.

Daily work of special committees is undertaken by the Supervisors' Office.

For details of the Board of Supervisors and its special committees, please refer to "Report of the Board of Supervisors — Meeting of the Board of Supervisors and its Special Committees".

Chairman and President of the Bank

According to the requirements of Rule A2.1 of the Code on Corporate Governance Practices in Appendix 14 of the Hong Kong Listing Rules and the Articles of Association, the Chairman and President of the Bank shall be separately appointed. The Chairman shall not be held concurrently by the legal representative of the controlling shareholder or the person-in-charge.

Mr. XIANG Junbo serves as the Chairman and the legal representative of the Bank, and is responsible for organizing the Board of Directors to study and make decisions on major matters such as bank-wide operational development strategies, risk management and internal control.

Mr. ZHANG Yun serves as the President of the Bank and is responsible for daily management of business operation of the Bank. The President shall be appointed by and responsible to the Board of Directors, and perform duties in accordance with the Articles of Association and authorization of the Board of Directors.

Securities Transaction by Directors and Supervisors

The Bank has adopted a code of conduct for securities transaction by directors and supervisors with terms no less exacting than those set out in the Model Code for Securities Transactions by Directors of Listed Issuers in Appendix 10 of the Hong Kong Listing Rules. The directors and supervisors of the Bank confirm that they have complied with such code of conduct throughout the year ended 31 December 2010.

Term of Directors

The Bank strictly complies with the requirements of the Hong Kong Listing Rules and the Articles of Association that the directors shall be elected in the General Meeting of Shareholders with a term of three(3) years commencing from the date of approval by the CBRC. A director may be re-elected upon the expiration of his/her term.

Non-compliance with the requirements of Audit Committee/Non-compliance with the requirements of Independent Non-executive Directors

Mr. John Dexter LANGLOIS, the Independent Non-executive Director and a member of Audit Committee of the Bank, passed away due to illness on 19 August 2010. As a result, the number of Non-executive Directors of the Bank became two, which deviated from the requirement of having a minimum of 3 independent non-executive directors under Rule 3.10 (1) of the Hong Kong Listing Rules. In addition, only two of the remaining four members of the Audit Committee were independent non-executive directors, which failed to comply with the requirement that a majority of the members of Audit Committee shall be independent non-executive directors under Rule 3.21 of the Hong Kong Listing Rule. The Bank has made an announcement regarding this issue and put in effort in identifying new candidates of independent non-executive directors. On 5 January 2011, the Board of Directors of the Bank nominated Mr. Frederick Ma Si-hang and Mr. Wen Tiejun to be the independent non-executive directors, and elected Mr. Wen Tiejun to be a member of the Audit Committee (subject to the approval of the Shareholders' General Meeting and the CBRC regarding his director qualification). On 2 March 2011, appointments of Mr. Frederick Ma Si-hang and Mr. Wen Tiejun as Independent Non-executive Directors of the Bank were approved in the first extraordinary general meeting in 2011, but their director qualifications were still subject to the approval of the CBRC. Upon such approval, the Bank will be in compliance with Rule 3.10 (1) and 3.21 of the Hong Kong Listing Rules.

Senior Management

The Senior Management is the executive body of the Bank, which comprises the President, the vice presidents, secretary to the Board of Directors and other personnel appointed by the Board of Directors. The president shall be accountable to the Board of Directors and is supervised by the Board of Supervisors. Vice presidents and other senior management members provide assistance to the President, and carry out division of responsibilities in accordance with the Articles of Association of the Bank and the authorization of the President. The powers of the Senior Management and the Board of Directors are segregated in strict compliance with the Articles of Association of the Bank and other governance regulations.

According to the Articles of Association of the Bank, the President is entitled to exercise the following powers:

- taking charge of the Bank's operations management, organizing the implementation of the Board resolutions;
- conducting or authorizing the vice presidents or other senior management and principal officers of internal functional departments, tier-1 domestic and overseas branches, branches and institutions directly managed by the head office of the Bank and any overseas entities of the Bank to conduct the daily operations and management of the Bank within the scope authorized by the Board of Directors;
- formulating the specific rules of the Bank (other than internal auditing rules);
- drafting the Bank's business and investment plans to the Board of Directors and implement such plans upon approval by the Board of Directors;
- drafting policies and fundamental management regulations of the Bank, and making recommendations to the Board of Directors;

- drafting plans of annual budget and accounts, risk-based capital allotment, profit distribution and loss appropriation, increase or decrease of registered capital, bond or other securities issuance or listing and repurchase of shares, and making recommendations to the Board of Directors;

- deciding the establishment of internal functional departments, tier-1 domestic and overseas branches, other branches and institutions directly managed by the head office of the Bank and any overseas entities of the Bank, and making recommendations to the Board of Directors;

- proposing the appointment or dismissal of the vice presidents and other senior management (except secretary to the Board);

- appointing or dismissing the principal officers of internal functional departments of the Bank (except the principal officers of internal auditing department) and the principal officers of branches;

- deciding the compensation and performance appraisal of the principal officers of internal departments of the Bank (except the principal officers of internal auditing department) and the principal officers of branch offices, and conducting compensation review and performance evaluation;

- deciding the salary, welfare, incentive and punishment of staff of the Bank, and deciding or authorizing the subordinate management personnel to appoint or dismiss staff of the Bank;

- upon the happening of material event like a run on the Bank, taking emergency measures, and reporting immediately to the relevant government authorities, including the government regulatory agent of banking industry under the State Council, the Board and the Board of Supervisors; and

- exercising other powers conferred by the relevant laws, rules, regulatory constitutions, the Articles of Association of the Bank and the authorities resolved to be exercised by the president pursuant to the General Meeting of Shareholders and the Board of Directors.

Auditor's Remuneration

Deloitte Touche Tohmatsu CPA Ltd, and Deloitte Touche Tohmatsu have been providing auditing services for the Bank for 4 years.

In 2010, a total fee of RMB281 million was paid to Deloitte and its members including service fee of RMB130 million for 2010 and professional fee related to IPO listing of RMB151 million.

Internal Control

The Board of Directors of the Bank is responsible for establishing and implementing a comprehensive internal control system in an effective manner. The Board of Supervisors is responsible for the supervision of the establishment and implementation of internal control by the Board of Directors and Senior Management. The Senior Management is responsible for the daily operations of the Bank's internal control. Internal control and compliance department is responsible for organizing and coordinating the establishment and implementation of internal control and its daily operations. We have established an independent and integrated internal auditing system. Material defects discovered during the process of supervision and inspection will be reported directly to the Board of Directors, its Auditing Committee as well as the Board of Supervisors.

During the reporting period, the Board of Directors has paid great attention to the development of internal control, and formulated the basic rules on internal control in accordance with the Basic Rules on Enterprise Internal Control and implementation guidelines, which served as the guidelines of the establishment of internal control system of the Bank. We have further reinforced the improvement of our corporate governance structure and relevant regulatory documents; defined our compliance culture and formulated the 2010–2012 Plan for establishing compliance culture; strengthened our risk management policies and accelerated the implementation of Basel II; further enhanced the anti-money laundering and management of related party transactions and improved the anti-money laundering system. Furthermore, we have pushed forward the development of information technology systems and established a streamlined and centralized information system to promote a more advanced core banking system. We have also implemented centralized auditing and investigation on risk exposures of cases, strengthened inspection and supervisory work and conducted off-site supervision, so as to establish an effective system of internal control and compliance management in the long run.

The Board of Directors of the Bank has conducted assessment on the internal control relating to the financial statements of the year. The assessment involved head office, tie-1 branches and institutions directly managed by the head office and covered aspects including the internal control environment, risk assessment, internal control activities, information and communication, and internal monitoring and rectification. The assessment results showed that our internal control system have been further optimised and achieved significant improvement in terms of internal management and internal control in 2010.

Working and Implementation Plans for the Development of a Comprehensive Internal Control System

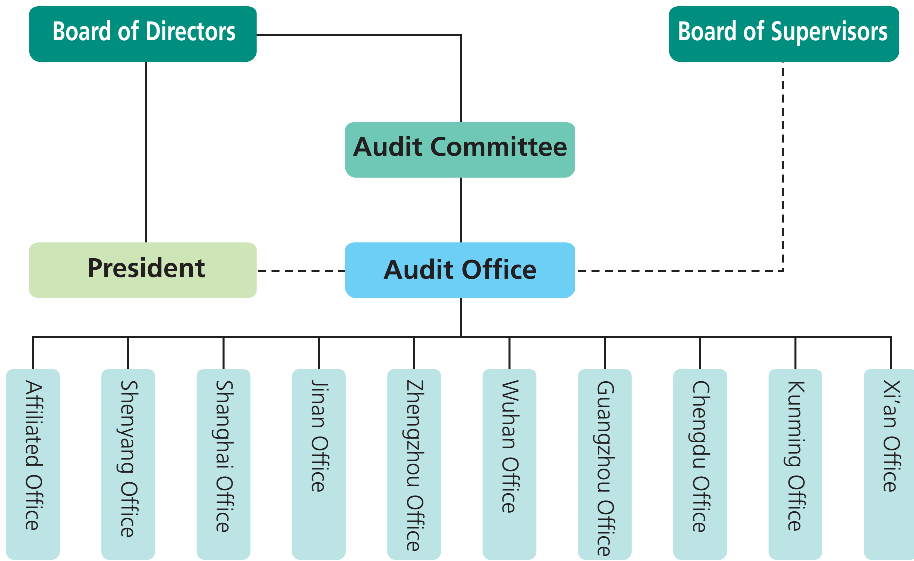
We will follow the Basic Rules on Enterprise Internal Control and its implementation guidelines, and comply with the basic rules on internal control of the Bank and the new requirements issued by the relevant regulatory authorities to implement and standardize the corporate internal control measures and establish a comprehensive internal control system.

In 2011, we will formulate work plan and implementation measures for the basic rules on corporate internal control and implementation guidelines, arrange the head office departments and organizations across all levels to carry out self-examination and follow-up checks, introduce external advisory institutions when needed to lift the standards of our internal control system, and employ external auditors to provide an audit opinion to the efficiency of our internal control system. We will take several steps to establish and enhance our internal control system continuously, which will start from the development in the head office to the whole Bank, with compliance of regulatory requirements as our first task.

Internal Audit

We have established an independent and vertical internal audit system. The internal audit department performs audits on operations and management, business activities and operational performance of the Bank and shall be accountable and report to the Board of Directors. The audits shall follow the guidelines of the Board of Supervisors and are subject to the examination, supervision and evaluation by the Audit Committee under the Board of Directors. The internal audit department consists of the Audit Office at the Head Office and ten regional offices. The Audit Office is responsible for the organization, management and report of bank-wide internal audit works. The regional offices under the Audit Office perform internal audit for their respective branches and shall be accountable and report to the Audit Office.

The chart below shows the organizational structure of internal audit system:



In 2010, we continued to strengthen and improve the internal audit system by adopting new audit measures, transforming the internal audit model and conducting research on and implementing risk-oriented auditing system. We formulated a three-layer system framework comprising auditing rules, auditing measures and auditing standards. Audit procedures were further standardized. We also strengthened management of audit offices and continued to reinforce the foundation, organization and team building of audit offices.

During the reporting period, we proactively carried out various key audit projects, which facilitated the effective implementation of strategic decisions of the Board and the sound development of all business operations. We have finished the centralized audits for all tier 1 branches and provided management opinions based on the discussion and analysis of typical cases in depth to the Board of Directors as reference for decision-making. Due diligence assessment of senior management members was carried out for a comprehensive and objective evaluation of their performance and competence. Special audits on small loans and Huinong Card business and the construction projects of the head office were conducted. We have also carried out follow-up audits on the centralized audits of 2008 and 2009 and the due diligence evaluation on senior management conducted last year. Audits and investigation on the implementation of the Basel II, connected transactions and risks of the IT industry were under way.

Disclosure of Information

The Bank is committed to establishing a transparent and standardized corporate governance system to protect investors' interests and accepted market discipline and social supervision. We have continuously improved our information disclosure system and developed a complete set of information disclosure procedures to perform our information disclosure obligations diligently and faithfully. We have exerted efforts in preparing, reporting and disclosing information related to the IPO to investors faithfully, accurately and completely. We have fully performed our obligations as a listed company, including continuous information disclosure, and preparing and publishing regular and interim reports in accordance with relevant laws and regulations. We have maintained the principle of fairness of information disclosure to eliminate the possibility of insider dealings. We have made more voluntary disclosure and enhanced the data governance and improved the quality of data so as to deepen and widen the practice of information disclosure.

During the reporting period, we amended the Information Disclosure System and the Administrative Measures for Preparing Regular Reports of Information Disclosure, and formulated a series of information disclosure methods, including the Work Guidelines on Annual Report for the Audit Committee, the Work Measures on Annual Report for Independent Directors, Administrative Measures for Insider Information and Insiders and Administrative Measures on Internal Reporting of Material Information in accordance with the regulatory requirements, establishing a complete information disclosure system.

Investor Relationship

We attach great importance to investor relations and take initiative in communicating with the investors through various ways, such as General Meeting of Shareholders, interim results presentations, road shows, interview, the Bank's website, by telephone and by mails. We have held interim operation results presentation and road show in 2010 and published relevant results announcements, which were made available to Shareholders, on the designated newspapers and websites.

In 2010, we won the "Honourable Mention" award in "The Hong Kong Corporate Governance Excellence Awards 2010" held by the Chamber of Hong Kong Listed Companies Limited, and the "Investor Relations Management Leadership Award" in "China Investor Relations Awards 2009" held by the Chinese Listing Company IR Management Research Centre. We will further strengthen our communication with the investors to improve their acquaintance of the Bank and to obtain more support and attention from the investors.

Investors Enquiry

For any enquiries, please contact us by:

Telephone: 86-10-85109619
Facsimile: 86-10-85108557
E-mail: ir@abchina.com

General Meeting of Shareholders

In 2010, we have held an annual general meeting and three extraordinary general meetings, in which 19 proposals were reviewed and approved.

On 15 April 2010, we held the first Extraordinary General Meeting for 2010, in which two proposals regarding equity investment by the SSF in the Bank, change of registered capital and amendments to the Articles of Association were reviewed and approved.

On 21 April 2010, we held the second Extraordinary General Meeting for 2010, in which eight proposals regarding matters including the final accounts of 2009, profit distribution plan, initial public offering and listing plan, and election of executive directors were reviewed and approved.

On 2 June 2010, we held the third Extraordinary General Meeting for 2010, in which the proposal of our capital plans for years 2010 to 2012 was reviewed and approved.

On 11 June 2010, we held the Annual General Meeting for 2009 of the Bank, in which eight proposals regarding matters including the reports of the Board of Directors and the Board of Supervisors for 2009 as well as budget arrangement of fixed asset investment for 2010 were reviewed and approved.

Principal Business

The principal business of the Bank and its subsidiaries is banking and related financial services. The Bank's business operation is set out in the section headed "Discussion and Analysis-Business Review".

Profits and Dividends Distribution

The Bank's profits as at 31 December 2010 are set out in the section headed "Discussion and Analysis-Financial Statements Analysis" in this Annual Report.

Upon the approval of the Secondary Extraordinary General Meeting for 2010, the Bank distributed a cash dividend of RMB20 billion (tax included) for 2009 to all shareholders on our register of members as at 31 December 2009.

Upon the approval of the Secondary Extraordinary General Meeting for 2010, the Board of Directors of the Bank implemented an accumulative retained earnings distribution plan as of 30 June 2010. The Bank distributed a cash dividend of RMB32,077 million (tax included) to shareholders on its register of members as at 30 June 2010.

The Board of Directors of the Bank proposed the distribution of cash dividend of RMB0.54 per ten shares (tax included) for the second half of 2010 for a total of RMB17,539 million (tax included). The dividend distribution plan is subject to the approval of shareholders at the Annual General Meeting for 2010. Upon the approval of the Annual General Meeting for 2010, the dividend will be paid to holders of A Shares and H Shares with whose names appeared on the registers of members of the Bank at the close of business on 16 June 2011. The H Share Registrar of the Bank will be closed from 11 June 2011 to 16 June 2011 (both days inclusive), and no transfer of H shares will be registered during such period. To qualify for the entitlement to the proposed cash dividend distribution, holders of H Shares of the Bank must lodge the transfer documents and the relevant share certificates with the Bank's H Share Registrar, Computershare Hong Kong Investor Services Limited at Room 1712–1716, 17th Floor, Hopewell Center, 183 Queen's Road East, Wanchai, Hong Kong no later than 4:30 p.m. on 10 June 2011.

The table below sets forth the Bank's cash dividend payment for the preceding three years.

In millions of RMB, except percentages

	2009	2008	2007
Cash dividend (tax included)	20,000	—	—
Cash dividend payment ratio[1] (%)	30.8	—	—

Note: 1. Cash dividend (tax included) is divided by the current net profits attributable to shareholders of the parent company.

Pursuant to the related rules issued by the State Administration of Taxation, individual foreigners who are the holders of H shares are temporarily exempted from individual income tax for the dividends (bonus) paid by domestic enterprises which issued such H shares.

Pursuant to the "Notice of the State Administration of Taxation on the Issues Concerning Withholding the Enterprises Income Tax on the Dividends Paid by Chinese Resident Enterprises to H Share Holders Who Are Overseas Non-resident Enterprises" (Guo Shui Han [2008] No.897), 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.

Dividend paid by the Bank in Hong Kong is not subject to tax in accordance with the practice of the Hong Kong Inland Revenue Department.

Reserves

The details of the changes of reserves for the year ended 31 December 2010 are set out in "Consolidated Statement of Changes in Equity" in the Financial Statements.

Financial Summary

The summary of operating results, assets and liabilities for the four years ended 31 December 2010 is set out in the section headed "Financial Highlights" of this Annual Report.

Donations

During the year ended 31 December 2010, the Bank made external donations (domestically) of RMB45.09 million.

Fixed Assets

The changes in fixed assets for the year ended 31 December 2010 are set out in the section of "Note 29 to the Financial Statements — Property and Equipment".

Subsidiaries

Particulars of the Bank's principal subsidiaries as at 31 December 2010 are set out in the section of "Discussion and Analysis — Business Review" in this Annual Report.

Share Capital and Public Float

As at 31 December 2010, the Bank's share capital amounted to 324,794,117,000 shares, including 294,055,293,904 A shares and 30,738,823,096 H shares. The Bank maintained sufficient public float in compliance with the minimum requirement of the Hong Kong Listing Rules and the exemption granted by the Hong Kong Stock Exchange upon the Bank's listing.

Purchase, Sale or Redemption of the Bank's Shares

During the year ended 31 December 2010, the Bank and any of its subsidiaries did not purchase, sell or redeem any of its listed shares.

The Issue of Shares and Debt Securities

Please refer to the section headed "Changes in Share Capital and Shareholdings of Substantial Shareholders — Details of Issuance and Listing of Securities" in this Annual Report.

Pre-emptive Rights

There is no mandatory provision in relation to share options in the Articles of Association. According to the Articles of Association, the Bank is entitled to increase its registered capital by issuing shares to non-specific or specific investors, allotting new shares to existing shareholders, transferring capital reserve funds to increase share capital and other methods as permitted by laws, administrative regulations and relevant authorities.

Major Customers

For the year ended 31 December 2010, the five largest customers accounted for less than 30% of the interest income and other operating income of the Bank.

Use of Proceeds

The proceeds were used to strengthen the Bank's capital base to support the ongoing growth of its business in accordance with the use of proceeds disclosed in the prospectus.

Major Projects Invested by Non-raised Funds

For the year ended 31 December 2010, the Bank has no significant projects invested by non-raised funds.

Directors' and Supervisors' Interests in Material Contracts

For the year ended 31 December 2010, none of the Bank's directors or supervisors had any material interests, whether directly or indirectly, in any material contracts regarding its business to which the Bank or any of its subsidiaries was a party. None of its directors or supervisors has entered into any service contract with the Bank, pursuant to which the Bank needs to pay the compensation (other than statutory compensation) for terminating the contract by the Bank within one year.

Directors' Interests in Competing Businesses

None of the directors held any interests in any business that competes or is likely to compete, either directly or indirectly, with the business of the Bank.

Directors' and Supervisors' Rights to Acquire Shares or Debentures

For the year ended 31 December 2010, the Bank did not grant any rights to acquire shares or debentures to any of its directors or supervisors, nor were any of such rights exercised by any of the directors or supervisors. Neither the Bank nor its subsidiaries entered into any agreement or arrangement enabling the directors or supervisors to acquire benefits by means of the acquisition of shares or debentures of the Bank or any other body corporate.

Interests in Shares, Underlying Shares and Debentures Held by Directors and Supervisors

As at 31 December 2010, none of the directors or supervisors of the Bank had any interests or short positions in the shares, underlying shares or debentures of the Bank or any of its associated corporations (as defined in Part XV of the Securities and Futures Ordinance of Hong Kong) which were required to be notified to the Bank and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the Securities and Futures Ordinance of Hong Kong (including interests and short positions in which they are deemed to have under such provisions of the Securities and Futures Ordinance of Hong Kong), or which were required to be recorded in the register referred to in Section 352 of the Securities and Futures Ordinance of Hong Kong, or any interests or short positions which were required to be notified to the Bank and the Hong Kong Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Hong Kong Listing Rules. For the interests and short positions of substantial shareholders of the Bank or other persons, please refer to the section headed "Changes in Share Capital and Shareholdings of Substantial Shareholders" of this Annual Report.

Related Party Transactions

Continuing Connected Transactions Defined under the Hong Kong Listing Rules

Deposits placed by Connected Persons with the Bank

The Bank provided commercial banking services and products to customers in the ordinary and usual course of its business. Such services and products include deposit-takings. Connected persons of the Bank, including substantial shareholders, directors, supervisors, presidents and chief executive officers of the Bank and its subsidiaries, and former directors of the Bank and its subsidiaries who were directors within 12 months before 31 December 2010, and their respective associates, have placed or will continue to place deposits in the Bank. As the deposits placed by the Bank's connected persons are on normal commercial terms in the ordinary and usual course of business of the Bank, and no security has been made over the assets of the Bank, such deposit-takings are regarded as exempted continuing connected transactions for the purpose of Rule 14A.65(4) of the Hong Kong Listing Rules, and are exempted from the reporting, announcement and independent shareholders' approval requirements under Rules 14A.35 and 14A.45 to 14A.48 of the Hong Kong Listing Rules.

Loans and Credit Facilities Extended by the Bank to Connected Persons

The Bank extends 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 its customers in the ordinary and usual course of its 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 the Bank and its subsidiaries, and former directors of the Bank and its subsidiaries who were directors within 12 months before 31 December 2010, and their respective associates. As the provisions of loans and credit facilities are on normal commercial terms and in the ordinary and usual course of the Bank's business, they are regarded as exempted continuing connected transactions under Rule 14A.65(1) of the Hong Kong Listing Rules and are exempted from the reporting, announcement and independent shareholders' approval requirements under Rules 14A.35 and 14A.45 to 14A.48 of the Hong Kong Listing Rules.

Transactions with Crèdit Agricole Corporate and Investment Bank ("CA-CIB")

Amundi Asset Management is a substantial shareholder of ABC-CA Fund Management Co., Ltd., a non-wholly owned subsidiary of the Bank, and CA-CIB is a subsidiary of Crèdit Agricole S.A., the holding company of Amundi Asset Management. According to the Hong Kong Listing Rules, CA-CIB is a connected person of the Bank.

During the reporting period, the Bank has regularly engaged in various transactions (both one-off transactions and continuing transactions) with CA-CIB on normal commercial terms in the ordinary and usual course of the business of the Bank.

The value of ABC-CA Fund's total assets, profits and revenue in each of the accounting years since its establishment on 18 March 2008 accounts for less than 10% of the total assets, profits and revenue of the Group, respectively. Therefore, the connected transactions between the Bank and CA-CIB will be exempted from the reporting, annual review, announcement and independent shareholders' approval requirements under Rules 14A.31(9) and 14A.33(4) of the Hong Kong Listing Rules.

For the related party transactions defined under the laws and regulations of China, please refer to "Note 49 to the Financial Statements — Related Party Transactions".

Responsibility Statement of Board of Directors in Respect of Internal Control

All members of the Board of Directors of the Bank are responsible for the sound establishment and effective implementation of its internal control system, while the management is responsible for organizing and directing the daily operation of its internal control system.

Remuneration Policy of Directors, Supervisors and Senior Management

In order to refine the corporate governance and the incentive and control mechanism, truly reflect and objectively evaluate the performance of the Chairman of the Board of Directors, the Chairman of the Board of Supervisors and the senior management, and enhance their performance and leadership, the Bank formulated "Appraisal Methods for the Chairman of the Board of Directors", "Appraisal Methods for the Chairman of the Board of Supervisors"and "Appraisal Methods for the Senior Management"in 2010. These methods specified the principles for managing the performance of the Chairman of the Board of Directors, the Chairman of the Board of Supervisors and the senior management, key appraisal indicators, appraisal procedures and the confirmation and feedback of appraisal results, in order to establish the basic mechanism to manage the performance of the Chairman of the Board of Directors, the Chairman of the Board of Supervisors and the senior management.

Financial, Business and Family Relationship among Directors

Directors of the Bank had no relationship with each other in respect of finance, business, family or other material relationship.

Particulars of Directors, Supervisors and Senior Management of the Bank

The particulars of the directors, supervisors and senior management members of the Bank as at 31 December 2010 are set out in the section of "Directors, Supervisors and Senior Management" of this Annual Report.

Employee Benefit Plans

For details of employee benefit plans of the Bank, please refer to "Note 37 to the Financial Statements — Accrued Staff Costs".

Management Contracts

Except the service contracts of its management personnel, the Bank has not entered into any contract with any person, company or legal entity to manage or handle the whole or any material part of its businesses.

Auditors

The 2010 Financial Statements of the Bank prepared in accordance with PRC GAAP and IFRS were audited by Deloitte Touche Tohmatsu CPA Ltd. and Deloitte Touche Tohmatsu according to China Standards on Auditing and Hong Kong Standards on Auditing, respectively. Unmodified auditor's reports were issued by them.

Implementation of Management System of Insider Information

The Bank formulated and implemented the Administrative Measures for Insider Information and Insiders to clarify the scope of insider information and insider, registration and filing system of insider and the obligation of confidentiality regarding insider information. Self-assessment for insider dealings was conducted and no insider dealing of the Bank's shares was identified.

By order of the Board

XIANG Junbo
Chairman
29 March 2011

Meetings of the Board of Supervisors and its Special Committees

Meetings of the Board of Supervisors

During the reporting period, the Board of Supervisors held eight meetings to consider and approve 18 resolutions, including the resolutions in relation to the 2009 Annual Report, Corporate Social Responsibility Report and financial settlements, and to review 12 specific working reports.

Meetings of the Board of Supervisors

The table below sets forth the attendance of the meetings of the Board of Supervisors.

Members of the Board of Supervisors	Number of meetings attended/meetings requiring attendance	Attendance
CHE Yingxin	8/8	100%
PAN Xiaojiang	8/8	100%
WANG Yurui	8/8	100%
WANG Xingchun	8/8	100%
JIA Xiangsen	8/8	100%

Meetings of the Special Committees of the Board of Supervisors

Meetings of the Due Diligence Supervision Committee

During the reporting period, the Due Diligence Supervision Committee held five meetings to consider and approve five resolutions, including the resolutions in relation to the measures of performance appraisal of directors and senior management by the Board of Supervisors and the reports of performance appraisal of directors and senior management by the Board of Supervisors.

The table below sets forth the attendance of the meetings of the Due Diligence Supervision Committee.

Members of the Due Diligence Supervision Committee	Number of meetings attended/meetings requiring attendance	Attendance
CHE Yingxin	5/5	100%
PAN Xiaojiang	5/5	100%
WANG Xingchun	5/5	100%

Meetings of Finance and Internal Control Supervision Committee

During the reporting period, the Finance and Internal Control Supervision Committee held seven meetings to consider and approve 11 resolutions, including the resolutions in relation to the 2009 Finance Supervision Report, financial settlement and proposed profit distribution.

The table below sets forth the attendance of the meetings of the Finance and Internal Control Supervision Committee.

Members of the Finance and Internal Control Supervision Committee	Number of meetings attended/meetings requiring attendance	Attendance
CHE Yingxin	7/7	100%
WANG Yurui	7/7	100%
JIA Xiangsen	7/7	100%

Activities of the Board of Supervisors

During the reporting period, the Board of Supervisors further improved the effectiveness and efficiency of supervision. It has supervised and evaluated the performance of the Board of Directors and the senior management, in respect of financial activities, operation decision, internal control and risk management. The Board of Supervisors also strengthened the communication with external auditors and provided guidance on internal audit in accordance with the laws, regulations and the Articles of Association of the Bank so as to protect the interests of the shareholders and employees of the Bank and to ensure the effectiveness and efficiency of the corporate governance system.

Strengthened the supervision on County Area Banking Business. The Board of Supervisors attached high importance on the development of County Area Banking Business. In accordance with the strategy of the Bank to cater to the needs of County Area Banking Business and implement commercially driven operations as well as requirement of our services in County Area, the Board of Supervisors provided its advices and proposals in respect of the following areas: development of County Area Banking Business, allocation of additional resources to sub-branches in County Area, improvement of services for Sannong, balanced business development in urban and rural areas and improvement of pricing of County Area Banking Business.

Strengthened the supervision on asset quality and financial and operational activities. The Board of Supervisors focused on the supervision on the financial management and consolidation of financial statements and provided its views and comments. The Board of Supervisors supervised the exposure of the Bank to real estate loans, government financing vehicles, loans to industries with high energy consumption, high pollution and overcapacity and wealth management services and provided its views and comments to the Board of Directors and senior management.

Strengthened the supervision on internal control and risk management. The Board of Supervisors placed high importance on our internal control and risk management system. It aimed to effectively prevent risk by internal supervision of the Board of Supervisors. The Board of Supervisors coordinated regular meetings with the relevant departments as well as external advisers to identify and rectify problems. The Board of Supervisors also provided its views and comments on the internal control and risk management issues in respect of IT system, staff management and specific management issues.

Strengthened the due diligence supervision appraisal of the Board of Directors and senior management. The Board of Supervisors paid close attention to the legal compliance of the decision-making procedures of the Board of Directors and the authorization and implementation of the senior management in accordance with the laws, regulations and requirements of the Articles of Association of the Bank. It further improved the measures for supervision on the due diligence of directors and senior management pursuant to the corporate governance requirements of listed banks. The Board of Supervisors carried out supervision and assessment on due diligence of directors and senior management members through conducting due diligence questionaire, interview, discussion and meetings with the directors and senior management. Supervisors attended meetings of the Board of Directors and senior management to oversee the performance of the directors and senior management. A report on performance of the Board of Directors and senior management in 2009 was prepared and submitted to the CBRC.

Independent Opinions of the Board of Supervisors on Relevant Issues

Compliance

During the reporting period, the Bank has been operating its business strictly in compliance with applicable laws and regulations. The Bank further improved our internal control system. Our decision-making procedures were in compliance with applicable laws and regulations and the Articles of Association of the Bank. Members of the Board of Directors and the senior management earnestly performed their duties. The Board of Supervisors did not find any violation of laws and regulations, or any act that contravened the interests of the Bank in the performance of their duties.

Authenticity of Financial Statements

The annual financial statements of the Bank truly and fairly reflected the financial positions and operating results of the Bank.

Use of Proceeds

During the reporting period, the proceeds raised from the global offerings were used in accordance with the disclosure in the prospectus.

Purchase and Disposal of Assets

During the reporting period, the Board of Supervisors did not find any insider trading or any act that contravened the shareholders' interests or caused the loss of the assets of the Bank in the purchase or disposal of assets by the Bank.

Related Party Transactions

During the reporting period, the related party transactions of the Bank were conducted on normal commercial terms. The Board of Supervisors did not find any act that infringed upon the interests of the Bank.

Management of Information Disclosure

During the reporting period, the Bank strictly complied with the relevant requirement to disclose the necessary information and properly managed the information disclosure system in accordance with the regulatory requirements. Information disclosed during the year was true, accurate and complete.

Review of Internal Control Assessment Report

The Board of Supervisors has no objection to the internal control assessment report of the Bank.

By order of the Board

CHE Yingxin
Chairman of the Board of Supervisors
29 March 2011

In 2010, we continued to put more efforts to fulfill corporate responsibility for economy, society and environment and maintain the harmony with all stakeholders.

Economic responsibility

We have improved financial services in County Area. We were devoted to expanding the coverage and channels of our County Area financial service. We endeavored to provide financial services in the remote rural areas in western China by establishing mobile customer service teams and providing banking services through traveling via automobiles and horses. We also launched "Dragon Program" in response to demands of corporate banking services arising from agricultural industrialization and entered into cooperation agreements with the Ministry of Agriculture and 11 leading industrialized agricultural enterprises. In 2010, we were awarded the "Top Ten Most Influential Enterprise Spirits in the 60 Years of New China" for our commitment of servicing Sannong. As at the end of 2010, we issued 61.855 million Huinong Cards and thus benefited approximately a quarter of rural households in China. The small loans to rural households amounted to RMB98.9 billion which provided credit facilities to 5.83 million rural households directly.

We have supported the development of small enterprises. In 2010, we explored to develop various forms of specialized units for providing banking services to small enterprises and set up a nationwide specialized operation management system. We also launched financial products for small enterprises, such as "Easy Loan" and "Self-Service Revolving Credit Facilities", to solve their difficulties in financing.

We have enhanced the banking services related to people's livelihood. We implemented the State's control measures of real estate market and increased loans for welfare housing under a series of products of "Anju Loan". We also implemented entrepreneurship and employment supporting schemes for rural youth and provided small loans of RMB2.407 billion to 64,968 rural youth for setting up their businesses.

Social Responsibility

We have improved the quality of customer services. We continuously refined the system of product innovation and streamlined the procedures and mode of product innovation so as to establish an integrated branding system, including 465 banking products as at the end of 2010. We also continued to promote the transformation of our branch outlets and refined its layout in order to improve the service quality. We have expanded customer service channels by establishing a comprehensive and multi-channel system of products function for E-banking. We expanded the coverage of foreign branches and gradually set up a financial services network integrating domestic and foreign currency to improve our capability in providing cross-border financial services. As at the end of 2010, we had nearly 9,000 domestic branches engaging in foreign currency business and established agency relationship with 1,262 foreign financial institutions, covering 110 countries and regions globally. Furthermore, we also accelerated the establishment of 95599 customer service center and formulated a comprehensive mechanism to improve the communication with customers and promptly respond to their complaints in order to improve customer satisfaction.

We have emphasized on the career development of our employees. In 2010, we offered 17,755 employment positions and initiated a recruitment program to employ 371 "village officials", who used to be college graduates. We encouraged employees to participate in work management and set up communication channels for our employees to express their views. We also integrated and refined our training resources and organized domestic and overseas trainings at multiple-levels, so as to further improve the ability and quality of our employees. Furthermore, we set up a 24-grade employment management system covering three main aspects, including managerial, professional and operational employees, which provided a platform for our employees to gain experience and make great career progress.

We are devoted to charity. In 2010, our donation amounted to RMB45.09 million and donation to selected poverty alleviation units amounted to RMB6.0147 million. We put our efforts to respond to the destroy arising from the earthquake in Yushu, Qinghai Province and landslide in Zhouqu, Gansu Province and reconstructed banking services in these regions. We also launched various donation activities to subsidize and provide financial assistances to students, including financial assistance to 229 education institutions and 32,000 students for the year.

Environmental Responsibility

We have adopted a green financing policy. We focused on supporting the development of "Green Industry", "Green Agriculture" and tertiary industry. Projects involving advanced technologies and energy-conserving were granted loans with priority. In 2010, we granted loans in total of RMB59.713 billion to 367 energy-saving and environmental-friendly projects. The entry barrier for industries with high pollution, high energy consumption and excessive production capacity has been raised and the overall credit limit control was strengthened. We also tightened the credit approval authorizations and implemented a customer list-based credit management system. We has adopted the "channels veto system" of environmental protection policies in the credit approval.

We have promoted low-carbon financial services. We set up a network of e-banking trading (e.g. Internet banking and telephone banking), a network of e-banking services channels (e.g. customer service centers, portal websites and information services platforms) and an e-commercial system covering 12 industries, so as to speed up our products innovation and promote paperless financial services. Furthermore, we have actively supported Clean Development Mechanism (CDM) related projects. During the year, we had five new CDM projects, and over 20 pipeline projects contracted.

We have promoted resources conversation in our operation by implementing a System of Office Information (SOI) for electronic operation. We speeded up the establishment of video conferencing system so as to improve efficiency in office. We launched activities to promote energy saving and formulated and implemented projects to save energy consumption. We also used green and environmental-friendly materials in the renovation of our infrastructure and network transformation. In addition, we promoted a concept of "low-carbon living" and "green travelling".

We will issue the full Corporate Social Responsibility Report 2010 to give details of our social responsibility activities.

Material Legal Proceedings and Arbitration

During the reporting period, there were no legal proceedings or arbitration with material effect on the operation of the Bank.

As at 31 December 2010, unresolved legal proceedings in which the Bank was a defendant, a respondent or a third person involved amounted to approximately RMB4.067 billion. The management of the Bank believes that we have fully accrued provision for the possible losses arising from the said legal proceedings. Such events will not exert any material adverse effect on our financial position or operational results.

During the reporting period, there were no legal proceedings involving any counterfeit software used by the Bank.

Shares Held by the Bank in Listed Companies and Unlisted Financial Enterprises

Shares held by the Bank in Listed Companies[1]

Stock Code	Abbreviation of Securities	Investment cost (RMB Yuan)	Shareholding percentage (%)	Book value at the end of the period (RMB Yuan)	Gain/loss during the reporting period[2] (RMB Yuan)	Change in owner's equity during the reporting period (RMB Yuan)	Accounting item	Source of shares
600127	GAEA GEM	171,108,876	20.62	140,563,934	—	—	Interest in an associate	Take-over of debt equity
000430	ST ZTDC	11,233,299	5.09	88,028,856	—	8,847,684	Available-for-sale financial assets	Investment of self-owned capital

Notes: 1. The shares of domestically listed companies specified above is recognized as interest in an associate and available-for-sale financial assets.
2. Mainly including investment gains and impairment losses.

Shares held by the Bank in Unlisted Financial Enterprises

Name of Investee Company	Investment cost (RMB Yuan)	Number of Shares held (in ten thousand shares)	Shareholding percentage (%)	Book value at the end of the period (RMB Yuan)	Gain/loss during the reporting period (RMB Yuan)	Change in owner's equity during the reporting period (RMB Yuan)	Accounting item	Source of share
China UnionPay Co., Ltd	146,250,000	11,250.00	3.84	146,250,000	—	—	Available-for-sale financial assets	Investment of self-owned capital
Evergrowing Bank Co., Ltd	11,750,000	2,691.00	0.37	11,750,000	—	—	Available-for-sale financial assets	Investment of self-owned capital
Guangdong Development Bank Co., Ltd	61,433,777	2,219.00	0.14	61,433,777	—	—	Available-for-sale financial assets	Investment of self-owned capital

Trading of Shares of Other Listed Companies

	Name of shares	Number of shares held at the beginning of the period (shares)	Number of shares bought/sold during the reporting period (shares)	Number of shares held at the end of the period (shares)	Capital used (RMB Yuan)	Investment return incurred (RMB Yuan)
Bought	—	—	—	—	—	—
Sold	Tianjin Teda Company Limited	12,325,214	-12,325,214	—	—	120,114,201

Major Asset Acquisition, Disposal and Merger

In September 2010, the Agricultural Bank of China Financial Leasing Co., Ltd. ("ABC Financial Leasing Co., Ltd.") was approved to commence its operation. ABC Financial Leasing Co., Ltd. has a registered capital of RMB2 billion and the Bank is the sole shareholder.

On 11 February 2011, the Board of Directors resolved to subscribe for 1,036,653,061 new shares in Jiahe Life Insurance Co., Ltd. at RMB2.5 per share with a total consideration of approximately RMB2.592 billion. After the subscription, the Bank has 51% interest in the share capital of Jiahe Life Insurance Co., Ltd. The subscription is pending from approval of relevant regulatory authorities.

Implementation of Share Incentive Plan

During the reporting period, the Bank did not implement any share incentive scheme.

Major Related-party Transactions

During the reporting period, the Bank did not enter into any major related-party transactions.

Material Contracts

Material Custody, Contract and Lease

During the reporting period, the Bank did not enter into any material custody, contracting or leasing arrangements of assets of other companies and no other companies entered into any material entrusting, contracting or leasing arrangements of our assets.

Material Guarantees

The provision of guarantees is one of the recurring off-balance-sheet businesses of the Bank. During the reporting period, the Bank did not have any material guarantees that required to be disclosed, except for the financial guarantee services within the business scope as approved by the PBOC and the CBRC.

Material Events Concerning Entrusting Others for Cash Management or Entrusted Loans

During the reporting period, there was no material events concerning entrusting others for cash management or entrusted loans occurred in the Bank.

Appropriation of Funds by Controlling Shareholder and Other Related Parties

No funds of the Bank were appropriated by controlling shareholder or other related parties.

Commitments Made by the Bank or Shareholders holding 5% Shares or Above

During the reporting period, the commitments of our shareholders were consistent to those disclosed in the prospectus of the initial public offering of the Bank. As at 31 December 2010, the commitments of our shareholders were performed.

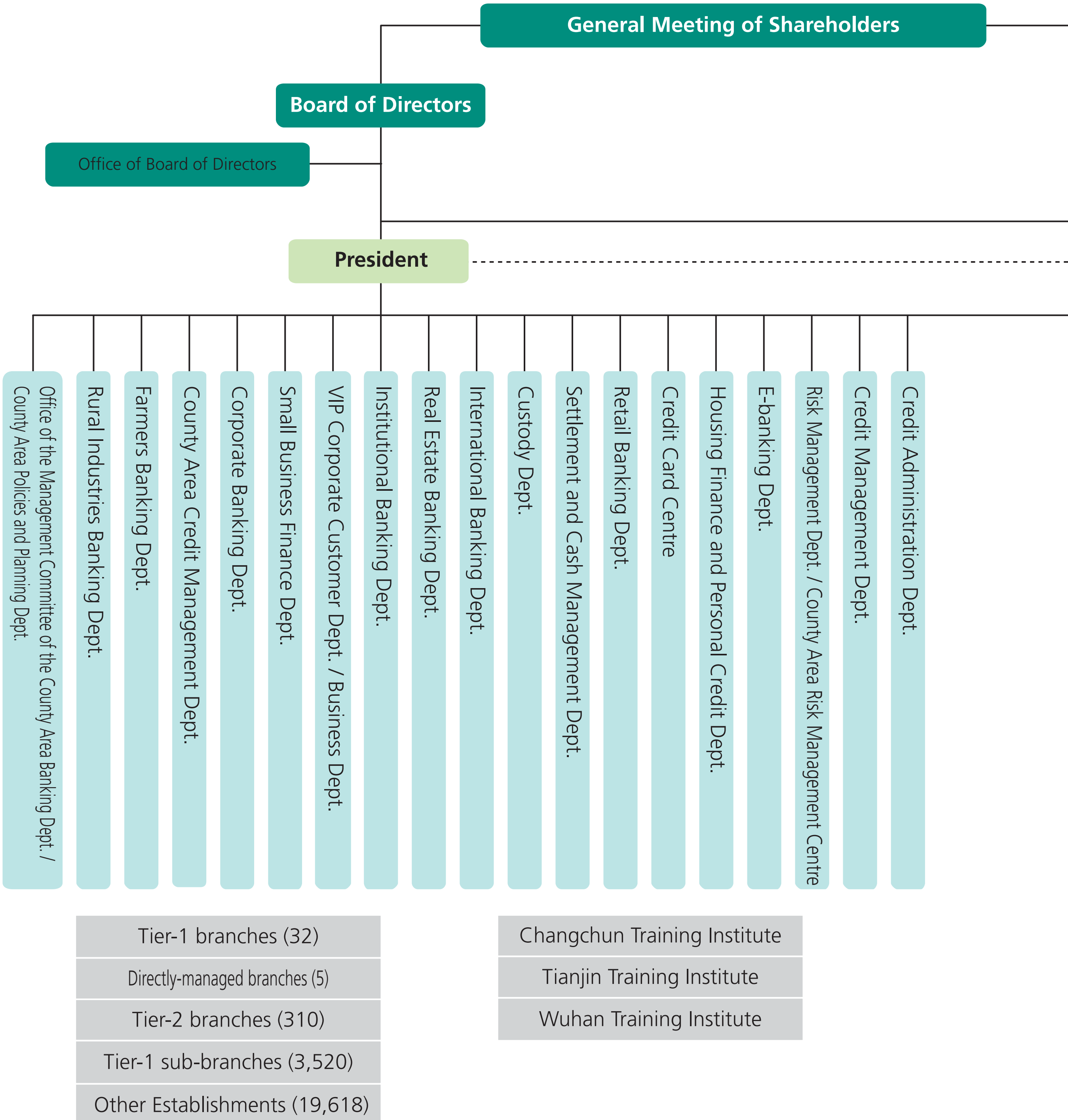
Penalties Imposed on the Bank and Directors, Supervisors and Senior Management of the Bank

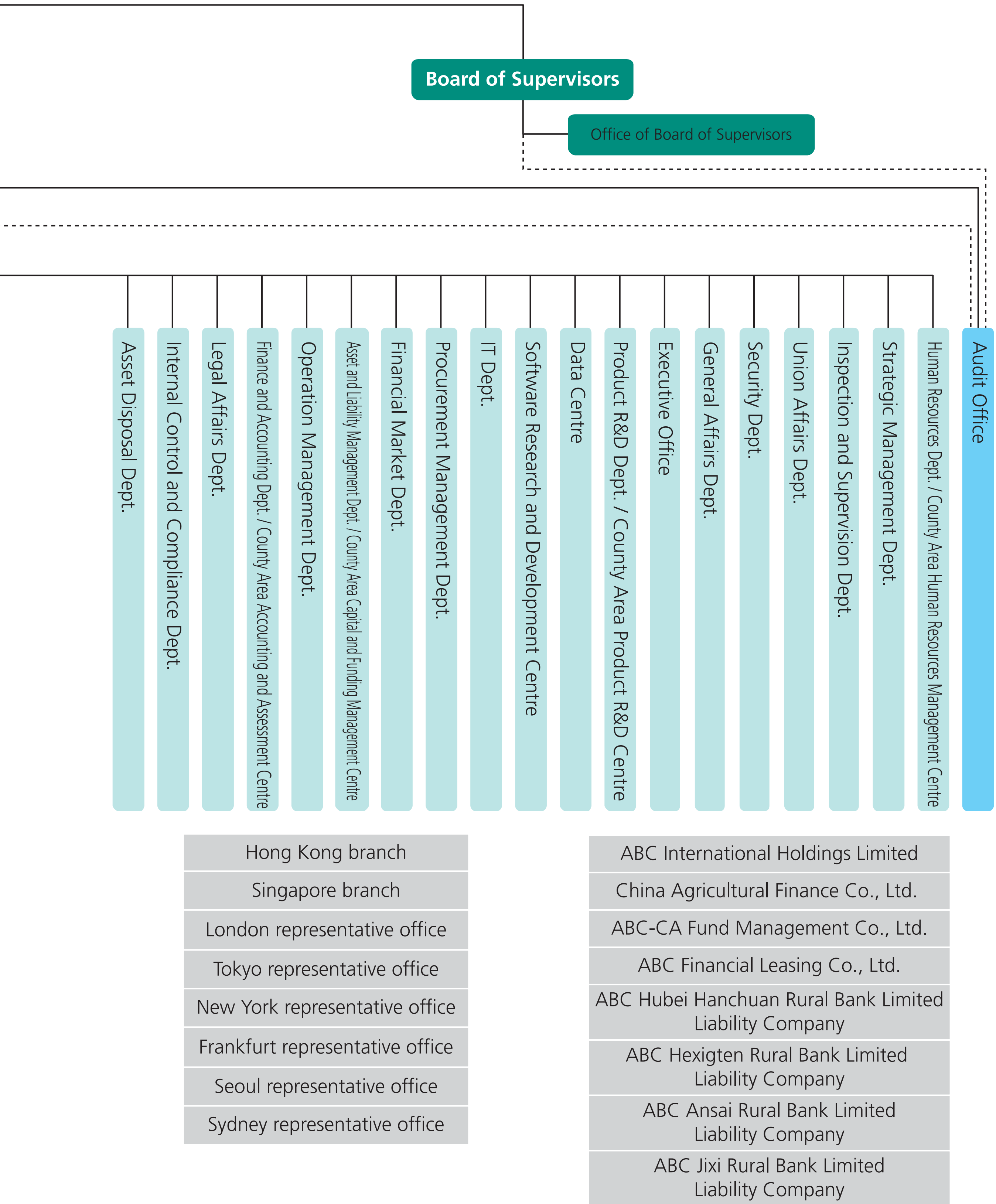
During the reporting period, neither the Bank nor any of our Directors, Supervisors and senior management was subject to any investigation imposed by relevant regulatory authorities, compulsory measures adopted by judiciary and disciplinary inspection authorities, transfer to judiciary authorities and prosecution for criminal liabilities. Neither the Bank nor any of our Directors, Supervisors and senior management was subject to inspection and administrative penalties imposed by the CSRC, notice of criticism and public reprimand by any stock exchange.

Other Events

On 2 March 2011, the first extraordinary general meeting of the Bank of 2011 considered and approved the issuance of subordinated bonds of up to RMB50 billion within 24 months from the date of approval by the shareholders' meeting. The proceeds of the issuance of subordinated bonds will be used to strengthen supplementary capital to improve the capital adequacy ratio of the Bank.

Organizational Chart




Board of Supervisors
Office of Board of Supervisors
Asset Disposal Dept.
Internal Control and Compliance Dept.
Legal Affairs Dept.
Finance and Accounting Dept. / County Area Accounting and Assessment Centre
Operation Management Dept.
Asset and Liability Management Dept. / County Area Capital and Funding Management Centre
Financial Market Dept.
Procurement Management Dept.
IT Dept.
Software Research and Development Centre
Data Centre
Product R&D Dept. / County Area Product R&D Centre
Executive Office
General Affairs Dept.
Security Dept.
Union Affairs Dept.
Inspection and Supervision Dept.
Strategic Management Dept.
Human Resources Dept. / County Area Human Resources Management Centre
Audit Office
Hong Kong branch
Singapore branch
London representative office
Tokyo representative office
New York representative office
Frankfurt representative office
Seoul representative office
Sydney representative office
ABC International Holdings Limited
China Agricultural Finance Co., Ltd.
ABC-CA Fund Management Co., Ltd.
ABC Financial Leasing Co., Ltd.
ABC Hubei Hanchuan Rural Bank Limited Liability Company
ABC Hexigten Rural Bank Limited Liability Company
ABC Ansai Rural Bank Limited Liability Company
ABC Jixi Rural Bank Limited Liability Company

List of Domestic and Overseas Branches and Institutions

Domestic Institutions

- **BEIJING BRANCH**
ADD: 5 Zhanlanguan Road, Xicheng District, Beijing 100037, P. R. China
TEL: 86-10-68358266
FAX: 86-10-68350495

- **TIANJIN BRANCH**
ADD: No. 3 6 Zijinshan Road, Hexi District, Tianjin 300074, P. R. China
TEL: 86-22-23338734
FAX: 86-22-23338736

- **HEBEI BRANCH**
ADD: 39 Ziqiang Road, Shijiazhuang, Hebei Province 050000, P. R. China
TEL: 86-311-87026132
FAX: 86-311-87019961

- **SHANXI BRANCH**
ADD: 92 Fudong Street, Taiyuan, Shanxi Province 030002, P. R. China
TEL: 86-351-4956830
FAX: 86-351-4956999

- **INNER MONGOLIA BRANCH**
ADD: ABC Building, North Xincheng Street, Hohhot, Inner Mongolia 010010, P. R. China
TEL: 86-471-6903388-80904
FAX: 86-471-6904750

- **LIAONING BRANCH**
ADD: 27 Beijing Street, Shenhe District, Shenyang, Liaoning Province 110013, P. R. China
TEL: 86-24-22550004
FAX: 86-24-22550007

- **JILIN BRANCH**
ADD: 926 Renmindajie, Changchun, Jilin Province 130051, P. R. China
TEL: 86-431-82093114
FAX: 86-431-82093597

- **HEILONGJIANG BRANCH**
ADD: 131 Xidazhijie, Nangang District, Harbin, Heilongjiang Province 150006, P. R. China
TEL: 86-451-86208846
FAX: 86-451-86209357

- **SHANGHAI BRANCH**
ADD: 599 Xujiahui Road, Luwan District, Shanghai 200023, P. R. China
TEL: 86-21-53961888
FAX: 86-21-53961900

- **JIANGSU BRANCH**
ADD: 357 Hongwu Road, Nanjing 210002, P. R. China
TEL: 86-25-84571888
FAX: 86-25-84573199

- **ZHEJIANG BRANCH**
ADD: 55 Changqing Street, Hangzhou, Zhejiang Province 310003, P. R. China
TEL: 86-571-87226000
FAX: 86-571-87226177

- **ANHUI BRANCH**
ADD: 448 Changjiang Zhonglu, Hefei, Anhui Province 230061, P. R. China
TEL: 86-551-2843475
FAX: 86-551-2843573

- **FUJIAN BRANCH**
ADD: 177 Hualin Road, Fuzhou, Fujian Province 350003, P. R. China
TEL: 86-591-87909976
FAX: 86-591-87909886

- **JIANGXI BRANCH**
ADD: 339 Zhongshan Road, Nanchang, Jiangxi Province 330008, P. R. China
TEL: 86-791-6693775
FAX: 86-791-6693777

- **SHANDONG BRANCH**
ADD: 168 Jingqi Road, Ji'nan, Shandong Province 250001, P. R. China
TEL: 86-531-85858888
FAX: 86-531-82056558

- **HENAN BRANCH**

ADD: 16 Outer Ring Road
CBD
Zhengdong New District,
Zhengzhou, Henan Province
450016, P. R. China
TEL: 86-371-69196826
FAX: 86-371-69196724

- **HUBEI BRANCH**

ADD: Seat A, Jinjin Garden,
66 Zhongbei Road,
Wuchang District, Wuhan,
Hubei Province 430071,
P. R. China
TEL: 86-27-68875780
FAX: 86-27-68875106

- **HUNAN BRANCH**

ADD: 540 Furong Zhonglu,
Section 1, Changsha,
Hunan Province 410005,
P. R. China
TEL: 86-731-4300265
FAX: 86-731-4300261

- **GUANGDONG BRANCH**

ADD: 425 East Zhujiang Road,
Zhujiang New Town,
Tianhe District,
Guangzhou, Guangdong
Province 510623,
P. R. China
TEL: 86-20-38008888
FAX: 86-20-38008019

- **GUANGXI AUTONOMOUS REGION BRANCH**

ADD: 56 Jinhu Road, Nanning,
Guangxi Autonomous
Region 530028,
P. R. China
TEL: 86-771-2106036
FAX: 86-771-2106035

- **HAINAN BRANCH**

ADD: 26 Binhai Avenue,
Haikou, Hainan Province
570125, P. R. China
TEL: 86-898-66772087
FAX: 86-898-66772999

- **SICHUAN BRANCH**

ADD: 6 Tiyuchang Road,
Chengdu, Sichuan Province
610015, P. R. China
TEL: 86-28-86760327
FAX: 86-28-86760461

- **CHONGQING BRANCH**

ADD: 103 Xinhua Road,
Yuzhong District,
Chongqing 400011,
P. R. China
TEL: 86-23-63551188
FAX: 86-23-63844275

- **GUIZHOU BRANCH**

ADD: 201 South Zhonghua Road,
Guiyang, Guizhou Province
550002, P. R. China
TEL: 86-851-5221016
FAX: 86-851-5221009

- **YUNNAN BRANCH**

ADD: 1 Renmin Middle Road,
Kunming, Yunnan Province
650051, P. R. China
TEL: 86-871-3203405
FAX: 86-871-3203408

- **TIBET BRANCH**

ADD: 12 East Kang'ang Road,
Lhasa, Tibet 850000,
P. R. China
TEL: 86-891-6333750
FAX: 86-891-6328111-6125

- **SHAANXI BRANCH**

ADD: 64 South guanzheng Street,
Xi'an, Shaanxi Province
710068, P. R. China
TEL: 86-29-87802428
FAX: 86-29-87804810

- **GANSU BRANCH**

ADD: 108 North Jinchang Road,
Lanzhou, Gansu Province
730030, P. R. China
TEL: 86-931-8895084
FAX: 86-931-8895040

- **QINGHAI BRANCH**

ADD: 96 Huanghe Road,
Xining, Qinghai Province
810001, P. R. China
TEL: 86-971-6145160
FAX: 86-971-6141235

- **NINGXIA BRANCH**

ADD: 95 West Jiefang Street,
Xingqing District, Yinchuan,
Ningxia Autonomous
Region 750001, P. R. China
TEL: 86-951-6027614
FAX: 86-951-6027440

- **XINJIANG BRANCH**

ADD: 66 South Jiefang Road, Urumqi 830002, P. R. China
TEL: 86-991-2814785
FAX: 86-991-2815229

- **XINJIANG PRODUCTION AND CONSTRUCTION CORPS BRANCH**

ADD: 173 South Jiefang Road, Urumqi 830002, P. R. China
TEL: 86-991-2217709
FAX: 86-991-2217709

- **DALIAN BRANCH**

ADD: 10 Zhongshan Road, Zhongshan District, Dalian, Liaoning Province 116001, P. R. China
TEL: 86-411-82510020
FAX: 86-411-82510654

- **QINGDAO BRANCH**

ADD: 19 Shandong Road, Qingdao, Shandong Province 266071, P. R. China
TEL: 86-532-85802215
FAX: 86-532-85814102

- **NINGBO BRANCH**

ADD: 518 East Zhongshan Road, Ningbo, Zhejiang Province 315040, P. R. China
TEL: 86-574-87363537
FAX: 86-574-87363537

- **XIAMEN BRANCH**

ADD: ABC Building, 98–100 Jiahe Road, Siming District, Xiamen, Fujian Province 361009, P. R. China
TEL: 86-592-5578855
FAX: 86-592-5578899

- **SHENZHEN BRANCH**

ADD: 5008 East Shennan Road, Shenzhen, Guangdong Province 518001, P. R. China
TEL: 86-775-25590960
FAX: 86-755-25590942

- **TIANJIN TRAINING INSTITUTE**

ADD: 88 Weijin Nanlu, Nankai District, Tianjin 300381, P.R. China
TEL: 86-22-23389307
FAX: 86-22-23381289

- **CHANGCHUN TRAINING INSTITUTE**

ADD: 1408 Qianjin Street, Chaoyang District, Changchun, Jilin Province 130012, P.R. China
TEL: 86-431-86822027
FAX: 86-431-86822111

- **WUHAN TRAINING INSTITUTE**

ADD: 134 Zhongbei Road, Wuchang District, Wuhan, Hubei Province 430077, P.R. China
TEL: 86-27-86780477
FAX: 86-27-86795502

- **SUZHOU BRANCH**

ADD: 65 Shishan Road, New District, Suzhou, Jiangsu Province 215011, P.R. China
TEL: 86-512-68247016
FAX: 86-512-68417800

- **ABC-CA FUND MANAGEMENT CO., LTD.**

ADD: 7/F, Puxiang Business Plaza, 1600 Century Road, Shanghai 200122, P.R. China
TEL: 86-21-61095588
FAX: 86-21-61095556

- **ABC FINANCIAL LEASING CO., LTD.**

ADD: 5–6/F, East Yan’an Road, Huangpu District, Shanghai 200120, P.R. China
TEL: 86-21-68776699
FAX: 86-21-68777599

- **ABC HUBEI HANCHUAN RURAL BANK LIMITED LIABILITY COMPANY**

ADD: Jianshece Road,
Xinhe Power Plant,
Hanchuan, Hubei Province
431600, P.R. China
TEL: 86-712-8412338
FAX: 86-712-8412338

- **ABC HEXIGTEN RURAL BANK LIMITED LIABILITY COMPANY**

ADD: Industrial Park,
Middle Section,
Jiefang Road,
Jingpeng Township,
Hexigten 025350
TEL: 86-476-5227657

- **ABC ANSAI RURAL BANK LIMITED LIABILITY COMPANY**

ADD: Majiagou Village,
Zhenwudong County,
Ansai Town,
Shaanxi Province, 717400
P. R. China
TEL: 86-911-6229906
FAX: 86-911-6229906

- **ABC JIXI RURAL BANK LIMITED LIABILITY COMPANY**

ADD: 340 Longchuan Road,
Huayang Town,
Jixi County,
Anhui Province 245300,
P. R. China
TEL: 86-563-8158916
FAX: 86-563-8158916

Overseas Institutions

- **SINGAPORE BRANCH**
ADD: No. 7 Temasek boulevard #30-01/02/03 Suntec Tower One, Singapore 038987
TEL: 65-65355255
FAX: 65-65367155

- **HONGKONG BRANCH**
ADD: 23/F, Tower 1, Admiralty Center, 18 Harcourt Road, Hong Kong
TEL: 852-28618000
FAX: 852-28660133

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Auditor's Report and Financial Statements

Deloitte.
德勤

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To the Members of Agricultural Bank of China Limited

(Incorporated in the People's Republic of China with limited liability)

We have audited the consolidated financial statements of Agricultural Bank of China Limited (the "Bank") and its subsidiaries (collectively referred to as the "Group") set out on pages 3 to 156 which comprise the consolidated and Bank's statements of financial position as at 31 December 2010, and the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Directors' responsibility for the consolidated financial statements

The directors of the Bank are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion 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. We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Bank and of the Group as at 31 December 2010 and of the Group's profit and cash flows for the year then ended in accordance with International Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

29 March 2011

Consolidated Income Statement

For the year ended 31 December 2010
(Amounts in millions of Renminbi, unless otherwise stated)

		Year ended 31 December	
	Notes	**2010**	**2009**
Interest income	5	357,660	296,147
Interest expense	5	(115,508)	(114,508)
Net interest income	5	242,152	181,639
Fee and commission income	6	48,144	37,285
Fee and commission expense	6	(2,016)	(1,645)
Net fee and commission income	6	46,128	35,640
Net trading (loss) gain	7	(244)	444
Net gain on financial instruments designated as at fair value through profit or loss	8	435	2,052
Net loss on investment securities		(754)	(173)
Other operating income	9	4,536	4,035
Operating income		292,253	223,637
Operating expenses	10	(128,107)	(109,567)
Impairment losses on assets	12	(43,412)	(40,142)
Profit before tax		120,734	73,928
Income tax expense	13	(25,827)	(8,926)
Profit for the year		94,907	65,002
Attributable to:			
Equity holders of the Bank		94,873	64,992
Non-controlling interests		34	10
		94,907	65,002
Earnings per share	15		
(Expressed in RMB per share)			
— Basic		0.33	0.25

For the year ended 31 December 2010
(Amounts in millions of Renminbi, unless otherwise stated)

	Year ended 31 December	
	2010	**2009**
Profit for the year	94,907	65,002
Other comprehensive income (expense):		
Fair value loss on available-for-sale financial assets		
— fair value loss arising during the year	(8,589)	(13,146)
— amount reclassified to the profit or loss upon disposal/ impairment of available-for-sale financial assets	(478)	(3,804)
Exchange difference arising on translating foreign operations	(316)	50
Income tax relating to available-for-sale financial assets	2,272	4,282
Other comprehensive expense for the year (net of tax)	(7,111)	(12,618)
Total comprehensive income for the year	87,796	52,384
Total comprehensive income attributable to:		
Equity holders of the Bank	87,762	52,374
Non-controlling interests	34	10
	87,796	**52,384**

Consolidated Statement of Financial Position

At 31 December 2010
(Amounts in millions of Renminbi, unless otherwise stated)

	Notes	31.12.2010	31.12.2009
Assets			
Cash and balances with central banks	16	2,082,332	1,517,806
Deposits with banks and other financial institutions	17	77,893	61,693
Placements with banks and other financial institutions	18	95,375	49,435
Financial assets held for trading	19	7,213	15,346
Financial assets designated as at fair value through profit or loss	20	43,044	96,830
Financial assets held under resale agreements	21	525,331	421,093
Derivative financial assets	22	9,173	4,678
Loans and advances to customers	23	4,788,008	4,011,495
Available-for-sale financial assets	24	668,503	730,382
Held-to-maturity investments	25	1,036,658	883,915
Debt securities classified as receivables	26	772,013	890,199
Interest in an associate	28	141	141
Property and equipment	29	121,391	111,973
Deferred tax assets	39	31,470	19,659
Other assets	30	78,861	67,943
Total assets		**10,337,406**	**8,882,588**
Liabilities			
Borrowings from central bank		30	58
Deposits from banks and other financial institutions	31	526,250	573,949
Placements from banks and other financial institutions	32	56,702	26,312
Financial liabilities held for trading	33	331	56
Financial liabilities designated as at fair value through profit or loss	34	34,682	113,843
Financial assets sold under repurchase agreements	35	37,467	100,812
Derivative financial liabilities	22	12,378	7,690
Due to customers	36	8,887,905	7,497,618
Accrued staff costs	37	34,584	29,938
Tax liabilities		16,413	5,163
Debt securities issued	38	62,344	55,179
Deferred tax liabilities	39	82	—
Other liabilities	40	126,002	129,045
Total liabilities		**9,795,170**	**8,539,663**

(Amounts in millions of Renminbi, unless otherwise stated)

	Notes	31.12.2010	31.12.2009
Equity			
Share capital	41	324,794	260,000
Capital reserve	42	98,773	—
Investment revaluation reserve	43	(2,171)	4,624
Surplus reserve	44	17,242	7,676
General and regulatory reserve	45	58,335	10,772
Retained earnings		45,484	59,817
Currency translation reserve		(386)	(70)
Equity attributable to equity holders of the Bank		542,071	342,819
Non-controlling interests		165	106
Total equity		**542,236**	**342,925**
Total equity and liabilities		**10,337,406**	**8,882,588**

The consolidated financial statements on pages 148 to 283 were approved and authorised for issue by the Board of Directors on 29 March 2011 and are signed on its behalf by:

Director

Director

Statement of Financial Position

At 31 December 2010
(Amounts in millions of Renminbi, unless otherwise stated)

	Notes	31.12.2010	31.12.2009
Assets			
Cash and balances with central banks	16	2,082,252	1,517,762
Deposits with banks and other financial institutions	17	76,921	61,285
Placements with banks and other financial institutions	18	95,375	49,435
Financial assets held for trading	19	7,213	15,346
Financial assets designated as at fair value through profit or loss	20	43,044	96,830
Financial assets held under resale agreements	21	525,331	421,093
Derivative financial assets	22	9,173	4,678
Loans and advances to customers	23	4,787,749	4,011,386
Available-for-sale financial assets	24	668,395	730,382
Held-to-maturity investments	25	1,036,658	883,915
Debt securities classified as receivables	26	772,013	890,199
Investments in subsidiaries	27	4,029	1,136
Interest in an associate	28	141	141
Property and equipment	29	121,220	111,776
Deferred tax assets	39	31,458	19,654
Other assets	30	77,680	66,137
Total assets		**10,338,652**	**8,881,155**
Liabilities			
Borrowings from central bank		30	58
Deposits from banks and other financial institutions	31	529,356	574,794
Placements from banks and other financial institutions	32	56,702	26,312
Financial liabilities held for trading	33	331	56
Financial liabilities designated as at fair value through profit or loss	34	34,682	113,843
Financial assets sold under repurchase agreements	35	37,467	100,812
Derivative financial liabilities	22	12,378	7,690
Due to customers	36	8,887,620	7,497,442
Accrued staff costs	37	34,497	29,911
Tax liabilities		16,368	5,162
Debt securities issued	38	62,344	55,179
Other liabilities	40	125,607	128,647
Total liabilities		**9,797,382**	**8,539,906**

(Amounts in millions of Renminbi, unless otherwise stated)

	Notes	31.12.2010	31.12.2009
Equity			
Share capital	41	324,794	260,000
Capital reserve	42	98,574	—
Investment revaluation reserve	43	(2,171)	4,624
Surplus reserve	44	17,240	7,676
General and regulatory reserve	45	58,294	10,755
Retained earnings	46	44,846	58,385
Currency translation reserve		(307)	(191)
Total equity		**541,270**	**341,249**
Total equity and liabilities		**10,338,652**	**8,881,155**

The consolidated financial statements on pages 148 to 283 were approved and authorised for issue by the Board of Directors on 29 March 2011 and are signed on its behalf by:

中国农业银行股份有限公司

Director

Director

Consolidated Statement of Changes in Equity

For the year ended 31 December 2010
(Amounts in millions of Renminbi, unless otherwise stated)

		Total equity attributable to equity holders of the Bank									
	Notes	Share capital	Capital reserve	Surplus reserve	General and regulatory reserve	Retained earnings	Investment revaluation reserve	Currency translation reserve	Subtotal	Non-controlling interests	Total
As at 1 January 2009		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	44	—	—	6,489	—	(6,489)	—	—	—	—	—
Appropriation to general and regulatory reserve	45	—	—	—	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**
Profit for the year		—	—	—	—	94,873	—	—	94,873	34	94,907
Other comprehensive income		—	—	—	—	—	(6,795)	(316)	(7,111)	—	(7,111)
Total comprehensive income for the year		—	—	—	—	94,873	(6,795)	(316)	87,762	34	87,796
Shares issued	41	64,794	98,773	—	—	—	—	—	163,567	—	163,567
Contribution from non-controlling shareholders of subsidiaries		—	—	—	—	—	—	—	—	25	25
Appropriation to surplus reserve	44	—	—	9,566	—	(9,566)	—	—	—	—	—
Appropriation to general and regulatory reserve	45	—	—	—	47,563	(47,563)	—	—	—	—	—
Dividends recognised as distribution	14	—	—	—	—	(52,077)	—	—	(52,077)	—	(52,077)
As at 31 December 2010		**324,794**	**98,773**	**17,242**	**58,335**	**45,484**	**(2,171)**	**(386)**	**542,071**	**165**	**542,236**

(Amounts in millions of Renminbi, unless otherwise stated)

	Year ended 31 December	
	2010	**2009**
OPERATING ACTIVITIES		
Profit before tax	120,734	73,928
Adjustments for:		
Amortisation of intangible assets and other assets	1,497	1,624
Depreciation of property and equipment	9,799	9,151
Impairment losses on assets	43,412	40,142
Interest income arising from investment securities	(77,685)	(74,658)
Interest income arising from impaired financial assets	(1,145)	(1,788)
Interest expense on subordinated bonds issued	1,811	1,105
Net loss on investment securities	754	173
Net gain on disposal of property and equipment and other assets	(329)	(279)
Net foreign exchange loss	4,667	44
Operating cash flows before movements in working capital	103,515	49,442
Net increase in balances with central banks, deposits with banks and other financial institutions	(603,319)	(389,037)
Net increase (decrease) in placements from banks and other financial institutions	15,750	(12,233)
Net increase in loans and advances to customers	(818,904)	(1,039,072)
Net decrease in borrowings from central bank	(28)	(256)
Net increase in due to customers and deposits from banks and other financial institutions	1,397,743	1,684,598
Increase in other operating assets	(42,637)	(392,699)
(Decrease) increase in other operating liabilities	(117,964)	101,499
Cash generated from operations	(65,844)	2,242
Income tax paid	(24,034)	(23,267)
NET CASH USED IN OPERATING ACTIVITIES	(89,878)	(21,025)
INVESTING ACTIVITIES		
Cash received from disposal/redemption of investment securities	1,336,975	1,410,865
Cash received from returns on investment securities	76,405	74,566
Cash received from other investing activities	1,373	1,917
Cash paid for purchase of investment securities	(1,326,763)	(1,655,801)
Cash paid for purchase of property and equipment and other assets	(18,734)	(19,885)
NET CASH FROM (USED IN) INVESTING ACTIVITIES	69,256	(188,338)

(Amounts in millions of Renminbi, unless otherwise stated)

	Notes	Year ended 31 December 2010	2009
FINANCING ACTIVITIES			
Cash received from debt securities issued		—	49,950
Net proceeds from shares issued		163,567	—
Contribution from non-controlling shareholders of subsidiaries		25	—
Cash payments for interest on subordinated bonds issued		(1,808)	—
Dividends paid	14	(52,077)	—
NET CASH FROM FINANCING ACTIVITIES		109,707	49,950
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		89,085	(159,413)
CASH AND CASH EQUIVALENTS AT 1 JANUARY		329,300	488,564
EFFECT OF FOREIGN EXCHANGE RATE CHANGES		(2,768)	149
CASH AND CASH EQUIVALENTS AT 31 DECEMBER	**47**	**415,617**	**329,300**

1. GENERAL INFORMATION

Agricultural Bank of China Limited (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. The Bank's 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. On 15 January 2009, the Former Entity was incorporated as Agricultural Bank of China Limited.

The Bank listed on the Shanghai Stock Exchange and the Stock Exchange of Hong Kong Limited on 15 July 2010 and 16 July 2010, respectively.

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 Bank and its subsidiaries (together referred to as 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".

2. ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSS")

In the current year, the Group has applied, a number of new and revised standards, amendments and interpretations ("new or revised IFRSs") issued by International Accounting Standards Board ("IASB"). Except as described below, the application of the new or revised IFRSs has had no material effect on the Group's consolidated financial statements.

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.

2. ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSS") (continued)

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.

IFRS 3 (Revised) Business combinations

The Group applies IFRS 3 (Revised) "Business combinations" prospectively to business combinations for which the acquisition date is on or after 1 January 2010. The requirements in IAS 27 (Revised) Consolidated and Separate Financial Statements in relation to accounting for changes in ownership interests in a subsidiary after control is obtained and for loss of control of a subsidiary are also applied prospectively by the Group on or after 1 January 2010. The application of IFRS 3 (Revised), IAS 27 (Revised) and the consequential amendments to other IFRSs had no effect on the consolidated financial statements of the Group for the current or prior years.

Amendments to IAS 17 Leases

As part of Improvements to IFRSs issued in 2009, IAS 17 "Leases" has been amended in relation to the classification of leasehold land. Before the amendment to IAS 17, the Group was required to classify leasehold land as operating leases and to present leasehold land as prepaid lease payments in the consolidated statement of financial position. The amendment to IAS 17 has removed such a requirement. The amendments require that the classification of leasehold land should be based on the general principles set out in IAS 17, that is, whether or not substantially all the risks and rewards incidental to ownership of a leased asset have been transferred to the lessee. The application of IAS 17 "Leases" had no effect on the consolidated financial statements of the Group for the current or prior years.

The application of the other new and revised IFRSs has had no effect on the consolidated financial statements of the Group for the current or prior years.

(Amounts in millions of Renminbi, unless otherwise stated)

2. ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSS") (continued)

Amendments to IAS 17 Leases (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)	Improvements to IFRSs 2010 (except for amendment to IFRS 1)[1]
IFRS 7 (Amendments)	Disclosure — Transfers of financial assets[3]
IFRS 9	Financial instruments[4]
IAS 12 (Amendments)	Deferred tax: Recovery of underlying assets[5]
IAS 32 (Amendments)	Classification of rights issues[6]
IFRIC 14 (Amendments)	Prepayments of a minimum funding requirement[7]
IFRIC 19	Extinguishing financial liabilities with equity instruments[2]

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 July 2010*
3 *Effective for annual periods beginning on or after 1 July 2011*
4 *Effective for annual periods beginning on or after 1 January 2013*
5 *Effective for annual periods beginning on or after 1 January 2012*
6 *Effective for annual periods beginning on or after 1 February 2010*
7 *Effective for annual periods beginning on or after 1 January 2011*

IFRS 9 Financial Instruments (as issued in November 2009) introduces new requirements for the classification and measurement of financial assets. IFRS 9 Financial Instruments (as revised in October 2010) adds requirements for financial liabilities and for derecognition.

Under IFRS 9, all recognised financial assets that are within the scope of IAS 39 "Financial instruments: Recognition and measurement" are subsequently measured at either amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent accounting periods.

In relation to financial liabilities, the significant change relates to financial liabilities that are designated as at fair value through profit or loss. Specifically, under IFRS 9, for financial liabilities that are designated as at fair value through profit or loss, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the presentation of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Under IAS 39, the entire amount of the change in the fair value of the financial liability designated as at fair value through profit or loss was presented in profit or loss.

2. ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSS") (continued)

Amendments to IAS 17 Leases (continued)

IFRS 9 is effective for annual periods beginning on or after 1 January 2013, with earlier application permitted.

The directors anticipate that IFRS 9 that will be adopted in the Group's consolidated financial statements for the financial year ending 31 December 2013 and that the application of the new Standard may have a significant impact on amounts reported in respect of the Group's financial assets and liabilities.

3. SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance

The consolidated financial statements have been prepared in accordance with IFRSs. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited and by the Hong Kong Companies Ordinance.

Basis of preparation

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments which are measured at fair values, as explained in the accounting policies set out below. Historical cost is generally based on the fair value of consideration given exchange for assets.

Basis of consolidation

The consolidated financial statements incorporate 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 statement 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.

Total comprehensive income and expense of subsidiaries are attributed to the owners of the Bank and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of consolidation (continued)

In the Bank's statement of financial position, its investments in subsidiaries are stated at cost, less impairment losses, if any.

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 these consolidated financial statements using the equity method of accounting. Under the equity method, investment in an associate is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate. 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. Additional losses are 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 an associate recognised at the date of acquisition is recognised as goodwill, which is included within the carrying amount of the investment.

The requirements of IAS 39 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in an associate. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with IAS 36 "Impairment of assets" as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs to sell) with its carrying amount, any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with IAS 36 to the extent that the recoverable amount of the investment subsequently increases.

When a group entity transacts with its associate, profits and losses resulting from the transactions with the associate are recognised in the Group' consolidated financial statements only to the extent of interests in the associate that are not related to the Group.

In the Bank's statement of financial position, its investment in an associate is stated at cost, less impairment losses, if any.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

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 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, where appropriate, a shorter period to the net carrying amount on initial recognition. 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.

Fee and commission income

The Group earns fee and commission income from a diverse 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.

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 each individual group entity, 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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign currency transactions (continued)

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 consolidated financial statements, 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.

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 statement 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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Taxation (continued)

Deferred tax

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements 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 differences 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 an 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 or directly in equity respectively.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Employee benefits

In the reporting 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 reporting period.

Annuity scheme

The employees of Domestic Institutions participate in annuity scheme set up by the Group (the "Annuity 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 Annuity Scheme does not have sufficient assets for payment of supplementary retirement benefits to employees.

Retirement benefits

Obligations of retirement benefits are calculated 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.

Financial instruments

Financial assets and financial liabilities are recognised in the consolidated statement of financial position when a group entity becomes a party to the contractual provisions of the instrument. 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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets (continued)

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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

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:

- significant financial difficulty of the issuer or obligor;
- a breach of contract, such as a default or delinquency in interest or principal payments;
- 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;
- it becomes probable that the borrower will enter bankruptcy or other financial reorganisation;
- the disappearance of an active market for that financial asset because of financial difficulties; or
- 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:
  - — adverse changes in the payment status of borrowers in the portfolio; and
  - — 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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets (continued)

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.

The calculation of present value of the estimated future cash flows of a collaterised 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 investment at cost is not reversed.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

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.

Financial liabilities at FVTPL

Financial liabilities at FVTPL has two subcategories, including financial liabilities held for trading and those designated as 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 on 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.

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 at fair value 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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

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 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.

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 in its entity, 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 and accumulated equity 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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

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.

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.

Precious metals

Precious metals that are not related to the Group's trading activities are initially measured at acquisition cost and subsequently measured at the 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.

Property and equipment

Property and equipment including buildings held for use in the supply of services, or for administrative purpose (other than construction in progress) are stated at cost less subsequent accumulated depreciation and accumulated impairment losses, if any.

Depreciation is recognised so as to write off the cost of items of property and equipment (other than properties under construction) less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Property and equipment (continued)

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%

Properties in the course of construction for supply of services or administrative purposes are carried at cost, less any recognised impairment loss. Costs include professional fees. Such properties are 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.

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 the disposal or retirement of an item of property and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Land use rights

Land use rights are classified in other assets and amortised over a straight-line basis over the lease term.

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 on 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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Amounts due from lessees under finance leases are recorded as receivables at the amount of the Group's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of the leases.

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.

The Group as lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis.

Leasehold land and building

When a lease includes both land and building elements, the Group assesses the classification of each element as a finance or an operating lease separately based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the Group. Specifically, the minimum lease payments (including any lump-sum upfront payments) are allocated between the land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element of the lease at the inception of the lease.

To the extent the allocation of the lease payments can be made reliably, leasehold interests in land (i.e. land use rights) that is accounted for as operating leases and is amortised over the lease term on a straight-line basis. When the lease payments cannot be allocated reliably between the land and building elements, the entire lease is generally classified as a finance lease and accounted for as property and equipment, unless it is clear that both elements are operating leases, in which case the entire lease is classified as an operating lease.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

Gains or losses arising from derecognition of an intangible asset are measured at the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in profit or loss in the period when the asset is derecognised.

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.

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset 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 in prior years. A reversal of an impairment loss is recognised as income immediately.

Provision

Provisions are recognised when the Group has a present obligation as a result of a past event, and it is probable that the Group will be required to settle that obligation.

Provisions are measured at the best estimate of the consideration required to settle the present obligation at the end of the 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 (where the effect is material).

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, trust 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 statement of financial position.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Fiduciary activities (continued)

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.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in Note 3, 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.

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 consolidated financial statements and/or in the next twelve months.

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.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (continued)

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.

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.

(Amounts in millions of Renminbi, unless otherwise stated)

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (continued)

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 income statement and the corresponding liability recognised in the consolidated statement of financial position.

5. NET INTEREST INCOME

	Year ended 31 December	
	2010	**2009**
Interest income		
Loans and advances to customers	240,900	195,717
Including: Corporate loans and advances	183,710	154,836
Personal loans and advances	51,465	31,804
Discounted bills	5,725	9,077
Held-to-maturity investments	33,239	24,469
Balances with central banks	25,994	18,611
Debt securities classified as receivables	25,803	28,457
Available-for-sale financial assets	18,643	21,796
Financial assets held under resale agreements	10,464	5,877
Placements with banks and other financial institutions	1,106	576
Deposits with banks and other financial institutions	949	76
Financial assets held for trading	440	447
Financial assets designated as at fair value through profit or loss	122	121
Subtotal	357,660	296,147
Interest expense		
Due to customers	(102,620)	(103,251)
Deposits from banks and other financial institutions	(9,219)	(8,700)
Debt securities issued	(1,879)	(1,159)
Financial assets sold under repurchase agreements	(1,464)	(1,048)
Placements from banks and other financial institutions	(324)	(320)
Financial liabilities designated as at fair value through profit or loss	—	(29)
Borrowings from central bank	(2)	(1)
Subtotal	(115,508)	(114,508)
Net interest income	242,152	181,639
Included in interest income is interest income accrued on impaired financial assets	1,145	1,788

(Amounts in millions of Renminbi, unless otherwise stated)

6. NET FEE AND COMMISSION INCOME

	Year ended 31 December	
	2010	**2009**
Fee and commission income		
Settlement and clearing fees	15,187	12,207
Consultancy and advisory fees	11,112	6,566
Agency commissions	9,813	10,737
Bank card fees	6,442	4,821
Electronic banking services fees	2,611	1,221
Credit commitment fees	1,610	772
Custodian and other fiduciary service fees	844	761
Others	525	200
Subtotal	48,144	37,285
Fee and commission expense		
Settlement and clearing fees	(687)	(566)
Bank card fees	(550)	(487)
Other service fees	(779)	(592)
Subtotal	(2,016)	(1,645)
Total	**46,128**	**35,640**

7. NET TRADING (LOSS) GAIN

	Year ended 31 December	
	2010	**2009**
Net loss on exchange rate derivatives	(2,565)	(463)
Net gain on interest rate derivatives	2,239	1,253
Net loss on held-for-trading debt securities	(186)	(466)
Others	268	120
Total	**(244)**	**444**

8. NET GAIN ON FINANCIAL INSTRUMENTS DESIGNATED AS AT FAIR VALUE THROUGH PROFIT OR LOSS

	Year ended 31 December	
	2010	**2009**
Net gain on debt securities	92	147
Net gain on financial guarantee contracts	255	1,858
Others	88	47
Total	**435**	**2,052**

(Amounts in millions of Renminbi, unless otherwise stated)

9. OTHER OPERATING INCOME

	Year ended 31 December	
	2010	**2009**
Net gain on disposal of property and equipment	482	555
Rental income	242	237
Net foreign exchange gain	1,722	1,877
Others	2,090	1,366
Total	**4,536**	**4,035**

10. OPERATING EXPENSES

		Year ended 31 December	
	Notes	**2010**	**2009**
Staff costs	(1)	67,130	55,765
General operating and administrative expenses	(2)	33,645	29,283
Business tax and surcharges	(3)	15,505	12,567
Depreciation and amortisation		11,296	10,775
Others		531	1,177
Total		**128,107**	**109,567**

(1) Staff costs

	Year ended 31 December	
	2010	**2009**
Salaries, bonuses and allowances	44,712	35,734
Social insurance	9,798	9,592
Housing funds	4,333	3,710
Labour union fee and staff education expenses	2,003	1,601
Early retirement benefits	249	780
Others	6,035	4,348
Total	**67,130**	**55,765**

(2) Included in general operating and administrative expenses is auditor's remuneration of RMB130 million for the year (2009: RMB119 million).

(3) In accordance with the Notice on Matters Relating to Furthering Agricultural Bank of China County Area Banking Division Reform on a Pilot Basis (Yin Fa [2010] No.151) jointly issued by PBOC, Ministry of Finance of the PRC (the "MOF") and the CBRC on 7 May 2010, the tax policies applicable to the agriculture-related loans at the Group's county-level sub-branches in the geographical areas for the pilot program will be benchmarked against and similar to those applicable to rural credit cooperatives, and the business tax would be levied at 3% on interest income from agriculture-related loans.

11. 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 2010				
Item	**Fees**	**Basic salaries, allowances and benefits in kind**	**Contribution to pension schemes**	**Bonus**	**Total**
Executive directors					
Xiang Junbo	—	889	46	—	935
Zhang Yun	—	811	38	—	849
Yang Kun	—	769	38	—	807
Pan Gongsheng	—	769	38	—	807
Independent non-executive directors					
John Dexter Langlois(iii)	279	—	—	—	279
Anthony Wu Ting-yuk	380	—	—	—	380
Qiu Dong	440	—	—	—	440
Non-executive directors					
Zhang Guoming(ii)	—	—	—	—	—
Xin Baorong(ii)	—	—	—	—	—
Shen Bingxi(ii)	—	—	—	—	—
Lin Damao(ii)	—	—	—	—	—
Yuan Linjiang (resigned on 28 March 2010)(ii)	—	—	—	—	—
Cheng Fengchao(ii)	—	—	—	—	—
Supervisors					
Che Yingxin(i)	—	794	38	—	832
Pan Xiaojiang	—	693	26	—	719
Wang Yurui	—	539	26	—	565
Wang Xingchun	30	537	20	—	587
Jia Xiangsen	30	644	36	—	710
Total	**1,159**	**6,445**	**306**	**—**	**7,910**

11. EMOLUMENTS OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT (continued)

(1) Details of the directors' and supervisors' emoluments are as follows (in thousands of RMB): (continued)

	Year ended 31 December 2009				
Item	Fees	Basic salaries, allowances 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(ii)	—	—	—	—	—
Xin Baorong(ii)	—	—	—	—	—
Shen Bingxi(ii)	—	—	—	—	—
Lin Damao(ii)	—	—	—	—	—
Yuan Linjiang(ii)	—	—	—	—	—
Cheng Fengchao(ii)	—	—	—	—	—
Supervisors					
Che Yingxin(i)	—	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**

(i) Mr. Che Yingxin, the chairman of the Board of Supervisors, was entitled to receive salary starting from February 2009.

(ii) During the current and prior year, these non-executive directors of the Bank did not receive any fees.

(iii) John Dexter Langlois ceased to be an independent non-executive director of the Bank effective from 19 August 2010, and was entitled to receive fees of RMB279 thousand for being an independent non-executive director of the Bank for the year ended 31 December 2010.

(iv) The total compensation packages for the above directors and supervisors for the year ended 31 December 2010 have not yet been finalised in accordance with regulations of the PRC relevant authorities. The final compensation will be disclosed in a separate announcement when determined.

(v) The Bank first appointed directors and supervisors on 15 January, 2009. Accordingly, prior to that date, there were no directors' and supervisors' emoluments.

11. EMOLUMENTS OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT (continued)

(2) Five individuals with the highest emoluments in the Group (in thousands of RMB)

The emoluments of the five individuals whose emoluments were the highest in the Group for the year ended 31 December 2010 and 2009 were as follows:

	Year ended 31 December	
	2010	**2009**
Basis salaries, allowances and benefits in kind	4,032	3,014
Contribution to pension schemes	198	198
Total	**4,230**	**3,212**

Among the five individuals with the highest emoluments in the Group in current and prior year, four of them are directors.

(3) Emoluments of the individuals were within the following bands:

	Year ended 31 December	
	2010	**2009**
HK$nil to HK$1,000,000	4	5
HK$1,000,001 to HK$1,500,000	1	—

During the current and prior year, 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 current and prior year.

12. IMPAIRMENT LOSSES ON ASSETS

	Year ended 31 December	
	2010	**2009**
Loans and advances to customers	43,536	44,289
Property and equipment	33	222
Available-for-sale financial assets	(76)	(4,427)
Placements with banks and other financial institutions	(16)	4
Held-to-maturity investments	(14)	(1)
Debt securities classified as receivables	(2)	—
Deposits with banks and other financial institutions	—	(3)
Other assets	(49)	58
Total	**43,412**	**40,142**

(Amounts in millions of Renminbi, unless otherwise stated)

13. INCOME TAX EXPENSE

	Year ended 31 December	
	2010	**2009**
Income tax expense comprises:		
Current income tax		
— PRC Enterprise Income Tax	35,197	7,136
— Hong Kong Profits Tax	87	60
Subtotal	35,284	7,196
Deferred tax (Note 39)		
— Current year	(9,457)	1,730
Subtotal	(9,457)	1,730
Total	**25,827**	**8,926**

PRC Enterprise Income Tax is calculated at 25% of the estimated assessable profit for the both years. Taxation arising in other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

The tax charges for the year ended 31 December 2010 and 2009 can be reconciled to the profit per the consolidated income statement as follows:

		Year ended 31 December	
	Notes	**2010**	**2009**
Profit before tax		120,734	73,928
Tax calculated at applicable statutory tax rate of 25%		30,184	18,482
Tax effect of expenses not deductible for tax purpose	(1)	704	(701)
Tax effect of income not taxable for tax purpose	(2)	(4,991)	(4,220)
Effect of tax exemptions	(3)	—	(4,603)
Effect of different tax rates on Overseas Institutions		(70)	(32)
Income tax expense		**25,827**	**8,926**

Notes:

(1) *The item for the year 2009 represented the tax effect of non-tax deductible expenses amounted to RMB1,453 million which was offset by tax effects of assets written off in relation to years prior to 2009 and became tax deductible in 2009 upon the approval by local tax authorities amounted to RMB2,154 million.*

(2) *Income not taxable for the tax purpose represents interest income from treasury bonds.*

(3) *Pursuant to the State Administration of Taxation Notification's Notice With Respect to Issues Concerning Income Tax Arising from the Restructuring of Agriculture Bank of China (Guo Shui Han [2009]No.374) issued on 13 July 2009, a special tax exemption was granted in 2009 taking into account the tax effect of interest payable which was not subject to any tax deduction in prior years. The above event reduced the income tax expense in 2009 by RMB4,603 million.*

(Amounts in millions of Renminbi, unless otherwise stated)

14. DIVIDENDS

	Notes	Year ended 31 December 2010	2009
Dividends recognised as distribution during the year:			
2010 Interim special cash dividend — RMB0.119 per share (2009: 2009 interim cash dividend RMB nil per share)	(1)	32,077	—
2009 Final cash dividend — RMB0.077 per share (2009: 2008 final cash dividend RMB nil per share)	(2)	20,000	—
		52,077	—

The final dividend of RMB0.054 per share in respect of the six months from 1 July 2010 to 31 December 2010 (2009: final dividend of RMB0.077 per share in respect of the year ended 31 December 2009) has been proposed by the directors and is subject to approval by the shareholders in the general meeting (Note 53).

Notes:

(1) *On 21 April 2010, the extraordinary general meeting approved an interim special cash dividend (the "Special Dividend") to shareholders on the Bank's register of members as of 30 June 2010 in an amount equal to the sum of (i) the Bank's audited net profit for the six months ended 30 June 2010, after the required appropriations for a statutory surplus reserve and a general reserve that amounts to 10% and 20%, respectively, of the net profit of the Bank for the six months ended 30 June 2010 as determined under PRC GAAP, and (ii) undistributed profits from previous years. The amount of 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 30 June 2010, in accordance with PRC GAAP and IFRS, respectively, as determined following an audit of the Bank's net profit for the six months ended 30 June 2010.*

The 14th meeting of the first session of the Board of Directors was held on 27 August 2010, in which the profit appropriations of the Bank were approved and set out as follows:

(i) *An appropriation of RMB4,587 million, 10% of the net profit of the Bank for the six months ended 30 June 2010 determined under PRC GAAP to the statutory surplus reserve;*

(ii) *An appropriation of RMB9,164 million, 20% of the unconsolidated net profit of the Bank for the six months ended 30 June 2010 determined under PRC GAAP to the general reserve; and*

(iii) *After the above appropriations, a Special Dividend of RMB32,077 million was made to shareholders on the Bank's register of members as of 30 June 2010.*

(2) *Pursuant to the resolutions of the extraordinary general meeting on 21 April 2010, the profit appropriations for 2009 were set out as follows:*

(i) *An appropriation of RMB6,489 million to the statutory surplus reserve based on the net profit for the year 2009 of the Bank in an amount of RMB64,892 million (as disclosed in Note 46, the transfer was made as at 31 December 2009);*

(ii) *An appropriation of RMB38,386 million to the general reserve; and*

(iii) *A cash dividend of RMB20 billion to the MOF and Central Huijin Investment Ltd. ("Huijin").*

(Amounts in millions of Renminbi, unless otherwise stated)

15. EARNINGS PER SHARE

The calculation of basic earnings per share is as follows:

	Year ended 31 December	
	2010	**2009**
Earnings:		
Profit for the year attributable to equity holders of the Bank	94,873	64,992
Numbers of shares:		
Weighted average number of shares in issue (million)	286,784	260,000
Basic earnings per share (RMB yuan)	0.33	0.25

There was no potential ordinary share outstanding during the current and prior year. Accordingly, no diluted earnings per share was presented.

16. CASH AND BALANCES WITH CENTRAL BANKS

The Group

	Notes	**As at 31.12.2010**	**As at 31.12.2009**
Cash		61,653	48,896
Mandatory reserve deposits with central banks	(1)	1,612,848	1,137,696
Surplus reserve deposits with central bank	(2)	122,320	103,893
Other deposits with central banks	(3)	285,511	227,321
Total		**2,082,332**	**1,517,806**

The Bank

	Notes	**As at 31.12.2010**	**As at 31.12.2009**
Cash		61,649	48,895
Mandatory reserve deposits with central banks	(1)	1,612,803	1,137,653
Surplus reserve deposits with central bank	(2)	122,289	103,893
Other deposits with central banks	(3)	285,511	227,321
Total		**2,082,252**	**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 2010, mandatory reserve deposits with the PBOC were calculated at 19% (2009: 15.5%) of eligible RMB deposit, and 5% (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.*

(Amounts in millions of Renminbi, unless otherwise stated)

17. DEPOSITS WITH BANKS AND OTHER FINANCIAL INSTITUTIONS

The Group

	As at 31.12.2010	As at 31.12.2009
Deposits with:		
Domestic banks	43,597	22,476
Other domestic financial institutions	413	357
Overseas banks	33,883	38,860
Total	**77,893**	**61,693**

The Bank

	As at 31.12.2010	As at 31.12.2009
Deposits with:		
Domestic banks	43,333	22,307
Other domestic financial institutions	413	357
Overseas banks	33,175	38,621
Total	**76,921**	**61,285**

As at 31 December 2010, the Group and the Bank pledged deposits with overseas banks amounting to RMB3,080 million (2009: Nil) for the purpose of carrying out financial derivative operations. As at 31 December 2010, there was no pledged deposit with China Foreign Exchange Trade System (CFETS) (2009: RMB81 million).

18. PLACEMENTS WITH BANKS AND OTHER FINANCIAL INSTITUTIONS

The Group and The Bank

	As at 31.12.2010	As at 31.12.2009
Placements with:		
Domestic banks	11,925	11,991
Other domestic financial institutions	67,340	7,940
Overseas banks	16,110	29,520
	95,375	49,451
Allowance for impairment losses	—	(16)
Total	**95,375**	**49,435**

(Amounts in millions of Renminbi, unless otherwise stated)

19. FINANCIAL ASSETS HELD FOR TRADING

The Group and The Bank

	Note	As at 31.12.2010	As at 31.12.2009
Trading debt securities issued by:			
Governments		1,841	8,858
Public sector and quasi-governments		817	3,596
Financial institutions		70	311
Corporations		4,485	2,581
Total		7,213	15,346
Analysed as:			
Listed outside Hong Kong	(1)	7,213	15,346
Total		**7,213**	**15,346**

(1) Debt securities traded on the China Domestic Interbank Bond Market are included in "Listed outside Hong Kong".

20. FINANCIAL ASSETS DESIGNATED AS AT FAIR VALUE THROUGH PROFIT OR LOSS

The Group and The Bank

	Notes	As at 31.12.2010	As at 31.12.2009
Designated debt securities issued by:			
Governments		2,458	9,531
Public sector and quasi-governments		671	21,024
Financial institutions		6,653	5,934
Corporations		4,369	6,216
Financial guarantee contracts		4	21
Credit notes issued by trust companies	(1)	28,885	53,784
Others		4	320
Total		43,044	96,830
Analysed as:			
Listed in Hong Kong		—	85
Listed outside Hong Kong	(2)	6,874	38,960
Unlisted		36,170	57,785
Total		**43,044**	**96,830**

(1) For the current and prior year, there were no significant changes in the fair value of the Group's and the Bank's financial assets designated as at fair value through profit or loss that were attributable to the changes in credit risk.

(2) Debt securities traded on the China Domestic Interbank Bond Market are included in "Listed outside Hong Kong".

(Amounts in millions of Renminbi, unless otherwise stated)

21. FINANCIAL ASSETS HELD UNDER RESALE AGREEMENTS

The Group and The Bank

	As at 31.12.2010	As at 31.12.2009
Analysed by collateral type:		
Bonds	259,076	298,321
Bills	260,438	117,113
Loans and advances to customers	5,817	5,659
Total	**525,331**	**421,093**

22. 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.

The Group and The Bank

	As at 31 December 2010		
	Contractual/ notional amount	Fair value	
		Assets	Liabilities
Exchange rate derivatives			
— Currency forwards	248,904	3,713	(4,618)
— Currency swaps	186,449	1,467	(1,145)
— Cross-currency interest rate swaps	10,610	2,183	(3,727)
Subtotal		7,363	(9,490)
Interest rate derivatives			
— Interest rate swaps	205,840	1,810	(2,659)
— Other interest rate derivatives	728	—	(3)
Subtotal		1,810	(2,662)
Precious metal derivatives			
— Precious metal forwards	268	—	(68)
— Precious metal swaps	3,080	—	(158)
Subtotal		—	(226)
Total derivatives financial assets (liabilities)		**9,173**	**(12,378)**

(Amounts in millions of Renminbi, unless otherwise stated)

22. DERIVATIVE FINANCIAL ASSETS (LIABILITIES) (continued)

The Group and The Bank (continued)

	As at 31 December 2009		
	Contractual/ notional amount	Fair value Assets	Fair value 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)
Precious metal derivatives			
— Precious metal forwards	105	—	(5)
— Precious metal swaps	903	58	(20)
— Subtotal		58	(25)
Total derivatives financial assets (liabilities)		**4,678**	**(7,690)**

23. LOANS AND ADVANCES TO CUSTOMERS

(1) Analysis of loans and advances to customers

The Group

	As at 31.12.2010	As at 31.12.2009
Corporate loans and advances		
Loans and advances	3,659,689	2,994,794
Discounted bills	152,382	353,937
Subtotal	3,812,071	3,348,731
Personal loans and advances		
Residential mortgages	724,594	497,950
Credit cards	37,820	14,118
Others	382,256	277,388
Subtotal	1,144,670	789,456
Gross loans and advances	4,956,741	4,138,187
Individually assessed	(58,501)	(55,596)
Collectively assessed	(110,232)	(71,096)
Allowance for impairment losses	(168,733)	(126,692)
Loans and advances to customers	4,788,008	4,011,495

(Amounts in millions of Renminbi, unless otherwise stated)

23. LOANS AND ADVANCES TO CUSTOMERS (continued)

(1) Analysis of loans and advances to customers (continued)

The Bank

	As at 31.12.2010	As at 31.12.2009
Corporate loans and advances		
Loans and advances	3,659,652	2,994,794
Discounted bills	152,354	353,937
Subtotal	3,812,006	3,348,731
Personal loans and advances		
Residential mortgages	724,592	497,950
Credit cards	37,820	14,118
Others	382,061	277,278
Subtotal	1,144,473	789,346
Gross loans and advances	4,956,479	4,138,077
Individually assessed	(58,501)	(55,596)
Collectively assessed	(110,229)	(71,095)
Allowance for impairment losses	(168,730)	(126,691)
Loans and advances to customers	4,787,749	4,011,386

(2) Analysis of loans and advances to customers by collective and individual assessments

The 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 2010						
Gross loans and advances	4,856,336	10,967	89,438	100,405	4,956,741	2.03
Allowance for impairment losses	(103,914)	(6,318)	(58,501)	(64,819)	(168,733)	
Loans and advances to customers	**4,752,422**	**4,649**	**30,937**	**35,586**	**4,788,008**	
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**	

(Amounts in millions of Renminbi, unless otherwise stated)

23. LOANS AND ADVANCES TO CUSTOMERS (continued)

(2) Analysis of loans and advances to customers by collective and individual assessments (continued)

The Bank

	Loans and advances for which allowance is collectively assessed (A)	Identified impaired loans and advances (B)				
		For which allowance is collectively assessed	For which allowance is individually assessed	Sub-total	Total	Identified impaired gross loans and advances as a % of gross total loans and advances
At 31 December 2010						
Gross loans and advances	4,856,074	10,967	89,438	100,405	4,956,479	2.03
Allowance for impairment losses	(103,911)	(6,318)	(58,501)	(64,819)	(168,730)	
Loans and advances to customers	**4,752,163**	**4,649**	**30,937**	**35,586**	**4,787,749**	
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.*

(Amounts in millions of Renminbi, unless otherwise stated)

23. LOANS AND ADVANCES TO CUSTOMERS (continued)

(3) Movements of allowance for impairment losses on loans and advances to customers

The Group

	2010		
	Individually assessed allowance	Collectively assessed allowance	Total
As at 1 January	55,596	71,096	126,692
Net additions	4,164	39,372	43,536
Written off	(307)	(48)	(355)
Recovery of loans and advances written off in previous years	11	7	18
Unwinding of discount on allowance	(1,015)	(130)	(1,145)
Other transfer in	67	—	67
Exchange difference	(15)	(65)	(80)
As at 31 December	**58,501**	**110,232**	**168,733**

	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**

(Amounts in millions of Renminbi, unless otherwise stated)

23. LOANS AND ADVANCES TO CUSTOMERS (continued)

(3) Movements of allowance for impairment losses on loans and advances to customers (continued)

The Bank

	2010		
	Individually assessed allowance	**Collectively assessed allowance**	**Total**
As at 1 January	55,596	71,095	126,691
Net additions	4,164	39,370	43,534
Written off	(307)	(48)	(355)
Recovery of loans and advances written off in previous years	11	7	18
Unwinding of discount on allowance	(1,015)	(130)	(1,145)
Other transfer in	67	—	67
Exchange difference	(15)	(65)	(80)
As at 31 December	**58,501**	**110,229**	**168,730**

	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**

(Amounts in millions of Renminbi, unless otherwise stated)

24. AVAILABLE-FOR-SALE FINANCIAL ASSETS

The Group

	Note	As at 31.12.2010	As at 31.12.2009
Debt securities issued by:			
Governments		364,485	476,700
Public sector and quasi-governments		162,974	159,215
Financial institutions		22,512	23,267
Corporations		114,096	70,713
Subtotal		664,067	729,895
Equity instruments		459	487
Fund investments		3,977	—
Total		668,503	730,382
Analysed as:			
Listed in Hong Kong		1,985	1,886
Listed outside Hong Kong	(1)	660,755	726,600
Unlisted		5,763	1,896
Total		**668,503**	**730,382**

The Bank

	Note	As at 31.12.2010	As at 31.12.2009
Debt securities issued by:			
Governments		364,485	476,700
Public sector and quasi-governments		162,956	159,215
Financial institutions		22,512	23,267
Corporations		114,065	70,713
Subtotal		664,018	729,895
Equity instruments		400	487
Fund investments		3,977	—
Total		668,395	730,382
Analysed as:			
Listed in Hong Kong		1,936	1,886
Listed outside Hong Kong	(1)	660,755	726,600
Unlisted		5,704	1,896
Total		**668,395**	**730,382**

(1) Debt securities traded on the China Domestic Interbank Bond Market are included in "Listed outside Hong Kong".

(Amounts in millions of Renminbi, unless otherwise stated)

25. HELD-TO-MATURITY INVESTMENTS

The Group and The Bank

	Note	As at 31.12.2010	As at 31.12.2009
Debt securities issued by:			
Governments		613,403	536,566
Public sector and quasi-governments		343,531	264,842
Corporations		54,563	40,288
Financial institutions		25,248	42,342
		1,036,745	884,038
Allowance for impairment losses		(87)	(123)
Total		1,036,658	883,915
Analysed as:			
Listed in Hong Kong		396	141
Listed outside Hong Kong	(1)	1,035,690	883,070
Unlisted		572	704
Total		**1,036,658**	**883,915**

(1) Debt securities traded on the China Domestic Interbank Bond Market are included in "Listed outside Hong Kong".

26. DEBT SECURITIES CLASSIFIED AS RECEIVABLES

The Group and The Bank

	Notes	As at 31.12.2010	As at 31.12.2009
Receivable from the MOF	(1)	568,410	635,539
Special government bond	(2)	93,300	93,300
PBOC's designated bills	(3)	—	119,744
PBOC's special bills	(4)	64,906	112
Certificate treasury bonds		15,936	22,092
Savings treasury bonds		14,548	10,101
Financial institution bonds		14,906	9,306
Corporate bonds		94	92
		772,100	890,286
Allowance for impairment losses		(87)	(87)
Total		**772,013**	**890,199**

(1) Pursuant to the MOF Notice on Relevant Issues Concerning the Disposal of Non-performing assets of Agricultural Bank of China (Cai Jin [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 starting 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% starting from 1 December 2008, which was issued by the 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 bills have matured and been settled by the PBOC during the current year. The bills cannot be transferred or pledged as collateral for borrowings without the approval of the PBOC.

(4) The PBOC's special bills cannot be transferred or pledged as collateral for borrowings without the approval of the PBOC.

(Amounts in millions of Renminbi, unless otherwise stated)

27. INVESTMENTS IN SUBSIDIARIES

The Bank

	As at 31.12.2010	As at 31.12.2009
Investment cost	4,688	1,795
Allowance for impairment losses	(659)	(659)
Investments in subsidiaries	**4,029**	**1,136**

Details of the Bank's principal subsidiaries are set out below.

Name of entity	Notes	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	HKD1,913,392,449	100.00	100.00	Investment holding
China Agricultural Finance Co., Ltd.		1 November 1988	Hong Kong	HKD588,790,000	100.00	100.00	Investment holding
ABC-CA Fund Management Co., Ltd.		18 March 2008	Shanghai	RMB200,000,001	51.67	51.67	Fund Management
ABC Hexigten Rural Bank Limited Liability Company		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
ABC Ansai Rural Bank Limited Liability Company	(3)	30 March 2010	Shaanxi	RMB20,000,000	51.00	51.00	Banking
ABC Jixi Rural Bank Limited Liability Company	(4)	25 May 2010	Anhui	RMB29,400,000	51.02	51.02	Banking
ABC Financial Leasing Co., Ltd.	(5)	29 September 2010	Shanghai	RMB2,000,000,000	100.00	100.00	Financial Leasing

(1) The Bank increased its equity investment in ABC International Holdings Limited by RMB966 million in the current year.

(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 (set up in 2008).

(3) The Bank and several investors established AnSai NongYin Rural Bank Co. Ltd., a rural bank in the PRC, in the current year. The Bank contributed RMB10.2 million for 51% equity interest.

(4) The Bank and several investors established JiXi NongYin Rural Bank Co. Ltd., a rural bank in the PRC, in the current year. The Bank contributed RMB15 million for 51.02% equity interest.

(5) The Bank established ABC Financial Leasing Co., Ltd., a financial leasing company in the PRC, in the current year. The Bank contributed RMB2 billion for 100% equity interest.

(6) The Bank's holding of the equity interests in the above subsidiaries remains unchanged during the current and prior year.

(Amounts in millions of Renminbi, unless otherwise stated)

28. INTEREST IN AN ASSOCIATE

The Group and The Bank

	As at 31.12.2010	As at 31.12.2009
Investment cost	157	157
Allowance for impairment losses	(16)	(16)
Interest in an associate	**141**	**141**

Hunan Jinjian Cereals Industry Ltd., Co. ("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 20.62% of equity interest in Jinjian as at 31 December 2010 and 2009.

29. PROPERTY AND EQUIPMENT

The Group

	Buildings	Electronic equipment, furniture and fixtures	Motor vehicles	Construction in progress	Total
Cost					
As at 1 January 2010	89,305	22,747	3,457	14,971	130,480
Additions	1,459	8,285	694	9,682	20,120
Transfers	5,461	389	11	(5,861)	—
Disposals	(732)	(643)	(156)	(161)	(1,692)
As at 31 December 2010	95,493	30,778	4,006	18,631	148,908
Accumulated depreciation					
As at 1 January 2010	(8,638)	(7,664)	(1,902)	—	(18,204)
Provided for the year	(4,780)	(4,472)	(547)	—	(9,799)
Eliminated on disposals	96	574	130	—	800
As at 31 December 2010	(13,322)	(11,562)	(2,319)	—	(27,203)
Allowance for impairment losses					
As at 1 January 2010	(286)	(13)	(3)	(1)	(303)
Recognised in profit or loss	(33)	—	—	—	(33)
Eliminated on disposals	21	1	—	—	22
As at 31 December 2010	(298)	(12)	(3)	(1)	(314)
Carrying values					
As at 31 December 2010	**81,873**	**19,204**	**1,684**	**18,630**	**121,391**
As at 31 December 2009	80,381	15,070	1,552	14,970	111,973

(Amounts in millions of Renminbi, unless otherwise stated)

29. PROPERTY AND EQUIPMENT (continued)

The Group (continued)

	Buildings	Electronic equipment furniture and fixtures	Motor vehicles	Construction in progress	Total
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 values					
As at 31 December 2009	**80,381**	**15,070**	**1,552**	**14,970**	**111,973**
As at 1 January 2009	80,662	13,369	1,972	7,880	103,883

The Bank

	Buildings	Electronic equipment furniture and fixtures	Motor vehicles	Construction in progress	Total
Cost					
As at 1 January 2010	89,159	22,587	3,445	14,970	130,161
Additions	1,458	8,249	691	9,676	20,074
Transfers	5,461	389	11	(5,861)	—
Disposals	(708)	(608)	(154)	(161)	(1,631)
As at 31 December 2010	95,370	30,617	3,993	18,624	148,604
Accumulated depreciation					
As at 1 January 2010	(8,588)	(7,599)	(1,895)	—	(18,082)
Provided for the year	(4,770)	(4,461)	(547)	—	(9,778)
Eliminated on disposals	95	566	129	—	790
As at 31 December 2010	(13,263)	(11,494)	(2,313)	—	(27,070)
Allowance for impairment losses					
As at 1 January 2010	(286)	(13)	(3)	(1)	(303)
Recognised in profit or loss	(33)	—	—	—	(33)
Eliminated on disposals	21	1	—	—	22
As at 31 December 2010	(298)	(12)	(3)	(1)	(314)
Carrying values					
As at 31 December 2010	**81,809**	**19,111**	**1,677**	**18,623**	**121,220**
As at 31 December 2009	80,285	14,975	1,547	14,969	111,776

(Amounts in millions of Renminbi, unless otherwise stated)

29. PROPERTY AND EQUIPMENT (continued)

The Bank (continued)

	Buildings	Electronic equipment furniture and fixtures	Motor vehicles	Construction in progress	Total
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 values					
As at 31 December 2009	**80,285**	**14,975**	**1,547**	**14,969**	**111,776**
As at 1 January 2009	80,535	13,334	1,966	7,880	103,715

The carrying amounts of buildings are located on land with the following remaining lease terms:

The Group

	As at 31.12.2010	As at 31.12.2009
Held outside Hong Kong		
on long-term lease (over 50 years)	4,198	4,275
on medium-term lease (10–50 years)	71,627	70,932
on short-term lease (less than 10 years)	6,048	5,174
Total	**81,873**	**80,381**

(Amounts in millions of Renminbi, unless otherwise stated)

29. PROPERTY AND EQUIPMENT (continued)

The Bank

	As at 31.12.2010	As at 31.12.2009
Held outside Hong Kong		
on long-term lease (over 50 years)	4,198	4,275
on medium-term lease (10–50 years)	71,563	70,836
on short-term lease (less than 10 years)	6,048	5,174
Total	**81,809**	**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 set of consolidated financial statements, 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.

30. OTHER ASSETS

The Group

	Notes	As at 31.12.2010	As at 31.12.2009
Accounts receivable	(1)	6,559	3,494
Interest receivable	(2)	38,641	32,127
Foreclosed assets	(3)	20	—
Amounts due from customers arising from derivative transactions	(4)	—	—
Intangible assets	(5)	1,675	1,580
Land use rights	(6)	24,619	25,062
Assets pending for disposal	(7)	11	11
Others		7,336	5,669
Total		**78,861**	**67,943**

(Amounts in millions of Renminbi, unless otherwise stated)

30. OTHER ASSETS (continued)

The Bank

	Notes	As at 31.12.2010	As at 31.12.2009
Accounts receivable	(1)	5,455	3,425
Interest receivable	(2)	38,637	32,126
Foreclosed assets	(3)	20	—
Amounts due from customers arising from derivative transactions	(4)	—	—
Intangible assets	(5)	1,670	1,574
Land use rights	(6)	24,594	24,947
Assets pending for disposal	(7)	11	11
Others		7,293	4,054
Total		**77,680**	**66,137**

(1) The analysis of the aging of accounts receivable is as follows:

The Group

	As at 31 December 2010			
	Gross amount	Percentage (%)	Allowance for impairment	Carrying amount
Within 1 year	5,501	72	(112)	5,389
From 1 year to 2 years	624	8	(129)	495
From 2 years to 3 years	1,049	14	(728)	321
Over 3 years	463	6	(109)	354
Total	**7,637**	**100**	**(1,078)**	**6,559**

	As at 31 December 2009			
	Gross amount	Percentage (%)	Allowance for 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**

(Amounts in millions of Renminbi, unless otherwise stated)

30. OTHER ASSETS (continued)

(1) The analysis of the aging of accounts receivable is as follows: (continued)

The Bank

	As at 31 December 2010			
	Gross amount	Percentage (%)	Allowance for impairment	Carrying amount
Within 1 year	4,352	61	(102)	4,250
From 1 year to 2 years	624	9	(129)	495
From 2 years to 3 years	1,049	15	(728)	321
Over 3 years	1,039	15	(650)	389
Total	**7,064**	**100**	**(1,609)**	**5,455**

	As at 31 December 2009			
	Gross amount	Percentage (%)	Allowance for 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**

(2) Interest receivable

Analysed by type

The Group

	As at 31.12.2010	As at 31.12.2009
Held-to-maturity investments	13,628	11,223
Loans and advances to customers	12,208	8,972
Available-for-sale financial assets	7,037	6,856
Debt securities classified as receivables	1,524	2,829
Financial assets held for trading	52	165
Financial assets designated as at fair value through profit or loss	27	21
Others	4,165	2,061
Total	**38,641**	**32,127**

(Amounts in millions of Renminbi, unless otherwise stated)

30. OTHER ASSETS (continued)

(2) Interest receivable (continued)

The Bank

	As at 31.12.2010	As at 31.12.2009
Held-to-maturity investments	13,628	11,223
Loans and advances to customers	12,208	8,972
Available-for-sale financial assets	7,037	6,856
Debt securities classified as receivables	1,524	2,829
Financial assets held for trading	52	165
Financial assets designated as at fair value through profit or loss	27	21
Others	4,161	2,060
Total	**38,637**	**32,126**

As at 31 December 2010 and 2009, all interest receivable is due within one year.

(3) Foreclosed assets

Analysed by type
The Group and The Bank

	As at 31.12.2010	As at 31.12.2009
Buildings	18	1
Others	4	4
Subtotal	22	5
Allowance for impairment losses	(2)	(5)
Total	**20**	—

(4) Amounts due from customers arising from derivative transactions

The Group and The Bank

	As at 31.12.2010	As at 31.12.2009
Advances to customers arising from derivative transactions	852	982
Allowance for impairment losses	(852)	(982)
Total	—	—

(Amounts in millions of Renminbi, unless otherwise stated)

30. OTHER ASSETS (continued)

(5) Intangible assets

The Group

	Computer software	Others	Total
COST			
As at 1 January 2010	2,348	71	2,419
Additions	414	4	418
Disposals	(45)	(4)	(49)
As at 31 December 2010	2,717	71	2,788
ACCUMULATED AMORTISATION			
As at 1 January 2010	(786)	(24)	(810)
Charge for the year	(304)	(11)	(315)
Disposals	14	1	15
As at 31 December 2010	(1,076)	(34)	(1,110)
ALLOWANCE FOR IMPAIRMENT LOSSES			
As at 1 January 2010	(29)	—	(29)
Written off	26	—	26
As at 31 December 2010	(3)	—	(3)
CARRYING VALUES			
As at 31 December 2010	**1,638**	**37**	**1,675**
As at 31 December 2009	1,533	47	1,580
Amortisation period (years)	1–10	1–10	

	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)
As at 31 December 2009	(29)	—	(29)
CARRYING VALUES			
As at 31 December 2009	**1,533**	**47**	**1,580**
As at 1 January 2009	1,429	57	1,486
Amortisation period (years)	1–10	1–10	

(Amounts in millions of Renminbi, unless otherwise stated)

30. OTHER ASSETS (continued)

(5) Intangible assets (continued)

The Bank

	Computer software	Others	Total
COST			
As at 1 January 2010	2,348	62	2,410
Additions	414	3	417
Disposals	(45)	(4)	(49)
As at 31 December 2010	2,717	61	2,778
ACCUMULATED AMORTISATION			
As at 1 January 2010	(786)	(21)	(807)
Charge for the year	(304)	(9)	(313)
Disposals	14	1	15
As at 31 December 2010	(1,076)	(29)	(1,105)
ALLOWANCE FOR IMPAIRMENT LOSSES			
As at 1 January 2010	(29)	—	(29)
Written off	26	—	26
As at 31 December 2010	(3)	—	(3)
CARRYING VALUES			
As at 31 December 2010	**1,638**	**32**	**1,670**
As at 31 December 2009	1,533	41	1,574
Amortisation period (years)	1–10	1–10	

	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)
As at 31 December 2009	(29)	—	(29)
CARRYING VALUES			
As at 31 December 2009	**1,533**	**41**	**1,574**
As at 1 January 2009	1,429	50	1,479
Amortisation period (years)	1–10	1–10	

(Amounts in millions of Renminbi, unless otherwise stated)

30. OTHER ASSETS (continued)

(6) Land use rights

The carrying amount of land use rights analysed based on the remaining terms of the leases as follows:

The Group

	As at 31.12.2010	As at 31.12.2009
Held outside Hong Kong		
on long-term lease (over 50 years)	395	446
on medium-term lease (10–50 years)	24,107	24,513
on short-term lease (less than 10 years)	117	103
Total	**24,619**	**25,062**

The Bank

	As at 31.12.2010	As at 31.12.2009
Held outside Hong Kong		
on long-term lease (over 50 years)	395	446
on medium-term lease (10–50 years)	24,082	24,398
on short-term lease (less than 10 years)	117	103
Total	**24,594**	**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 set of consolidated financial statements, 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

The Group and The Bank

	As at 31.12.2010	As at 31.12.2009
Gross amount	41	53
Allowance for impairment losses	(30)	(42)
Net book amount	**11**	**11**

(Amounts in millions of Renminbi, unless otherwise stated)

31. DEPOSITS FROM BANKS AND OTHER FINANCIAL INSTITUTIONS

The Group

	As at 31.12.2010	As at 31.12.2009
Deposits from:		
Domestic banks	183,281	284,899
Other domestic financial institutions	340,758	285,518
Overseas banks	1,493	379
Other overseas financial institutions	718	3,153
Total	**526,250**	**573,949**

The Bank

	As at 31.12.2010	As at 31.12.2009
Deposits from:		
Domestic banks	183,342	284,879
Other domestic financial institutions	342,803	285,679
Overseas banks	1,493	379
Other overseas financial institutions	1,718	3,857
Total	**529,356**	**574,794**

32. PLACEMENTS FROM BANKS AND OTHER FINANCIAL INSTITUTIONS

The Group and The Bank

	As at 31.12.2010	As at 31.12.2009
Placements from:		
Domestic banks	24,170	11,241
Overseas banks	32,532	15,071
Total	**56,702**	**26,312**

33. FINANCIAL LIABILITIES HELD FOR TRADING

The Group and The Bank

	As at 31.12.2010	As at 31.12.2009
Short position in bond	331	—
Short position in gold	—	56
Total	**331**	**56**

(Amounts in millions of Renminbi, unless otherwise stated)

34. FINANCIAL LIABILITIES DESIGNATED AS AT FAIR VALUE THROUGH PROFIT OR LOSS

The Group and The Bank

	Notes	As at 31.12.2010	As at 31.12.2009
Financial guarantee contracts		486	770
Structured deposits		25	1,127
Principal guaranteed wealth management products	(1)	33,989	109,924
Others	(2)	182	2,022
Total	(3)	**34,682**	**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 2010, the fair value of the principal guaranteed wealth management products issued were lower than the contractual estimated amount payable upon maturity to the holders of the wealth management products by RMB611 million (2009: RMB1,071 million).

(2) As at 31 December 2010 and 2009, the fair value of the Group's and the Bank's financial instruments designated as at fair value through profit or loss categorised as "others" approximates the contractual amounts payable upon maturity of these contracts.

(3) For the current and prior year, 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.

35. FINANCIAL ASSETS SOLD UNDER REPURCHASE AGREEMENTS

The Group and The Bank

	As at 31.12.2010	As at 31.12.2009
Analysed by collateral type:		
Bonds	26,647	22,385
Bills	10,820	69,356
Loans and advances to customers	—	9,071
Total	**37,467**	**100,812**

36. DUE TO CUSTOMERS

The Group

	Note	As at 31.12.2010	As at 31.12.2009
Demand deposits			
Corporate customers		2,640,066	2,168,775
Individual customers		2,491,565	1,992,301
Time deposits			
Corporate customers		909,221	743,589
Individual customers		2,573,888	2,373,160
Guaranteed and margin deposits	(1)	168,302	129,525
Others (including outward remittance and remittance outstanding)		104,863	90,268
Total		**8,887,905**	**7,497,618**

(Amounts in millions of Renminbi, unless otherwise stated)

36. DUE TO CUSTOMERS (continued)

The Bank

	Note	As at 31.12.2010	As at 31.12.2009
Demand deposits			
Corporate customers		2,639,955	2,168,674
Individual customers		2,491,520	1,992,275
Time deposits			
Corporate customers		909,191	743,589
Individual customers		2,573,789	2,373,111
Guaranteed and margin deposits	(1)	168,302	129,525
Others (including outward remittance and remittance outstanding)		104,863	90,268
Total		**8,887,620**	**7,497,442**

(1) Analysed by business/products for which deposit is required:

The Group and The Bank

	As at 31.12.2010	As at 31.12.2009
Bank acceptances	75,524	74,002
Letters of guarantee	19,744	9,161
Letters of credit	17,537	9,185
Personal guarantee	9,815	4,413
Others	45,682	32,764
Total	**168,302**	**129,525**

37. ACCRUED STAFF COSTS

The Group

		2010			
	Note	As at 1 January	Accrued	Paid	As at 31 December
Salaries, bonuses and allowances		10,669	44,712	(38,860)	16,521
Social insurance		574	9,798	(9,524)	848
Housing funds		260	4,333	(4,291)	302
Labour union fees and staff education expenses		1,256	2,003	(1,703)	1,556
Early retirement benefits	(1)	15,879	249	(2,757)	13,371
Others		1,300	6,035	(5,349)	1,986
Total		**29,938**	**67,130**	**(62,484)**	**34,584**

(Amounts in millions of Renminbi, unless otherwise stated)

37. ACCRUED STAFF COSTS (continued)

The Group (continued)

		2009			
	Note	**As at 1 January**	**Accrued**	**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		38,637	—	(38,637)	—
Early retirement benefits	(1)	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**

The Bank

		2010			
	Note	**As at 1 January**	**Accrued**	**Paid**	**As at 31 December**
Salaries, bonuses and allowances		10,642	44,535	(38,743)	16,434
Social insurance		574	9,798	(9,524)	848
Housing funds		260	4,333	(4,291)	302
Labour union fees and staff education expenses		1,256	2,003	(1,703)	1,556
Early retirement benefits	(1)	15,879	249	(2,757)	13,371
Others		1,300	6,035	(5,349)	1,986
Total		**29,911**	**66,953**	**(62,367)**	**34,497**

		2009			
	Note	**As at 1 January**	**Accrued**	**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		38,637	—	(38,637)	—
Early retirement benefits	(1)	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**

(Amounts in millions of Renminbi, unless otherwise stated)

37. ACCRUED STAFF COSTS (continued)

(1) Early retirement benefits

The amount recognised in profit or loss in respect of the early retirement benefits is as follows:

The Group and The Bank

	As at 31.12.2010	As at 31.12.2009
Interest cost	328	331
Actuarial gain recognised in the year	(489)	(250)
Present value of benefit obligation for early retired employees annuity plan contribution	—	369
Incremental early retirement obligation cost	410	330
Total	**249**	**780**

The principal assumptions used for the purpose of the actuarial valuations were as follows:

The Group and The Bank

	As at 31.12.2010	As at 31.12.2009
Discount rate	3.46%	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

38. DEBT SECURITIES ISSUED

The Group and The Bank

	Notes	As at 31.12.2010	As at 31.12.2009
Subordinated bonds issued	(1)	49,962	49,955
Certificates of deposit issued	(2)	12,382	5,224
Total		**62,344**	**55,179**

As approved by the PBOC and the CBRC, the Bank issued callable subordinated bonds of RMB50,000 million in May 2009.

(Amounts in millions of Renminbi, unless otherwise stated)

38. DEBT SECURITIES ISSUED (continued)

(1) The carrying value of the Group's and the Bank's subordinated bonds issued is as follows:

	Notes	As at 31.12.2010	As at 31.12.2009
3.3% subordinated fixed rate bonds maturing in May 2019	(i)	20,000	20,000
4.0% subordinated fixed rate bonds maturing in May 2024	(ii)	25,000	25,000
Subordinated floating rate bonds maturing in May 2019	(iii)	5,000	5,000
Total nominal value		50,000	50,000
Less: Unamortised issuance cost		(38)	(45)
Carrying value		**49,962**	**49,955**

Notes:

(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 were issued by the branches of the Bank in Hong Kong and Singapore.

39. DEFERRED TAXATION

For the purpose of presentation in the consolidated statements of financial position, certain deferred tax assets and liabilities have been offset.

The followings are the major deferred tax assets and liabilities recognised and movements thereon during the current and prior year:

The 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 2010	12,600	3,970	2,660	1,008	(580)	1	19,659
Credit (charge) to profit or loss	9,035	(627)	1,453	(201)	(121)	(82)	9,457
Credit to other comprehensive income	—	—	—	—	2,272	—	2,272
As at 31 December 2010	**21,635**	**3,343**	**4,113**	**807**	**1,571**	**(81)**	**31,388**

(Amounts in millions of Renminbi, unless otherwise stated)

39. DEFERRED TAXATION (continued)

The Group (continued)

	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	**12,600**	**3,970**	**2,660**	**1,008**	**(580)**	**1**	**19,659**

The 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 2010	12,600	3,970	2,656	1,008	(580)	—	19,654
Credit (charge) to profit or loss	9,035	(627)	1,446	(201)	(121)	—	9,532
Credit to other comprehensive income	—	—	—	—	2,272	—	2,272
As at 31 December 2010	**21,635**	**3,343**	**4,102**	**807**	**1,571**	**—**	**31,458**

	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)	1,831	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**

40. OTHER LIABILITIES

The Group

	Notes	As at 31.12.2010	As at 31.12.2009
Interest payable	(1)	73,771	66,762
Amount payable to the MOF	(2)	5,311	5,891
Items in process of clearing and settlement		18,710	13,361
Dormant accounts		2,785	3,056
Securities purchases payable		40	6,626
Provision	(3)	3,901	5,047
Business and other taxes payable		5,365	4,282
Others		16,119	24,020
Total		**126,002**	**129,045**

(Amounts in millions of Renminbi, unless otherwise stated)

40. OTHER LIABILITIES (continued)

The Bank

	Notes	As at 31.12.2010	As at 31.12.2009
Interest payable	(1)	73,770	66,762
Amount payable to the MOF	(2)	5,311	5,891
Items in process of clearing and settlement		18,428	13,345
Dormant accounts		2,785	3,056
Securities purchase payables		40	6,626
Provision	(3)	3,901	5,047
Business and other tax payable		5,359	4,280
Others		16,013	23,640
Total		**125,607**	**128,647**

(1) Interest payable

The Group

	As at 31.12.2010	As at 31.12.2009
Due to customers	68,728	62,662
Deposits from banks and other financial institutions	3,823	2,837
Debt securities issued	1,103	1,105
Placements from banks and other financial institutions	74	45
Financial assets sold under repurchase agreements	43	113
Total	**73,771**	**66,762**

The Bank

	As at 31.12.2010	As at 31.12.2009
Due to customers	68,727	62,662
Deposits from banks and other financial institutions	3,823	2,837
Debt securities issued	1,103	1,105
Placements from banks and other financial institutions	74	45
Financial assets sold under repurchase agreements	43	113
Total	**73,770**	**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 (Cai Jin [2008] No. 138), the MOF assigned the Bank to manage and dispose of the 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.

(Amounts in millions of Renminbi, unless otherwise stated)

40. OTHER LIABILITIES (continued)

(3) Provision

The Group and The Bank

	2010			2009		
	Allowances for litigation	Others	Total	Allowances for litigation	Others	Total
As at 1 January	2,974	2,073	5,047	2,829	2,955	5,784
Additions	564	75	639	1,182	163	1,345
Reversals	(707)	(562)	(1,269)	(634)	(985)	(1,619)
Payments	(390)	(126)	(516)	(403)	(60)	(463)
As at 31 December	**2,441**	**1,460**	**3,901**	**2,974**	**2,073**	**5,047**

41. SHARE CAPITAL

		2010		2009	
	Note	Number of shares (millions)	Nominal value	Number of shares (millions)	Nominal value
Registered, issued and fully paid:					
State-owned shares of RMB1 each	(1)	—	—	260,000	260,000
A shares of RMB1 each		294,055	294,055	—	—
H shares of RMB1 each		30,739	30,739	—	—
Total		**324,794**	**324,794**	**260,000**	**260,000**

(1) 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 the Bank. Contribution from Huijin was satisfied by cash of RMB130,000 million. All shares held by the MOF and Huijin were shares held on behalf of the PRC Government.

41. SHARE CAPITAL (continued)

A summary of the movements of the Bank's issued shares (in millions of shares) during the year is as follows:

	Notes	As at 1.1.2009 and 31.12.2009	Conversion/ As at issuance	Transfer	31.12.2010
Promoters' shares		260,000	(260,000)	—	—
A shares					
State-owned shares					
— MOF	(4)	—	130,000	(2,638)	127,362
Shares held by state-owned legal persons					
— Huijin	(4)	—	130,000	—	130,000
— NCSSF	(1), (4)	—	10,000	1,122	11,122
Others	(2)	—	25,571	—	25,571
Subtotal	(3)	—	295,571	(1,516)	294,055
H shares					
Shares held by state-owned legal persons					
— NCSSF	(4)	—	—	1,516	1,516
Others	(2)	—	29,223	—	29,223
Subtotal		—	29,223	1,516	30,739
Total	(5)	**260,000**	**64,794**	**—**	**324,794**

(1) On 22 April 2010, the National Council for Social Security Fund (the "NCSSF") subscribed 10 billion shares of the Bank with par value of RMB1 per share with a consideration of RMB15,520,144,000.

(2) During July and August 2010, the Bank issued 25,570,588,000 A shares and 29,223,529,000 H shares with par value of RMB1 per share each at offer price of RMB2.68 and HKD3.20 per share respectively.

(3) All promoters' shares of the Bank were converted into A shares upon completion of initial public offering.

(4) In accordance with relevant PRC regulations regarding the transfer and disposal of state-owned shares, the state-owned shareholders are required to transfer the shares and pay the equivalent cash to the NCSSF, in proportion to their respective holdings in the Bank, of a total amount equivalent to 10% of the number of the shares offered pursuant to the Bank's A share offering and H share offering.

(5) As at 31 December 2010, 278.71 billion A shares and 13.27 billion H shares were subjected to lock-up restriction; 15.34 billion A shares and 17.47 billion H shares were tradable.

42. CAPITAL RESERVE

As described in Note 41, the Bank issued shares at share premium. Share premium was recorded in the capital reserve after deducting direct issue costs which mainly included underwriting fees and professional fees.

(Amounts in millions of Renminbi, unless otherwise stated)

43. INVESTMENT REVALUATION RESERVE

The Group and The Bank

	2010		
	Gross amount	Tax effect	Net effect
As at 1 January	6,182	(1,558)	4,624
(Loss) gain on fair value changes of available-for-sale financial assets	(8,589)	2,152	(6,437)
Reclassification adjustment to profit or loss upon disposal/impairment of available-for-sale financial assets	(478)	120	(358)
As at 31 December	**(2,885)**	**714**	**(2,171)**

	2009		
	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**

44. SURPLUS RESERVE

Under relevant PRC Laws, the Bank and its domestic subsidiaries are required to transfer 10% of its net profit to a non-distributable statutory surplus reserve. During the year, RMB9,566 million (2009: RMB6,489million) and RMB9,564 million (2009: RMB6,489 million) was transferred to surplus reserve of the Group and the Bank respectively. Appropriation to the statutory surplus reserve may cease when the balance of such reserve has reached 50% of the share capital.

45. GENERAL AND REGULATORY RESERVE

Pursuant to the *Measures on General Provision for Bad and Doubtful Debts for Financial Institutions* (Cai Jin [2005] No. 49) and *Application Guidance of Financing Measures for Financial Institutions* (Cai Jin [2007] No. 23) issued by the MOF in addition to the specific and collective allowances 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 the above measures.

Pursuant to requirements of the Hong Kong Banking Ordinance, the Group's banking operations in Hong Kong are required to set aside amounts in a regulatory reserve in respect of losses which it will, or may, incur on loans and advances to customers, in addition to impairment losses recognised in accordance with the accounting policies of the Group. Transfers to and from the regulatory reserve are made through appropriation of profits.

(Amounts in millions of Renminbi, unless otherwise stated)

45. GENERAL AND REGULATORY RESERVE (continued)

Pursuant to the relevant regulatory requirements in Mainland China, the Bank's domestic subsidiaries are required to appropriate certain amounts as general reserve from retained earnings.

During the year, the Group and the Bank transferred RMB47,563 million(2009: RMB10,708 million) and RMB47,539 million(2009: RMB10,695 million) to general and regulatory reserve respectively pursuant to regulatory requirements in the PRC and overseas jurisdiction. Among which, the Hong Kong Branch of the Bank transferred RMB11 million from the regulatory reserve to retained earnings (2009: transferred RMB18 million from retained earnings to the regulatory reserve) in accordance with the Hong Kong Banking Ordinance; the subsidiaries of the Bank appropriated RMB24 million (2009: RMB13 million) to general reserve pursuant to the relevant regulatory requirements.

46. RETAINED EARNINGS

The movements of retained earnings of the Bank are set out below:

The Bank

	Notes	2010	2009
As at 1 January		58,385	10,677
Profit for the year		95,641	64,892
Appropriation to surplus reserve	44	(9,564)	(6,489)
Appropriation to general and regulatory reserve	45	(47,539)	(10,695)
Dividends recognised as distribution	14	(52,077)	—
As at 31 December		**44,846**	**58,385**

47. CASH AND CASH EQUIVALENTS

For the purpose of the consolidated statement of cash flows, cash and cash equivalents include the following balances with an original maturity of less than three months:

	As at 31.12.2010	As at 31.12.2009
Cash	61,653	48,896
Balances with central banks	122,320	103,893
Deposits with banks and other financial institutions with an original maturity of less than 3 months	38,727	44,805
Financial assets held under resale agreements with an original maturity of less than 3 months	125,488	95,561
Placements with banks and other financial institutions with an original maturity of less than 3 months	67,429	36,145
Total	**415,617**	**329,300**

48. 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 prepare the consolidated 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.

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.

(Amounts in millions of Renminbi, unless otherwise stated)

48. SEGMENT INFORMATION (continued)

Geographical segment (continued)

For the year ended 31 December 2010

	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	114,085	65,979	36,229	42,073	30,792	57,589	9,615	1,298	357,660	—	357,660
External interest expense	(4,950)	(27,050)	(16,586)	(21,754)	(17,502)	(20,392)	(6,836)	(438)	(115,508)	—	(115,508)
Inter-segment interest (expense) income	(75,846)	13,774	12,264	15,929	14,376	15,350	4,153	—	—	—	—
Net interest income	33,289	52,703	31,907	36,248	27,666	52,547	6,932	860	242,152	—	242,152
Fee and commission income	2,771	12,547	7,114	6,807	7,391	9,319	2,006	189	48,144	—	48,144
Fee and commission expense	(135)	(431)	(340)	(305)	(262)	(335)	(98)	(110)	(2,016)	—	(2,016)
Net fee and commission income	2,636	12,116	6,774	6,502	7,129	8,984	1,908	79	46,128	—	46,128
Net trading (loss) gain	(1,561)	792	(25)	147	143	235	(7)	32	(244)	—	(244)
Net gain (loss) on financial instruments designated as at fair value through profit or loss	447	(1)	—	—	—	(22)	—	11	435	—	435
Net (loss) gain on investment securities	(931)	—	—	8	—	121	—	48	(754)	—	(754)
Other operating income	363	1,058	614	530	409	612	184	766	4,536	—	4,536
Operating income	34,243	66,668	39,270	43,435	35,347	62,477	9,017	1,796	292,253	—	292,253
Operating expenses	(6,719)	(24,604)	(16,279)	(18,916)	(20,889)	(30,197)	(9,965)	(538)	(128,107)	—	(128,107)
Impairment losses on assets	40	(8,852)	(5,119)	(10,079)	(8,160)	(10,489)	(686)	(67)	(43,412)	—	(43,412)
Profit (loss) before tax	27,564	33,212	17,872	14,440	6,298	21,791	(1,634)	1,191	120,734	—	120,734
Income tax expense											(25,827)
Profit for the year											94,907
Depreciation and amortisation included in operating expenses	(987)	(2,241)	(1,365)	(1,563)	(1,914)	(2,394)	(789)	(43)	(11,296)	—	(11,296)
Capital expenditure	1,362	4,349	1,977	3,674	3,501	5,533	1,609	54	22,059	—	22,059
As at 31 December 2010											
Segment assets	3,443,492	2,330,766	1,456,963	1,777,876	1,543,431	2,117,973	510,897	97,257	13,278,655	(2,972,719)	10,305,936
Including: Interest in an associate	—	—	—	—	141	—	—	—	141	—	141
Unallocated assets											31,470
Total assets											10,337,406
Segment liabilities	(3,019,635)	(2,300,473)	(1,437,879)	(1,759,578)	(1,530,049)	(2,095,624)	(513,698)	(94,458)	(12,751,394)	2,972,719	(9,778,675)
Unallocated liabilities											(16,495)
Total liabilities											(9,795,170)
Credit commitments	47,712	444,971	291,109	309,388	196,785	252,017	41,947	56,517	1,640,446	—	1,640,446

(Amounts in millions of Renminbi, unless otherwise stated)

48. SEGMENT INFORMATION (continued)

Geographical segment (continued)

For the year ended 31 December 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 (expense) interest 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	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)
Profit 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
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
As at 31 December 2009											
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)
Credit commitments	52,834	321,714	204,089	259,806	140,753	180,647	35,329	26,511	1,221,683	—	1,221,683

48. SEGMENT INFORMATION (continued)

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 investments, 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.

(Amounts in millions of Renminbi, unless otherwise stated)

48. SEGMENT INFORMATION (continued)

Business operating segment (continued)

For the year ended 31 December 2010

	Corporate banking	Personal banking	Treasury operations	Others	Segment and consolidated total
External interest income	189,573	52,045	115,993	49	357,660
External interest expense	(39,411)	(69,193)	(6,901)	(3)	(115,508)
Inter-segment interest (expense) income	(9,925)	92,007	(82,082)	—	—
Net interest income	140,237	74,859	27,010	46	242,152
Fee and commission income	21,049	26,939	—	156	48,144
Fee and commission expense	(886)	(1,021)	—	(109)	(2,016)
Net fee and commission income	20,163	25,918	—	47	46,128
Net trading loss	—	—	(244)	—	(244)
Net gain on financial instruments designated as at fair value through profit or loss	—	—	433	2	435
Net (loss) gain on investment securities	—	—	(757)	3	(754)
Other operating income	988	815	1,722	1,011	4,536
Operating income	161,388	101,592	28,164	1,109	292,253
Operating expenses	(46,803)	(69,050)	(11,757)	(497)	(128,107)
Impairment (losses) reversals on assets	(33,647)	(9,861)	108	(12)	(43,412)
Profit before tax	80,938	22,681	16,515	600	120,734
Income tax expense					(25,827)
Profit for the year					94,907
Depreciation and amortisation included in operating expenses	(2,755)	(6,885)	(1,626)	(30)	(11,296)
Capital expenditure	5,163	13,582	3,314	—	22,059
As at 31 December 2010					
Segment assets	3,759,161	1,270,020	5,270,226	6,529	10,305,936
Including: Interest in an associate	—	—	—	141	141
Unallocated assets					31,470
Total assets					10,337,406
Segment liabilities	(4,026,381)	(5,258,346)	(491,481)	(2,467)	(9,778,675)
Unallocated liabilities					(16,495)
Total liabilities					(9,795,170)
Credit commitments	1,457,345	183,101	—	—	1,640,446

(Amounts in millions of Renminbi, unless otherwise stated)

48. SEGMENT INFORMATION (continued)

Business operating segment (continued)

For the year ended 31 December 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	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)
Profit before tax	45,167	9,842	18,348	571	73,928
Income tax expense					(8,926)
Profit for the year					65,002
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
As at 31 December 2009					
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)
Credit commitments	1,047,513	174,170	—	—	1,221,683

48. SEGMENT INFORMATION (continued)

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.

(Amounts in millions of Renminbi, unless otherwise stated)

48. SEGMENT INFORMATION (continued)

County Area and Urban Area segment (continued)

For the year ended 31 December 2010

	County Area banking business	Urban Area banking business	Segment total	Eliminations	Consolidated total
External interest income	76,969	280,691	357,660	—	357,660
External interest expense	(40,976)	(74,532)	(115,508)	—	(115,508)
Inter-segment interest income (expense)	53,479	(53,479)	—	—	—
Net interest income	89,472	152,680	242,152	—	242,152
Fee and commission income	17,545	30,599	48,144	—	48,144
Fee and commission expense	(578)	(1,438)	(2,016)	—	(2,016)
Net fee and commission income	16,967	29,161	46,128	—	46,128
Net trading gain (loss)	175	(419)	(244)	—	(244)
Net gain on financial instruments designated as at fair value through profit or loss	—	435	435	—	435
Net loss on investment securities	—	(754)	(754)	—	(754)
Other operating income	1,311	3,225	4,536	—	4,536
Operating income	107,925	184,328	292,253	—	292,253
Operating expenses	(55,873)	(72,234)	(128,107)	—	(128,107)
Impairment losses on assets	(17,525)	(25,887)	(43,412)	—	(43,412)
Profit before tax	34,527	86,207	120,734	—	120,734
Income tax expense					(25,827)
Profit for the year					94,907
Depreciation and amortisation included in operating expenses	(4,920)	(6,376)	(11,296)	—	(11,296)
Capital expenditure	5,384	16,675	22,059	—	22,059
As at 31 December 2010					
Segment assets	3,843,686	6,517,358	10,361,044	(55,108)	10,305,936
Including: Interest in an associate	—	141	141	—	141
Unallocated assets					31,470
Total assets					10,337,406
Segment liabilities	(3,689,774)	(6,144,009)	(9,833,783)	55,108	(9,778,675)
Unallocated liabilities					(16,495)
Total liabilities					(9,795,170)
Credit commitments	356,273	1,284,173	1,640,446	—	1,640,446

(Amounts in millions of Renminbi, unless otherwise stated)

48. SEGMENT INFORMATION (continued)

County Area and Urban Area segment (continued)

For the year ended 31 December 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	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)
Profit before tax	20,945	52,983	73,928	—	73,928
Income tax expense					(8,926)
Profit for the year					65,002
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
As at 31 December 2009					
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)
Credit commitments	262,452	959,231	1,221,683	—	1,221,683

(Amounts in millions of Renminbi, unless otherwise stated)

49. RELATED PARTY TRANSACTIONS

(1) Transactions with the MOF

As at 31 December 2010, the MOF directly owned 39.21% (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 is considered as related party of the Group.

The Group has the following balances and has entered into the following transactions with the MOF in its ordinary course of business:

	As at 31.12.2010	As at 31.12.2009
Treasury bonds and special government bonds	582,750	565,085
Receivable from the MOF	568,410	635,539
Interest receivable from the MOF	280	—
Structured deposits	—	546
Amount payable to the MOF	5,311	5,891
Deposits from the MOF	13,002	20,477
Other liability — redemption of certificate treasury bonds	1,226	792

	Year ended	
	31.12.2010	31.12.2009
Interest income	38,114	37,909
Interest expense	(120)	(284)
Net interest income	37,994	37,625
Fee and commission income	2,497	4,481
Net gain on financial instruments designated as at fair value through profit or loss	86	47

Government bonds underwriting and redemption commitment

Government bonds underwriting and redemption commitment are disclosed in Note 50 “Government bonds underwriting and redemption commitment”.

(2) Transactions with Huijin

As at 31 December 2010, Huijin directly owned 40.03% (2009: 50%) of share capital of the Bank.

(Amounts in millions of Renminbi, unless otherwise stated)

49. RELATED PARTY TRANSACTIONS (continued)

(2) Transactions with Huijin (continued)

Huijin was incorporated on 16 December 2003 under the Company Law of the People's Republic of China as a wholly state-owned company with a registered capital and a paid-in capital of RMB552,117 million and the legal representative is Mr. LOU Jiwei. Huijin, a wholly-owned subsidiary of China Investment Corporation Limited in accordance with authorization by the State Council, makes equity investments in major state-owned financial enterprises, and shall, to the extent of its capital contribution, exercise the rights and perform the obligations as an investor on behalf of the State in accordance with applicable laws, to achieve the goal of preserving and enhancing the value of state-owned financial assets. Huijin does not conduct any other business or commercial activity. It does not intervene in the day-to-day business operations of the firms in which it invests.

The Bank subscribed the debt securities issued by Huijin through an open tender in interbank market in current year. As at 31 December 2010, the Bank held the debt securities issued by Huijin with an aggregate par value of RMB11.32 billion with tenors ranging from 5 years to 30 years at coupon rate ranging from 3.14% to 4.20% per annum. The debt securities issued by Huijin are backed by government. The transactions carried out with Huijin are normal business activities and were in accordance with related regulations and corporate governance requirements of the Bank.

The Group enters into transactions with Huijin in the ordinary course of business under normal commercial terms and at market rates. The details are as follows:

	As at 31.12.2010	As at 31.12.2009
Debt securities issued by Huijin	11,260	—
Interest receivable from Huijin	134	—
Deposits from Huijin	14,384	343
Interest payable to Huijin	2	—
Financial liabilities at FVTPL subscribed by Huijin	4,000	4,014

	Year ended 31 December	
	2010	2009
Interest income of debt securities	134	—
Interest expense of deposits	(52)	(2)
Loss on fair value changes of available-for-sale financial assets	(58)	—

Range of coupon rate:

	2010 %	2009 %
Debt securities issued by Huijin	3.14–4.20	Not applicable
Deposits from Huijin	0.72–1.35	0.72–1.35

(Amounts in millions of Renminbi, unless otherwise stated)

49. RELATED PARTY TRANSACTIONS (continued)

(3) Transactions between the Bank and subsidiaries

The Bank enters into various transactions with banks and financial institutions which are its controlled entities. Transactions are made at arm's length and in its ordinary course of business.

In the opinion of the directors, no material impact to profit or loss arose from the transactions between the Bank and its subsidiaries.

(4) Transactions with an associate

The Group enters into various transactions with its associate. Transactions are made at arm's length and in its ordinary course of business.

In the opinion of the directors, no material impact to profit or loss arose from the transactions between the Bank and its associate.

(5) Transactions with 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.

(6) 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:

	Year ended 31 December	
	2010	**2009**
Salaries, bonuses and staff welfare	11.03	8.36

According to the relevant PRC authorities, the key management personnel's emoluments have not been decided, but the management of the Group believes, emoluments not accrued will not have significant impact on the consolidated financial statements of the Bank and of the Group as at 31 December 2010. These emoluments will be disclosed after recognition.

(7) Transactions with the Annuity Plan

	As at 31.12.2010	As at 31.12.2009
Due to customers	4,169	6,339

	Year ended 31 December	
	2010	**2009**
Interest expense	85	28

(Amounts in millions of Renminbi, unless otherwise stated)

50. CONTINGENT LIABILITIES AND COMMITMENTS

Legal proceedings

The Group is involved as defendants in certain lawsuits arising from its normal business operations. As at 31 December 2010, provisions of RMB2,441 million (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. Provision for litigation losses as advised by in-house or external legal professionals is disclosed in Note 40(3) "Provision".

Capital commitments

The Group and The Bank

	As at 31.12.2010	As at 31.12.2009
Contracted but not provided for	6,913	6,217
Authorised but not contracted for	1,386	1,102
Total	**8,299**	**7,319**

Credit commitments

The Group and The Bank

	As at 31.12.2010	As at 31.12.2009
Loan commitments	955,563	655,937
— With an original maturity of less than 1 year	88,864	50,650
— With an original maturity of 1 year or above	866,699	605,287
Letters of credit	79,400	53,933
Letters of guarantee	158,584	151,355
Acceptances	311,664	271,871
Credit card commitments	135,235	88,587
Total	**1,640,446**	**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.

Credit risk weighted amounts for credit commitments

The Group and The Bank

	As at 31.12.2010	As at 31.12.2009
Credit commitments	684,793	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.

(Amounts in millions of Renminbi, unless otherwise stated)

50. CONTINGENT LIABILITIES AND COMMITMENTS (continued)

Operating lease commitments

At the end of the reporting period, the Group and the Bank have the following non-cancellable operating lease commitments:

The Group

	As at 31.12.2010	As at 31.12.2009
Within 1 year	1,707	1,271
1 to 2 years	1,496	1,087
2 to 3 years	1,247	919
Above 3 years	3,978	3,174
Total	**8,428**	**6,451**

The Bank

	As at 31.12.2010	As at 31.12.2009
Within 1 year	1,696	1,266
1 to 2 years	1,485	1,083
2 to 3 years	1,244	916
Above 3 years	3,978	3,174
Total	**8,403**	**6,439**

Finance lease commitments

At the end of the reporting period, the Group and the Bank have the following non-cancellable finance lease commitments:

	The Group		The Bank	
	As at 31.12.2010	As at 31.12.2009	As at 31.12.2010	As at 31.12.2009
Finance lease commitments	115	—	—	—

Collateral

Assets pledged

The carrying amount of assets pledged as collateral under repurchase agreement as set out in Note 35 "Financial assets sold under repurchase agreements" by the Group and the Bank is as follows:

The Group and The Bank

	As at 31.12.2010	As at 31.12.2009
Bonds	26,652	22,389
Bills	10,935	69,611
Loans and advances to customers	—	9,071
Total	**37,587**	**101,071**

50. CONTINGENT LIABILITIES AND COMMITMENTS (continued)

Collateral (continued)

Assets pledged (continued)

The net book value of financial assets sold under repurchase agreements by the Group and the Bank as at 31 December 2010 was RMB37,467 million (2009: RMB100,812 million). 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 2010 amounted to RMB5,851 million (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 December 2010 was RMB27,285 million (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 RMB11,381 million (2009: RMB51,107 million).

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 2010, the nominal value of treasury bonds the Group committed to redeem prior to maturity is RMB68,891 million (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.

51. FINANCIAL RISK MANAGEMENT

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 foreign currency risk, interest rate risk and other price risk.

51. FINANCIAL RISK MANAGEMENT (continued)

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.

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.

Credit risk

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 continuous upgrade of Credit Management System (CMS).

Apart from the credit risk exposures on credit-related assets and deposits with banks and 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.

51. FINANCIAL RISK MANAGEMENT (continued)

Credit risk (continued)

Impairment assessment

Key factors on impairment assessment

The Group generally measures and manages the quality of credit risk-generating 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.

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 policy regarding the Group's estimation of impairment losses on financial assets are set out in Note 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 the reporting period without taking into account any collateral held or other credit enhancements. The maximum exposure to credit risk at the end of the 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 50 "Contingent liabilities and commitments".

(Amounts in millions of Renminbi, unless otherwise stated)

51. FINANCIAL RISK MANAGEMENT (continued)

Credit risk (continued)

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:

The Group

	31.12.2010	31.12.2009
Balances with central banks	2,020,679	1,468,910
Deposits with banks and other financial institutions	77,893	61,693
Placements with banks and other financial institutions	95,375	49,435
Financial assets held for trading	7,213	15,346
Financial assets designated as at fair value through profit or loss	43,044	96,830
Derivative financial assets	9,173	4,678
Financial assets held under resale agreements	525,331	421,093
Loans and advances to customers	4,788,008	4,011,495
Available-for-sale financial assets	664,067	729,895
Held-to-maturity investments	1,036,658	883,915
Debt securities classified as receivables	772,013	890,199
Other financial assets	45,200	35,621
Subtotal	10,084,654	8,669,110
Off-balance sheet items		
Credit commitments	1,640,446	1,221,683
Total	**11,725,100**	**9,890,793**

The Bank

	31.12.2010	31.12.2009
Balances with central banks	2,020,603	1,468,867
Deposits with banks and other financial institutions	76,921	61,285
Placements with banks and other financial institutions	95,375	49,435
Financial assets held for trading	7,213	15,346
Financial assets designated as at fair value through profit or loss	43,044	96,830
Derivative financial assets	9,173	4,678
Financial assets held under resale agreements	525,331	421,093
Loans and advances to customers	4,787,749	4,011,386
Available-for-sale financial assets	664,018	729,895
Held-to-maturity investments	1,036,658	883,915
Debt securities classified as receivables	772,013	890,199
Other financial assets	44,092	35,551
Subtotal	10,082,190	8,668,480
Off-balance sheet items		
Credit commitments	1,640,446	1,221,683
Total	**11,722,636**	**9,890,163**

51. FINANCIAL RISK MANAGEMENT (continued)

Credit risk (continued)

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.

(Amounts in millions of Renminbi, unless otherwise stated)

51. FINANCIAL RISK MANAGEMENT (continued)

Credit risk (continued)

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:

The Group

	31.12.2010		31.12.2009	
	Amount	% of total	Amount	% of total
Corporate loans and advances				
Mining	120,586	3.2	98,024	2.9
Manufacturing	1,103,520	28.9	954,760	28.6
Production and supply of power, gas and water	397,030	10.4	421,303	12.6
Construction	150,348	3.9	102,123	3.0
Transportation, logistics and postal services	396,036	10.4	314,872	9.4
Information transmission, computer services and software	18,909	0.5	28,316	0.8
Retail and wholesale	326,575	8.6	263,963	7.9
Real estate	551,319	14.5	434,926	13.1
Leasing and commercial services	211,236	5.5	147,879	4.4
Water, environment and public utilities management	213,751	5.6	155,629	4.6
Others	322,761	8.5	426,936	12.7
Subtotal	3,812,071	100.0	3,348,731	100.0
Personal loans and advances				
Residential mortgage loans	724,594	63.3	497,950	63.1
Loans to private business	130,244	11.4	105,953	13.4
Personal consumption loans	133,093	11.6	85,600	10.8
Credit card balances	37,820	3.3	14,118	1.8
Others	118,919	10.4	85,835	10.9
Subtotal	1,144,670	100.0	789,456	100.0
Gross loans and advances to customers	**4,956,741**		**4,138,187**	

(Amounts in millions of Renminbi, unless otherwise stated)

51. FINANCIAL RISK MANAGEMENT (continued)

Credit risk (continued)

Loans and advances to customers (continued)

(1) *The composition of loans and advances to customers by industry is analysed as follows:* (continued)

The Bank

	31.12.2010		31.12.2009	
	Amount	% of total	Amount	% of total
Corporate loans and advances				
Mining	120,586	3.2	98,024	2.9
Manufacturing	1,103,455	28.9	954,760	28.6
Production and supply of power, gas and water	397,030	10.4	421,303	12.6
Construction	150,348	3.9	102,123	3.0
Transportation, logistics and postal services	396,036	10.4	314,872	9.4
Information transmission, computer services and software	18,909	0.5	28,316	0.8
Retail and wholesale	326,575	8.6	263,963	7.9
Real estate	551,319	14.5	434,926	13.1
Leasing and commercial services	211,236	5.5	147,879	4.4
Water, environment and public utilities management	213,751	5.6	155,629	4.6
Others	322,761	8.5	426,936	12.7
Subtotal	3,812,006	100.0	3,348,731	100.0
Personal loans and advances				
Residential mortgage loans	724,592	63.3	497,950	63.1
Loans to private business	130,085	11.4	105,953	13.4
Personal consumption loans	133,093	11.6	85,600	10.8
Credit card balances	37,820	3.3	14,118	1.8
Others	118,883	10.4	85,725	10.9
Subtotal	1,144,473	100.0	789,346	100.0
Gross loans and advances to customers	**4,956,479**		**4,138,077**	

(Amounts in millions of Renminbi, unless otherwise stated)

51. FINANCIAL RISK MANAGEMENT (continued)

Credit risk (continued)

Loans and advances to customers (continued)

(2) *The composition of loans and advances to customers by geographical area is analysed as follows:*

The Group

	31.12.2010		31.12.2009	
	Amount	% of total	Amount	% of total
Corporate loans and advances				
Head Office	76,486	2.0	121,899	3.6
Yangtze River Delta	1,001,545	26.3	894,868	26.7
Pearl River Delta	487,509	12.8	446,597	13.3
Bohai Rim	716,804	18.8	601,191	18.0
Central China	467,575	12.3	407,555	12.2
Western China	847,764	22.2	739,592	22.1
Northeastern China	138,880	3.6	109,219	3.3
Overseas	75,508	2.0	27,810	0.8
Subtotal	3,812,071	100.0	3,348,731	100.0
Personal loans and advances				
Head Office	119	—	—	—
Yangtze River Delta	351,777	30.7	252,867	32.1
Pearl River Delta	230,348	20.1	167,321	21.2
Bohai Rim	152,380	13.3	104,369	13.2
Central China	133,621	11.7	80,601	10.2
Western China	241,232	21.1	162,045	20.5
Northeastern China	34,996	3.1	22,139	2.8
Overseas	197	—	114	—
Subtotal	1,144,670	100.0	789,456	100.0
Gross loans and advances to customers	**4,956,741**		**4,138,187**	

(Amounts in millions of Renminbi, unless otherwise stated)

51. FINANCIAL RISK MANAGEMENT (continued)

Credit risk (continued)

Loans and advances to customers (continued)

(2) *The composition of loans and advances to customers by geographical area is analysed as follows:* (continued)

The Bank

	31.12.2010		31.12.2009	
	Amount	**% of total**	**Amount**	**% of total**
Corporate loans and advances				
Head Office	76,486	2.0	121,899	3.6
Yangtze River Delta	1,001,545	26.3	894,868	26.7
Pearl River Delta	487,509	12.8	446,597	13.3
Bohai Rim	716,804	18.8	601,191	18.0
Central China	467,575	12.3	407,555	12.2
Western China	847,764	22.2	739,592	22.1
Northeastern China	138,880	3.6	109,219	3.3
Overseas	75,443	2.0	27,810	0.8
Subtotal	3,812,006	100.0	3,348,731	100.0
Personal loans and advances				
Head Office	119	—	—	—
Yangtze River Delta	351,777	30.7	252,867	32.1
Pearl River Delta	230,348	20.1	167,321	21.2
Bohai Rim	152,380	13.3	104,369	13.2
Central China	133,621	11.7	80,601	10.2
Western China	241,232	21.1	162,045	20.5
Northeastern China	34,996	3.1	22,139	2.8
Overseas	—	—	4	—
Subtotal	1,144,473	100.0	789,346	100.0
Gross loans and advances to customers	**4,956,479**		**4,138,077**	

(Amounts in millions of Renminbi, unless otherwise stated)

51. FINANCIAL RISK MANAGEMENT (continued)

Credit risk (continued)

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:*

The Group

	As at 31 December 2010			
	Less than 1 year	**1 to 5 years**	**More than 5 years**	**Total**
Unsecured loans	335,087	318,753	367,877	1,021,717
Guaranteed loans	624,040	271,251	295,308	1,190,599
Collateralised and other secured loans				
— loans secured by property and other immovable assets	718,132	608,500	882,134	2,208,766
— other pledged loans	246,795	39,107	249,757	535,659
Total	**1,924,054**	**1,237,611**	**1,795,076**	**4,956,741**

	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**

(Amounts in millions of Renminbi, unless otherwise stated)

51. FINANCIAL RISK MANAGEMENT (continued)

Credit risk (continued)

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)

The Bank

	As at 31 December 2010			
	Less than 1 year	1 to 5 years	More than 5 years	Total
Unsecured loans	335,087	318,753	367,877	1,021,717
Guaranteed loans	623,845	271,251	295,308	1,190,404
Collateralised and other secured loans				
— loans secured by property and other immovable assets	718,095	608,500	882,132	2,208,727
— other pledged loans	246,767	39,107	249,757	535,631
Total	**1,923,794**	**1,237,611**	**1,795,074**	**4,956,479**

	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**

(Amounts in millions of Renminbi, unless otherwise stated)

51. FINANCIAL RISK MANAGEMENT (continued)

Credit risk (continued)

Loans and advances to customers (continued)

(4) *Past due loans*

The Group and The Bank

	As at 31 December 2010				
	Up to 90 days (including 90 days)	**91–360 days**	**361 days to 3 years**	**Over 3 years**	**Total**
Unsecured loans	1,478	850	1,053	412	3,793
Guaranteed loans	4,095	3,060	9,880	4,210	21,245
Collateralised and other secured loans					
— loans secured by property and other immovable assets	14,893	4,954	20,086	4,182	44,115
— other pledged loans	706	1,163	4,160	562	6,591
Total	**21,172**	**10,027**	**35,179**	**9,366**	**75,744**

	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.

(Amounts in millions of Renminbi, unless otherwise stated)

51. FINANCIAL RISK MANAGEMENT (continued)

Credit risk (continued)

Loans and advances to customers (continued)

(5) Credit quality of loans and advances to customers

The Group

	31.12.2010	31.12.2009
Neither past due nor impaired (i)	4,838,955	4,003,287
Past due but not impaired (ii)	17,381	14,659
Impaired (iii)	100,405	120,241
Subtotal	4,956,741	4,138,187
Less: Allowance for impairment losses of loans and advances to customers	(168,733)	(126,692)
Loans and advances to customers	**4,788,008**	**4,011,495**

The Bank

	31.12.2010	31.12.2009
Neither past due nor impaired (i)	4,838,693	4,003,177
Past due but not impaired (ii)	17,381	14,659
Impaired (iii)	100,405	120,241
Subtotal	4,956,479	4,138,077
Less: Allowance for impairment losses of loans and advances to customers	(168,730)	(126,691)
Loans and advances to customers	**4,787,749**	**4,011,386**

(i) Loans and advances neither past due nor impaired

The Group

	As at 31 December 2010		
	Normal	Special mention	Total
Corporate loans and advances	3,431,522	290,746	3,722,268
Personal loans and advances	1,104,666	12,021	1,116,687
Total	**4,536,188**	**302,767**	**4,838,955**

	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**

(Amounts in millions of Renminbi, unless otherwise stated)

51. FINANCIAL RISK MANAGEMENT (continued)

Credit risk (continued)

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)

The Bank

	As at 31 December 2010		
	Normal	**Special mention**	**Total**
Corporate loans and advances	3,431,457	290,746	3,722,203
Personal loans and advances	1,104,469	12,021	1,116,490
Total	**4,535,926**	**302,767**	**4,838,693**

	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

The Group and The Bank

	As at 31 December 2010				
	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	364	1	—	365	654
Personal loans and advances	13,535	2,545	936	17,016	25,631
Total	**13,899**	**2,546**	**936**	**17,381**	**26,285**

(Amounts in millions of Renminbi, unless otherwise stated)

51. FINANCIAL RISK MANAGEMENT (continued)

Credit risk (continued)

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)

	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

The Group and The Bank

	As at 31 December 2010		
	Book value	Impairment	Net value
Individually assessed	89,438	(58,501)	30,937
Collectively assessed	10,967	(6,318)	4,649
Total	**100,405**	**(64,819)**	**35,586**

	As at 31 December 2009		
	Book value	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**

Including:

	31.12.2010	31.12.2009
Individually assessed and impaired	89,438	109,169
Individually assessed and impaired %	1.80%	2.64%
Fair value of collateral	10,376	18,349

(Amounts in millions of Renminbi, unless otherwise stated)

51. FINANCIAL RISK MANAGEMENT (continued)

Credit risk (continued)

Loans and advances to customers (continued)

(5) Credit quality of loans and advances to customers (continued)

(iv) The composition of impaired loans and advances to customers by geographical area is analysed as follows:

The Group and The Bank

	31.12.2010		31.12.2009	
	Amount	**% of total**	**Amount**	**% of total**
Head Office	2,001	2.0	2,127	1.8
Yangtze River Delta	15,760	15.7	22,194	18.5
Pearl River Delta	13,727	13.7	14,888	12.4
Bohai Rim	16,503	16.4	19,642	16.3
Central China	14,142	14.1	16,086	13.4
Western China	32,965	32.9	38,840	32.3
Northeastern China	5,065	5.0	6,146	5.1
Overseas	242	0.2	318	0.2
Total	**100,405**	**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 2010 and 2009 were RMB10,612 million and RMB11,675 million, respectively.

(7) Assets foreclosed under credit enhancement arrangement

The Group disclosed such assets in Note 30(3).

Debt securities

(1) Credit quality of debt securities

The Group

	31.12.2010	**31.12.2009**
Neither past due nor impaired (i)	2,516,197	2,606,881
Impaired (ii)	6,964	9,173
Subtotal	2,523,161	2,616,054
Less: Allowance for impairment losses	(174)	(210)
	2,522,987	**2,615,844**

(Amounts in millions of Renminbi, unless otherwise stated)

51. FINANCIAL RISK MANAGEMENT (continued)

Credit risk (continued)

Debt securities (continued)

(1) Credit quality of debt securities (continued)

The Bank

	31.12.2010	31.12.2009
Neither past due nor impaired (i)	2,516,148	2,606,881
Impaired (ii)	6,964	9,173
Subtotal	2,523,112	2,616,054
Less: Allowance for impairment losses	(174)	(210)
	2,522,938	**2,615,844**

(i) Debt securities neither past due nor impaired

The Group

	As at 31 December 2010				
	Financial assets at FVTPL	Available-for-sale financial assets	Held-to-maturity investments	Debt securities classified as receivables	Total
Government bonds	4,299	364,485	613,403	—	982,187
Public sector, quasi-government bonds	1,488	162,001	343,168	—	506,657
Financial institution bonds	6,723	17,794	24,435	14,906	63,858
Corporate bonds	8,854	114,093	54,563	—	177,510
Special government bond	—	—	—	93,300	93,300
Certificate treasury bonds	—	—	—	15,936	15,936
PBOC's special bills	—	—	—	64,906	64,906
Receivable from the MOF	—	—	—	568,410	568,410
Saving treasury bonds	—	—	—	14,548	14,548
Credit notes issued by trust companies	28,885	—	—	—	28,885
Total	**50,249**	**658,373**	**1,035,569**	**772,006**	**2,516,197**

(Amounts in millions of Renminbi, unless otherwise stated)

51. FINANCIAL RISK MANAGEMENT (continued)

Credit risk (continued)

Debt securities (continued)

(1) Credit quality of debt securities (continued)

(i) Debt securities neither past due nor impaired (continued)

The Bank

	As at 31 December 2010				
	Financial assets at FVTPL	Available-for-sale financial assets	Held-to-maturity investments	Debt securities classified as receivables	Total
Government bonds	4,299	364,485	613,403	—	982,187
Public sector, quasi-government bonds	1,488	161,983	343,168	—	506,639
Financial institution bonds	6,723	17,794	24,435	14,906	63,858
Corporate bonds	8,854	114,062	54,563	—	177,479
Special government bond	—	—	—	93,300	93,300
Certificate treasury bonds	—	—	—	15,936	15,936
PBOC's special bills	—	—	—	64,906	64,906
Receivable from the MOF	—	—	—	568,410	568,410
Saving treasury bonds	—	—	—	14,548	14,548
Credit notes issued by trust companies	28,885	—	—	—	28,885
Total	**50,249**	**658,324**	**1,035,569**	**772,006**	**2,516,148**

(Amounts in millions of Renminbi, unless otherwise stated)

51. FINANCIAL RISK MANAGEMENT (continued)

Credit risk (continued)

Debt securities (continued)

(1) Credit quality of debt securities (continued)

(i) Debt securities neither past due nor impaired (continued)

The Group and The Bank

	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
Saving 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**

(Amounts in millions of Renminbi, unless otherwise stated)

51. FINANCIAL RISK MANAGEMENT (continued)

Credit risk (continued)

Debt securities (continued)

(1) Credit quality of debt securities (continued)

(ii) Impaired debt securities

The Group and The Bank

	As at 31 December 2010			
	Available-for-sale financial assets	Held-to-maturity investments	Debt securities classified as receivables	Total
Public sector, quasi-government bonds	973	363	—	1,336
Financial institution bonds	4,718	813	—	5,531
Corporate bonds	3	—	94	97
Total	**5,694**	**1,176**	**94**	**6,964**

	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**

(Amounts in millions of Renminbi, unless otherwise stated)

51. FINANCIAL RISK MANAGEMENT (continued)

Credit risk (continued)

Debt securities (continued)

(2) Debt securities analysed by credit rating and credit risk characteristic

The Group

	As at 31 December 2010					
	Unrated	AAA	AA	A	Lower than A	Total
Government bonds	981,274	202	241	470	—	982,187
Public sector and quasi-government bonds	468,380	35,689	—	3,724	193	507,986
Financial institution bonds	5,971	41,200	9,560	11,353	1,230	69,314
Corporate bonds	5,446	116,630	14,881	39,069	1,489	177,515
Receivable from the MOF	568,410	—	—	—	—	568,410
Special government bond	93,300	—	—	—	—	93,300
Certificate treasury bonds	15,936	—	—	—	—	15,936
PBOC's special bills	64,906	—	—	—	—	64,906
Saving treasury bonds	14,548	—	—	—	—	14,548
Credit notes issued by trust companies	28,885	—	—	—	—	28,885
Total	**2,247,056**	**193,721**	**24,682**	**54,616**	**2,912**	**2,522,987**

The Bank

	As at 31 December 2010					
	Unrated	AAA	AA	A	Lower than A	Total
Government bonds	981,274	202	241	470	—	982,187
Public sector and quasi-government bonds	468,380	35,689	—	3,706	193	507,968
Financial institution bonds	5,971	41,200	9,560	11,353	1,230	69,314
Corporate bonds	5,446	116,599	14,881	39,069	1,489	177,484
Receivable from the MOF	568,410	—	—	—	—	568,410
Special government bond	93,300	—	—	—	—	93,300
Certificate treasury bonds	15,936	—	—	—	—	15,936
PBOC's special bills	64,906	—	—	—	—	64,906
Saving treasury bonds	14,548	—	—	—	—	14,548
Credit notes issued by trust companies	28,885	—	—	—	—	28,885
Total	**2,247,056**	**193,690**	**24,682**	**54,598**	**2,912**	**2,522,938**

(Amounts in millions of Renminbi, unless otherwise stated)

51. FINANCIAL RISK MANAGEMENT (continued)

Credit risk (continued)

Debt securities (continued)

(2) Debt securities analysed by credit rating and credit risk characteristic (continued)

The Group and The 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
PBOC's designated bills	119,744	—	—	—	—	119,744
PBOC's special bills	112	—	—	—	—	112
Saving treasury bonds	10,101	—	—	—	—	10,101
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**

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.

(Amounts in millions of Renminbi, unless otherwise stated)

51. FINANCIAL RISK MANAGEMENT (continued)

Liquidity risk (continued)

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 the reporting period.

The Group

	As at 31 December 2010							
	Past due/ undated	On demand	Less than 1 month	1–3 months	3–12 months	1–5 years	Over 5 years	Total
Cash and balances with central banks	1,724,315	184,017	—	—	—	174,000	—	2,082,332
Deposits with banks and other financial institutions	—	37,688	6,825	15,960	17,420	—	—	77,893
Placements with banks and other financial institutions	—	3,804	67,658	6,450	17,198	265	—	95,375
Financial assets held for trading	—	—	102	243	3,306	2,853	709	7,213
Financial assets designated as at fair value through profit or loss	—	195	2,782	8,810	16,727	14,385	145	43,044
Derivative financial assets	—	6	490	677	1,832	1,562	4,606	9,173
Financial assets held under resale agreements	—	—	330,030	119,049	76,252	—	—	525,331
Loans and advances to customers	10,978	—	217,603	410,601	1,508,300	1,283,384	1,357,142	4,788,008
Available-for-sale financial assets	459	3,977	14,536	46,357	235,538	224,881	142,755	668,503
Held-to-maturity investments	—	—	7,722	97,735	176,243	456,964	297,994	1,036,658
Debt securities classified as receivables	7	—	368	1,742	71,658	23,129	675,109	772,013
Other financial assets	490	5,103	9,488	14,778	15,139	202	—	45,200
Total financial assets	1,736,249	234,790	657,604	722,402	2,139,613	2,181,625	2,478,460	10,150,743
Borrowings from central bank	—	(30)	—	—	—	—	—	(30)
Deposits from banks and other financial institutions	—	(282,004)	(13,428)	(16,242)	(21,772)	(181,929)	(10,875)	(526,250)
Placements from banks and other financial institutions	—	(2,542)	(31,353)	(16,289)	(6,309)	(52)	(157)	(56,702)
Financial liabilities held for trading	—	—	(331)	—	—	—	—	(331)
Financial liabilities designated as at fair value through profit or loss	—	—	(7,055)	(13,488)	(13,157)	(918)	(64)	(34,682)
Financial assets sold under repurchase agreements	—	—	(32,172)	(3,466)	(1,829)	—	—	(37,467)
Derivative financial liabilities	—	(23)	(513)	(1,012)	(2,174)	(1,756)	(6,900)	(12,378)
Due to customers	—	(5,621,202)	(305,037)	(701,218)	(1,775,701)	(482,634)	(2,113)	(8,887,905)
Debt securities issued	—	—	(2)	(951)	(6,670)	(29,742)	(24,979)	(62,344)
Other financial liabilities	(29)	(44,510)	(7,959)	(14,350)	(31,219)	(18,667)	(2)	(116,736)
Total financial liabilities	(29)	(5,950,311)	(397,850)	(767,016)	(1,858,831)	(715,698)	(45,090)	(9,734,825)
Net position	**1,736,220**	**(5,715,521)**	**259,754**	**(44,614)**	**280,782**	**1,465,927**	**2,433,370**	**415,918**

(Amounts in millions of Renminbi, unless otherwise stated)

51. FINANCIAL RISK MANAGEMENT (continued)

Liquidity risk (continued)

Analysis of the remaining maturity of the financial assets and liabilities (continued)

The Group (continued)

	As at 31 December 2009							
	Past due/ undated	On demand	Less than 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**

(Amounts in millions of Renminbi, unless otherwise stated)

51. FINANCIAL RISK MANAGEMENT (continued)

Liquidity risk (continued)

Analysis of the remaining maturity of the financial assets and liabilities (continued)

The Bank

	As at 31 December 2010							
	Past due/ undated	On demand	Less than 1 month	1–3 months	3–12 months	1–5 years	Over 5 years	Total
Cash and balances with central banks	1,724,315	183,937	—	—	—	174,000	—	2,082,252
Deposits with banks and other financial institutions	—	36,716	6,825	15,960	17,420	—	—	76,921
Placements with banks and other financial institutions	—	3,804	67,658	6,450	17,198	265	—	95,375
Financial assets held for trading	—	—	102	243	3,306	2,853	709	7,213
Financial assets designated as at fair value through profit or loss	—	195	2,782	8,810	16,727	14,385	145	43,044
Derivative financial assets	—	6	490	677	1,832	1,562	4,606	9,173
Financial assets held under resale agreements	—	—	330,030	119,049	76,252	—	—	525,331
Loans and advances to customers	10,978	—	217,603	410,601	1,508,041	1,283,384	1,357,142	4,787,749
Available-for-sale financial assets	400	3,977	14,536	46,357	235,538	224,846	142,741	668,395
Held-to-maturity investments	—	—	7,722	97,735	176,243	456,964	297,994	1,036,658
Debt securities classified as receivables	7	—	368	1,742	71,658	23,129	675,109	772,013
Other financial assets	490	3,999	9,488	14,774	15,139	202	—	44,092
Total financial assets	1,736,190	232,634	657,604	722,398	2,139,354	2,181,590	2,478,446	10,148,216
Borrowings from central bank	—	(30)	—	—	—	—	—	(30)
Deposits from banks and other financial institutions	—	(285,110)	(13,428)	(16,242)	(21,772)	(181,929)	(10,875)	(529,356)
Placements from banks and other financial institutions	—	(2,542)	(31,353)	(16,289)	(6,309)	(52)	(157)	(56,702)
Financial liabilities held for trading	—	—	(331)	—	—	—	—	(331)
Financial liabilities designated as at fair value through profit or loss	—	—	(7,055)	(13,488)	(13,157)	(918)	(64)	(34,682)
Financial assets sold under repurchase agreements	—	—	(32,172)	(3,466)	(1,829)	—	—	(37,467)
Derivative financial liabilities	—	(23)	(513)	(1,012)	(2,174)	(1,756)	(6,900)	(12,378)
Due to customers	—	(5,621,046)	(305,037)	(701,218)	(1,775,572)	(482,634)	(2,113)	(8,887,620)
Debt securities issued	—	—	(2)	(951)	(6,670)	(29,742)	(24,979)	(62,344)
Other financial liabilities	—	(44,167)	(7,943)	(14,350)	(31,219)	(18,666)	(2)	(116,347)
Total financial liabilities	—	(5,952,918)	(397,834)	(767,016)	(1,858,702)	(715,697)	(45,090)	(9,737,257)
Net position	**1,736,190**	**(5,720,284)**	**259,770**	**(44,618)**	**280,652**	**1,465,893**	**2,433,356**	**410,959**

(Amounts in millions of Renminbi, unless otherwise stated)

51. FINANCIAL RISK MANAGEMENT (continued)

Liquidity risk (continued)

Analysis of the remaining maturity of the financial assets and liabilities (continued)

The Bank (continued)

	As at 31 December 2009							
	Past due/ undated	On demand	Less than 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
Deposits 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**

(Amounts in millions of Renminbi, unless otherwise stated)

51. FINANCIAL RISK MANAGEMENT (continued)

Liquidity risk (continued)

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 the reporting period. The amounts disclosed in the tables are the undiscounted contractual cash flows.

The Group

	As at 31 December 2010							
	Past due/ undated	On demand	Less than 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	1,724,315	184,018	—	811	—	181,478	—	2,090,622
Deposits with banks and other financial institutions	—	37,688	6,841	16,034	17,740	—	—	78,303
Placements with banks and other financial institutions	—	3,804	67,831	6,617	17,560	274	—	96,086
Financial assets held for trading	—	—	106	271	3,489	3,164	791	7,821
Financial assets designated as at fair value through profit or loss	—	195	2,897	9,146	17,443	15,061	236	44,978
Financial assets held under resale agreements	—	—	331,800	120,486	76,953	—	—	529,239
Loans and advances to customers	48,991	—	231,500	438,946	1,633,720	1,627,845	2,196,137	6,177,139
Available-for-sale financial assets	459	3,977	15,015	48,905	253,563	267,982	169,802	759,703
Held-to-maturity investments	—	—	8,647	103,897	202,457	537,448	372,647	1,225,096
Debt securities classified as receivables	7	—	368	6,440	90,043	110,318	836,200	1,043,376
Other financial assets	89	5,101	1,369	—	—	—	—	6,559
Total non-derivative financial assets	1,773,861	234,783	666,374	751,553	2,312,968	2,743,570	3,575,813	12,058,922
Non-derivative financial liabilities								
Borrowings from central bank	—	(30)	—	—	—	—	—	(30)
Deposits from banks and other financial institutions	—	(282,005)	(13,447)	(16,327)	(24,233)	(196,235)	(11,337)	(543,584)
Placements from banks and other financial institutions	—	(2,543)	(31,395)	(16,359)	(6,382)	(53)	(172)	(56,904)
Financial liabilities held for trading	—	—	(331)	—	—	—	—	(331)
Financial liabilities designated as at fair value through profit or loss	—	—	(7,129)	(13,670)	(13,415)	(975)	(100)	(35,289)
Financial assets sold under repurchase agreements	—	—	(32,223)	(3,502)	(1,874)	—	—	(37,599)
Due to customers	—	(5,624,602)	(314,260)	(747,044)	(1,860,097)	(500,562)	(2,114)	(9,048,679)
Debt securities issued	—	—	(3)	(958)	(8,557)	(36,229)	(29,000)	(74,747)
Other financial liabilities	(29)	(41,811)	(684)	—	(383)	(58)	—	(42,965)
Total non-derivative financial liabilities	(29)	(5,950,991)	(399,472)	(797,860)	(1,914,941)	(734,112)	(42,723)	(9,840,128)
Net position	**1,773,832**	**(5,716,208)**	**266,902**	**(46,307)**	**398,027**	**2,009,458**	**3,533,090**	**2,218,794**

(Amounts in millions of Renminbi, unless otherwise stated)

51. FINANCIAL RISK MANAGEMENT (continued)

Liquidity risk (continued)

Analysis of the undiscounted contractual cash flows (continued)

The Group (continued)

	As at 31 December 2009							
	Past due/ undated	On demand	Less than 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**

(Amounts in millions of Renminbi, unless otherwise stated)

51. FINANCIAL RISK MANAGEMENT (continued)

Liquidity risk (continued)

Analysis of the undiscounted contractual cash flows (continued)

The Bank

	As at 31 December 2010							
	Past due/ undated	On demand	Less than 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	1,724,315	183,938	—	811	—	181,478	—	2,090,542
Deposits with banks and other financial institutions	—	36,716	6,841	16,034	17,740	—	—	77,331
Placements with banks and other financial institutions	—	3,804	67,831	6,617	17,560	274	—	96,086
Financial assets held for trading	—	—	106	271	3,489	3,164	791	7,821
Financial assets designated as at fair value through profit or loss	—	195	2,897	9,146	17,443	15,061	236	44,978
Financial assets held under resale agreements	—	—	331,800	120,486	76,953	—	—	529,239
Loans and advances to customers	48,991	—	231,500	438,946	1,633,458	1,627,845	2,196,137	6,176,877
Available-for-sale financial assets	400	3,977	15,015	48,905	253,563	267,947	169,789	759,596
Held-to-maturity investments	—	—	8,647	103,897	202,457	537,448	372,647	1,225,096
Debt securities classified as receivables	7	—	368	6,440	90,043	110,318	836,200	1,043,376
Other financial assets	89	3,997	1,369	—	—	—	—	5,455
Total non-derivative financial assets	1,773,802	232,627	666,374	751,553	2,312,706	2,743,535	3,575,800	12,056,397
Non-derivative financial liabilities								
Borrowings from central bank	—	(30)	—	—	—	—	—	(30)
Deposits from banks and other financial institutions	—	(285,111)	(13,447)	(16,327)	(24,233)	(196,235)	(11,337)	(546,690)
Placements from banks and other financial institutions	—	(2,543)	(31,395)	(16,359)	(6,382)	(53)	(172)	(56,904)
Financial liabilities held for trading	—	—	(331)	—	—	—	—	(331)
Financial liabilities designated as at fair value through profit or loss	—	—	(7,129)	(13,670)	(13,415)	(975)	(100)	(35,289)
Financial assets sold under repurchase agreement	—	—	(32,223)	(3,502)	(1,874)	—	—	(37,599)
Due to customers	—	(5,624,445)	(314,260)	(747,042)	(1,859,968)	(500,562)	(2,114)	(9,048,391)
Debt securities issued	—	—	(3)	(958)	(8,557)	(36,229)	(29,000)	(74,747)
Other financial liabilities	—	(41,468)	(668)	—	(383)	(58)	—	(42,577)
Total non-derivative financial liabilities	—	(5,953,597)	(399,456)	(797,858)	(1,914,812)	(734,112)	(42,723)	(9,842,558)
Net position	**1,773,802**	**(5,720,970)**	**266,918**	**(46,305)**	**397,894**	**2,009,423**	**3,533,077**	**2,213,839**

(Amounts in millions of Renminbi, unless otherwise stated)

51. FINANCIAL RISK MANAGEMENT (continued)

Liquidity risk (continued)

Analysis of the undiscounted contractual cash flows (continued)

The Bank (continued)

	As at 31 December 2009							
	Past due/ undated	On demand	Less than 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
Deposits 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**

Assets available to meet all of the liabilities and outstanding loan commitments include cash and balances 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.

(Amounts in millions of Renminbi, unless otherwise stated)

51. FINANCIAL RISK MANAGEMENT (continued)

Liquidity risk (continued)

Derivative cash flows

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 the reporting period. The amounts disclosed in the table are the undiscounted contractual cash flows.

The Group and The Bank

	As at 31 December 2010					
	Less than 1 month	1–3 months	3–12 months	1–5 years	Over 5 years	Total
Interest rate derivatives	(67)	(72)	(210)	(393)	(124)	(866)

	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)

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 the reporting period. The amounts disclosed in the tables are the undiscounted contractual cash flows.

The Group and The Bank

	As at 31 December 2010					
	Less than 1 month	1–3 months	3–12 months	1–5 years	Over 5 years	Total
Exchange rate derivatives						
— Inflow	86,054	69,285	181,913	12,079	1,916	351,247
— Outflow	(86,139)	(69,628)	(182,116)	(12,833)	(3,139)	(353,855)
Total	**(85)**	**(343)**	**(203)**	**(754)**	**(1,223)**	**(2,608)**

	As at 31 December 2009					
	Less than 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)**

(Amounts in millions of Renminbi, unless otherwise stated)

51. FINANCIAL RISK MANAGEMENT (continued)

Liquidity risk (continued)

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.

The Group and The Bank

	As at 31 December 2010			
	Less than 1 year	1–5 years	Over 5 years	Total
Loan commitments	695,780	42,877	216,906	955,563
Letters of credit	72,506	6,894	—	79,400
Letters of guarantee	37,584	57,118	63,882	158,584
Acceptances	311,664	—	—	311,664
Credit card commitments	135,235	—	—	135,235
Total	**1,252,769**	**106,889**	**280,788**	**1,640,446**

	As at 31 December 2009			
	Less than 1 year	1–5 years	Over 5 years	Total
Loan commitments	475,541	31,404	148,992	655,937
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
Credit card commitments	88,587	—	—	88,587
Total	**928,728**	**70,771**	**222,184**	**1,221,683**

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.

(Amounts in millions of Renminbi, unless otherwise stated)

51. FINANCIAL RISK MANAGEMENT (continued)

Market risk (continued)

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.

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:

The Group

	As at 31 December 2010				
	RMB	USD RMB equivalent	HKD RMB equivalent	Other currencies RMB equivalent	Total
Cash and balances with central banks	2,074,892	5,731	1,059	650	2,082,332
Deposits with banks and other financial institutions	38,117	21,210	4,969	13,597	77,893
Placements with banks and other financial institutions	79,265	14,880	—	1,230	95,375
Financial assets held for trading	7,093	120	—	—	7,213
Financial assets designated as at fair value through profit or loss	31,446	4,492	6,766	340	43,044
Derivative financial assets	3,341	3,547	694	1,591	9,173
Financial assets held under resale agreements	525,000	331	—	—	525,331
Loans and advances to customers	4,581,706	170,496	31,699	4,107	4,788,008
Available-for-sale financial assets	631,168	34,400	1,398	1,537	668,503
Held-to-maturity investments	1,012,666	23,238	335	419	1,036,658
Debt securities classified as receivables	772,006	—	—	7	772,013
Other financial assets	41,830	2,296	999	75	45,200
Total financial assets	9,798,530	280,741	47,919	23,553	10,150,743
Borrowings from central bank	(30)	—	—	—	(30)
Deposits from banks and other financial institutions	(373,268)	(148,425)	(2,582)	(1,975)	(526,250)
Placements from banks and other financial institutions	(9,640)	(30,614)	(4,191)	(12,257)	(56,702)
Financial liabilities held for trading	—	(331)	—	—	(331)
Financial liabilities designated as at fair value through profit or loss	(33,550)	(1,023)	(109)	—	(34,682)
Derivative financial liabilities	(3,670)	(5,582)	(843)	(2,283)	(12,378)
Financial assets sold under repurchase agreements	(27,314)	(10,153)	—	—	(37,467)
Due to customers	(8,771,812)	(84,149)	(17,151)	(14,793)	(8,887,905)
Debt securities issued	(50,962)	(1,995)	(9,387)	—	(62,344)
Other financial liabilities	(110,842)	(4,876)	(870)	(148)	(116,736)
Total financial liabilities	(9,381,088)	(287,148)	(35,133)	(31,456)	(9,734,825)
Net position	**417,442**	**(6,407)**	**12,786**	**(7,903)**	**415,918**

(Amounts in millions of Renminbi, unless otherwise stated)

51. FINANCIAL RISK MANAGEMENT (continued)

Market risk (continued)

Foreign currency risk (continued)

The 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 position	**193,098**	**27,925**	**1,935**	**302**	**223,260**

(Amounts in millions of Renminbi, unless otherwise stated)

51. FINANCIAL RISK MANAGEMENT (continued)

Market risk (continued)

Foreign currency risk (continued)

The Bank

	As at 31 December 2010				
	RMB	USD RMB equivalent	HKD RMB equivalent	Other currencies RMB equivalent	Total
Cash and balances with central banks	2,074,812	5,731	1,059	650	2,082,252
Deposits with banks and other financial institutions	37,145	21,210	4,969	13,597	76,921
Placements with banks and other financial institutions	79,265	14,880	—	1,230	95,375
Financial assets held for trading	7,093	120	—	—	7,213
Financial assets designated as at fair value through profit or loss	31,446	4,492	6,766	340	43,044
Derivative financial assets	3,341	3,547	694	1,591	9,173
Financial assets held under resale agreements	525,000	331	—	—	525,331
Loans and advances to customers	4,581,447	170,496	31,699	4,107	4,787,749
Available-for-sale financial assets	631,168	34,400	1,290	1,537	668,395
Held-to-maturity investments	1,012,666	23,238	335	419	1,036,658
Debt securities classified as receivables	772,006	—	—	7	772,013
Other financial assets	41,650	2,300	67	75	44,092
Total financial assets	9,797,039	280,745	46,879	23,553	10,148,216
Borrowings from central bank	(30)	—	—	—	(30)
Deposits from banks and other financial institutions	(376,374)	(148,425)	(2,582)	(1,975)	(529,356)
Placements from banks and other financial institutions	(9,640)	(30,614)	(4,191)	(12,257)	(56,702)
Financial liabilities held for trading	—	(331)	—	—	(331)
Financial liabilities designated as at fair value through profit or loss	(33,550)	(1,023)	(109)	—	(34,682)
Derivative financial liabilities	(3,670)	(5,582)	(843)	(2,283)	(12,378)
Financial assets sold under repurchase agreements	(27,314)	(10,153)	—	—	(37,467)
Due to customers	(8,771,527)	(84,149)	(17,151)	(14,793)	(8,887,620)
Debt securities issued	(50,962)	(1,995)	(9,387)	—	(62,344)
Other financial liabilities	(110,570)	(5,102)	(417)	(258)	(116,347)
Total financial liabilities	(9,383,637)	(287,374)	(34,680)	(31,566)	(9,737,257)
Net position	**413,402**	**(6,629)**	**12,199**	**(8,013)**	**410,959**

(Amounts in millions of Renminbi, unless otherwise stated)

51. FINANCIAL RISK MANAGEMENT (continued)

Market risk (continued)

Foreign currency risk (continued)

The 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
Deposits 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 position	**192,800**	**27,925**	**1,329**	**302**	**222,356**

(Amounts in millions of Renminbi, unless otherwise stated)

51. FINANCIAL RISK MANAGEMENT (continued)

Market risk (continued)

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.

The Group

	Profit before tax	
	31.12.2010	**31.12.2009**
5% appreciation	1,506	(1,335)
5% depreciation	(1,506)	1,335

The Bank

	Profit before tax	
	31.12.2010	**31.12.2009**
5% appreciation	1,498	(1,305)
5% depreciation	(1,498)	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 the 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 from the actual situation.

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.

(Amounts in millions of Renminbi, unless otherwise stated)

51. FINANCIAL RISK MANAGEMENT (continued)

Market risk (continued)

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.

The Group

	As at 31 December 2010						
	Less than 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	1,730,122	—	—	174,000	—	178,210	2,082,332
Deposits with banks and other financial institutions	44,513	15,960	17,420	—	—	—	77,893
Placements with banks and other financial institutions	71,462	6,814	17,091	8	—	—	95,375
Financial assets held for trading	172	663	3,613	2,351	414	—	7,213
Financial assets designated as at fair value through profit or loss	4,288	15,146	20,676	2,703	67	164	43,044
Derivative financial assets	—	—	—	—	—	9,173	9,173
Financial assets held under resale agreements	330,030	119,049	76,252	—	—	—	525,331
Loans and advances to customers	1,632,585	1,103,850	2,028,329	4,402	18,842	—	4,788,008
Available-for-sale financial assets	25,505	60,946	271,688	193,951	111,977	4,436	668,503
Held-to-maturity investments	23,196	135,169	228,006	373,034	277,253	—	1,036,658
Debt securities classified as receivables	368	1,742	71,658	23,129	675,109	7	772,013
Other financial assets	—	—	—	—	—	45,200	45,200
Total financial assets	3,862,241	1,459,339	2,734,733	773,578	1,083,662	237,190	10,150,743
Borrowings from central bank	—	—	—	—	—	(30)	(30)
Deposits from banks and other financial institutions	(328,255)	(16,242)	(21,684)	(153,938)	(4,675)	(1,456)	(526,250)
Placements from banks and other financial institutions	(33,896)	(16,312)	(6,360)	—	(134)	—	(56,702)
Financial liabilities held for trading	(331)	—	—	—	—	—	(331)
Financial liabilities designated as at fair value through profit or loss	(7,155)	(13,584)	(13,157)	(300)	—	(486)	(34,682)
Derivative financial liabilities	—	—	—	—	—	(12,378)	(12,378)
Financial assets sold under repurchase agreements	(32,172)	(3,466)	(1,829)	—	—	—	(37,467)
Due to customers	(5,850,212)	(700,430)	(1,771,843)	(450,034)	(1,551)	(113,835)	(8,887,905)
Debt securities issued	(2,949)	(4,336)	(8,486)	(21,594)	(24,979)	—	(62,344)
Other financial liabilities	—	—	—	—	—	(116,736)	(116,736)
Total financial liabilities	(6,254,970)	(754,370)	(1,823,359)	(625,866)	(31,339)	(244,921)	(9,734,825)
Interest rate gap	**(2,392,729)**	**704,969**	**911,374**	**147,712**	**1,052,323**	**(7,731)**	**415,918**

(Amounts in millions of Renminbi, unless otherwise stated)

51. FINANCIAL RISK MANAGEMENT (continued)

Market risk (continued)

Interest rate risk (continued)

The Group (continued)

	As at 31 December 2009						
	Less than 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**

(Amounts in millions of Renminbi, unless otherwise stated)

51. FINANCIAL RISK MANAGEMENT (continued)

Market risk (continued)

Interest rate risk (continued)

The Bank

	As at 31 December 2010						
	Less than 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	1,730,046	—	—	174,000	—	178,206	2,082,252
Deposits with banks and other financial institutions	43,541	15,960	17,420	—	—	—	76,921
Placements with banks and other financial institutions	71,462	6,814	17,091	8	—	—	95,375
Financial assets held for trading	172	663	3,613	2,351	414	—	7,213
Financial assets designated as at fair value through profit or loss	4,288	15,146	20,676	2,703	67	164	43,044
Derivative financial assets	—	—	—	—	—	9,173	9,173
Financial assets held under resale agreements	330,030	119,049	76,252	—	—	—	525,331
Loans and advances to customers	1,632,585	1,103,850	2,028,070	4,402	18,842	—	4,787,749
Available-for-sale financial assets	25,505	60,946	271,686	193,915	111,966	4,377	668,395
Held-to-maturity investments	23,196	135,169	228,006	373,034	277,253	—	1,036,658
Debt securities classified as receivables	368	1,742	71,658	23,129	675,109	7	772,013
Other financial assets	—	—	—	—	—	44,092	44,092
Total assets	3,861,193	1,459,339	2,734,472	773,542	1,083,651	236,019	10,148,216
Borrowings from central bank	—	—	—	—	—	(30)	(30)
Deposits from banks and other financial institutions	(331,361)	(16,242)	(21,684)	(153,938)	(4,675)	(1,456)	(529,356)
Placements from banks and other financial institutions	(33,896)	(16,312)	(6,360)	—	(134)	—	(56,702)
Financial liabilities held for trading	(331)	—	—	—	—	—	(331)
Financial liabilities designated as at fair value through profit or loss	(7,155)	(13,584)	(13,157)	(300)	—	(486)	(34,682)
Derivative financial liabilities	—	—	—	—	—	(12,378)	(12,378)
Financial assets sold under repurchase agreements	(32,172)	(3,466)	(1,829)	—	—	—	(37,467)
Due to customers	(5,850,056)	(700,430)	(1,771,714)	(450,034)	(1,551)	(113,835)	(8,887,620)
Debt securities issued	(2,949)	(4,336)	(8,486)	(21,594)	(24,979)	—	(62,344)
Other financial liabilities	—	—	—	—	—	(116,347)	(116,347)
Total liabilities	(6,257,920)	(754,370)	(1,823,230)	(625,866)	(31,339)	(244,532)	(9,737,257)
Interest rate gap	**(2,396,727)**	**704,969**	**911,242**	**147,676**	**1,052,312**	**(8,513)**	**410,959**

(Amounts in millions of Renminbi, unless otherwise stated)

51. FINANCIAL RISK MANAGEMENT (continued)

Market risk (continued)

Interest rate risk (continued)

The Bank (continued)

	As at 31 December 2009						
	Less than 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**

(Amounts in millions of Renminbi, unless otherwise stated)

51. FINANCIAL RISK MANAGEMENT (continued)

Market risk (continued)

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 the reporting period.

The Group

	31.12.2010		31.12.2009	
	Net interest income	Equity	Net interest income	Equity
+100 basis points	(13,638)	(15,273)	(12,516)	(14,826)
-100 basis points	13,638	16,333	12,516	15,851

The Bank

	31.12.2010		31.12.2009	
	Net interest income	Equity	Net interest income	Equity
+100 basis points	(13,677)	(15,273)	(12,527)	(14,826)
-100 basis points	13,677	16,333	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 the period end remains unchanged.

The sensitivity analysis on equity is the effect on changes of fixed rate available-for-sale financial assets at the period end after adjusting in accordance with the reasonably possible changes in interest rates.

The assumption does not represent the group's capital and interest rate risk management policy. Therefore the above analysis may differ from the actual situation.

In addition, the impact of interest rate fluctuation is only for illustrating purpose, showing the anticipated interest income/expense and other income of the group under the current interest rate risk situation. The result was not impacted from the potential interest rate risk control activities carried out by the management.

51. FINANCIAL RISK MANAGEMENT (continued)

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 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 the 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.

(Amounts in millions of Renminbi, unless otherwise stated)

51. FINANCIAL RISK MANAGEMENT (continued)

Capital management (continued)

The Group

	Notes	As at 31.12.2010	As at 31.12.2009
Core capital adequacy ratio	(1)	9.75%	7.74%
Capital adequacy ratio	(2)	11.59%	10.07%
Components of capital base			
Core capital:			
Share capital		324,794	260,000
Capital reserve		96,602	—
Surplus reserve and general and regulatory reserves		75,577	18,448
Unappropriated profit		27,945	59,817
Minority interest		165	106
		525,083	338,371
Supplementary capital:			
General allowance of impairment loans		49,567	66,057
Reserve of fair value changes of available-for-sale financial assets	(3)	—	2,312
Long-term subordinated bonds		50,000	50,000
Cumulative gain in fair value		248	—
		99,815	118,369
Total capital base before deductions		624,898	456,740
Deductions:			
Equity investments which are not consolidated		(774)	(197)
Other deductible item		—	(16,194)
Total capital base after deductions		624,124	440,349
Risk-weighted assets and market risk capital adjustment	(4)	5,383,694	4,373,006

(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) Pursuant to the relevant regulations of the CBRC, the reserve arising from the cumulative net positive changes in the fair value of available-for-sale financial assets should be excluded from the core capital and no more than 50% of the balance should be included in the supplementary capital.

(4) The amount of market risk capital adjustment equals 12.5 times of the market risk capital.

(Amounts in millions of Renminbi, unless otherwise stated)

52. 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.

The tables below summarise the carrying amounts and fair values of those financial assets and liabilities not presented on the consolidated statement 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.

The Group

	31.12.2010		31.12.2009	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets				
Loans and advances to customers	4,788,008	4,786,591	4,011,495	4,011,504
Held-to-maturity investments	1,036,658	1,026,479	883,915	894,861
Debt securities classified as receivables	772,013	771,717	890,199	891,458
	6,596,679	**6,584,787**	**5,785,609**	**5,797,823**
Financial liabilities				
Deposits from banks and other financial institutions	526,250	526,517	573,949	574,025
Due to customers	8,887,905	8,887,474	7,497,618	7,507,370
Subordinated bonds issued	49,962	47,183	49,955	47,155
	9,464,117	**9,461,174**	**8,121,522**	**8,128,550**

(Amounts in millions of Renminbi, unless otherwise stated)

52. FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

The Bank

	31.12.2010		31.12.2009	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets				
Loans and advances to customers	4,787,749	4,786,332	4,011,386	4,011,395
Held-to-maturity investments	1,036,658	1,026,479	883,915	894,861
Debt securities classified as receivables	772,013	771,717	890,199	891,458
	6,596,420	**6,584,528**	**5,785,500**	**5,797,714**
Financial liabilities				
Deposits from banks and other financial institutions	529,356	529,623	574,794	574,870
Due to customers	8,887,620	8,887,189	7,497,442	7,507,194
Subordinated bonds issued	49,962	47,183	49,955	47,155
	9,466,938	**9,463,995**	**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).

(Amounts in millions of Renminbi, unless otherwise stated)

52. FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

The Group

	As at 31 December 2010			
	Level 1	**Level 2**	**Level 3**	**Total**
Financial assets held for trading	120	7,093	—	7,213
Financial assets designated as at fair value through profit or loss	4,771	6,247	32,026	43,044
Available-for-sale financial assets	24,067	642,245	1,969	668,281
Derivative financial assets	6	3,845	5,322	9,173
Total assets	28,964	659,430	39,317	727,711
Financial liabilities held for trading	(331)	—	—	(331)
Financial liabilities designated as at fair value through profit or loss	—	(341)	(34,341)	(34,682)
Derivative financial liabilities	(23)	(3,990)	(8,365)	(12,378)
Total liabilities	(354)	(4,331)	(42,706)	(47,391)

The Bank

	As at 31 December 2010			
	Level 1	**Level 2**	**Level 3**	**Total**
Financial assets held for trading	120	7,093	—	7,213
Financial assets designated as at fair value through profit or loss	4,771	6,247	32,026	43,044
Available-for-sale financial assets	23,977	642,227	1,969	668,173
Derivative financial assets	6	3,845	5,322	9,173
Total assets	28,874	659,412	39,317	727,603
Financial liabilities held for trading	(331)	—	—	(331)
Financial liabilities designated as at fair value through profit or loss	—	(341)	(34,341)	(34,682)
Derivative financial liabilities	(23)	(3,990)	(8,365)	(12,378)
Total liabilities	(354)	(4,331)	(42,706)	(47,391)

(Amounts in millions of Renminbi, unless otherwise stated)

52. FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

The Group and The 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)

There were no transfers between Level 1 and 2 during the current and prior year.

Reconciliation of Level 3 fair value measurements of financial assets and liabilities is as follows:

The Group and The 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 2010	55,657	1,631	(2,977)	(111,821)
Recognised in	581	86	(96)	(236)
— Profit (loss)	581	61	(96)	(236)
— Other comprehensive income	—	25	—	—
Purchases/issues	47,127	252	—	(200,683)
Settlements	(71,174)	—	30	278,399
Transfers out of Level 3	(165)	—	—	—
As at 31 December 2010	**32,026**	**1,969**	**(3,043)**	**(34,341)**
Assets/liabilities held as at 31 December 2010				
— Gain (loss) included in the profit or loss	288	60	(229)	133
— Gain included in other comprehensive income	—	25	—	—

(Amounts in millions of Renminbi, unless otherwise stated)

52. FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

The Group and The Bank (continued)

	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/issues	51,537	1,560	—	(106,498)
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)**
Assets/liabilities held as at 31 December 2009				
— Gain included in the profit or loss	303	21	630	1,517
— Gain included in other comprehensive income	—	140	—	—

53. EVENT AFTER THE REPORTING PERIOD

(1) At the meeting of the Board of Directors on 11 February 2011, the Board of Directors passed a proposal to sign "Share Subscription Agreement of Jiahe Life Insurance Co., Ltd." with Jiahe Life Insurance Co., Ltd., Beijing Zhongguancun Science City Construction Holding Co., Ltd., Chongqing International Trust Co., Ltd., China New Era Co., Ltd., China Sigma Co., Ltd., and Shanghai Anshang Co., Ltd., and for the Bank to subscribe 1,036,653,061 ordinary shares of Jiahe Life Insurance Co., Ltd. with a consideration of RMB2,592 million. The proposed share subscription plan is subject to approval by the relevant PRC authorities. The Bank will hold 51% of Jiahe Life Insurance Co., Ltd after its share subscription.

(2) At the extraordinary general meeting on 2 March 2011, the shareholders approved to issue subordinated bonds with a notional amount of no more than RMB50 billion for the purpose of raising supplementary capital. The issuance plan, together with terms and conditions, is subject to approval by the relevant PRC authorities.

(3) At the meeting of the Board of Directors on 10 March 2011, the Board of Directors passed a proposal to issue RMB bonds with a notional amount of no more than RMB10 billion for the purpose of extending RMB loans, supplementing working capital and general corporate use. The proposed issuance plan, together with terms and conditions, is subject to approval by the relevant PRC authorities.

53. EVENT AFTER THE REPORTING PERIOD (continued)

(4) Pursuant to the meeting of the Board of Directors on 29 March 2011, the proposal of the profit appropriation of the Bank for the six months from 1 July 2010 to 31 December 2010 are set out as follows:

(i) An appropriation of RMB4,977 million to the statutory surplus reserve based on the unconsolidated profit of the Bank for the six months from 1 July 2010 to 31 December 2010 in an amount of RMB49,767 million. Such amount had been included in the surplus reserve of the Bank's and the Group's financial statements as at 31 December 2010;

(ii) An appropriation of RMB6,382 million to the general reserve; and

(iii) A cash dividend of RMB0.054 per share in respect of the six months from 1 July 2010 to 31 December 2010 based on the number of shares issued as at 31 December 2010 amounting to RMB17,539 million (Note 14).

The above items are subjected to the approval by shareholders in the general meeting, the above item (ii) and (iii) relating to appropriation to the general reserve and distribution of cash dividend had not been included in the Bank's and the Group's financial statements as at 31 December 2010.

According to Hong Kong Listing Rule and disclosure regulations of banking industry, the Group discloses the following supplementary information:

1. LIQUIDITY RATIOS

	As at 31.12.2010	As at 31.12.2009
RMB current assets to RMB current liabilities	38.36%	40.99%
Foreign currency current assets to foreign currency current liabilities	127.03%	122.54%

2. CURRENCY CONCENTRATIONS

	Equivalent in millions of Renminbi			
	USD	HKD	Other	Total
As at 31 December 2010				
Spot assets	284,571	83,316	17,402	385,289
Spot liabilities	(250,047)	(81,741)	(12,716)	(344,504)
Forward purchases	340,211	16,316	32,112	388,639
Forward sales	(296,623)	(11,869)	(39,741)	(348,233)
Net long/(short) position	78,112	6,022	(2,943)	81,191
Net structural position	**(34,939)**	**205**	**(44)**	**(34,778)**

	Equivalent in millions of Renminbi			
	USD	HKD	Other	Total
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.

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.

(Amounts in millions of Renminbi, unless otherwise stated)

3. CROSS-BORDER CLAIMS (continued)

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 2010				
Asia Pacific excluding				
Mainland China	27,444	300	22,013	49,757
— of which attributed to				
Hong Kong	4,275	73	9,191	13,539
Europe	31,940	2,465	1,472	35,877
North and South America	34,925	12,559	144	47,628
Africa	—	78	149	227
Total	**94,309**	**15,402**	**23,778**	**133,489**

	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**

(Amounts in millions of Renminbi, unless otherwise stated)

4. OVERDUE ASSETS

(1) Gross amount of overdue loans and advances to customers

	As at 31.12.2010	As at 31.12.2009
Gross loans and advances to customers		
which have been overdue for below 3 months	21,172	20,417
between 3 and 6 months	3,841	3,873
between 6 and 12 months	6,186	12,426
over 12 months	44,545	41,434
Total	**75,744**	**78,150**
Percentage		
below 3 months	27.95%	26.12%
between 3 and 6 months	5.07%	4.96%
between 6 and 12 months	8.17%	15.90%
over 12 months	58.81%	53.02%
Total	**100.00%**	**100.00%**

(2) Gross amount of overdue placements with banks and other financial institutions

The gross amount of the Group's overdue placements with banks and other financial institutions as at 31 December 2010 is not considered material.

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

1.	ABC/We/Our Bank/the Group/the Bank/Agricultural Bank of China	Agricultural Bank of China Limited or its predecessor
2.	Articles of Association of the Bank/Articles of Association	The Articles of Association of Agricultural Bank of China Limited approved by the CBRC on 13 October 2010
3.	Basel III	Document issued by Basel Committee on Banking Supervision in December 2010 to strengthen the regulatory requirements relating to capital adequacy ratio, leverage level for complex business and liquidity
4.	Basis Point	A unit measure related to the change in an interest rate or exchange rate, which is equal to 0.01%
5.	CASs	The Accounting Standards for Enterprises promulgated on 15 February 2006 by the Ministry of Finance of the People's Republic of China and other related rules and regulations
6.	CBRC	China Banking Regulatory Commission
7.	China's Auditing Standards	The Auditing Standards for Chinese Certified Public Accountants promulgated on 15 February 2006 by the Ministry of Finance of the People's Republic of China and other related rules and regulations
8.	County Area	Areas designated as counties or county-level cities under China's administrative division system, excluding municipal districts
9.	County Area Banking Business	We provide customers in the County Areas with a broad range of financial products and services through our 2,048 county-level subbranches and 22 business departments of tier-2 branches. We refer to such banking business as the "County Area Banking Business" or "Sannong Banking Business"
10.	County Area Banking Division	An internal functional department of the Bank established in accordance with the requirements of restructuring State-owned commercial banks into shareholding enterprises. The department focuses on the operation of County Area Banking Business with independent governance, operational decision, financial accounting as well as incentives and regulation systems
11.	CSRC	China Securities Regulatory Commission

12.	Duration	An approach employed to measure the average term of cash flows of debt securities, mainly reflecting the sensitivity of debt securities to interest rate movements
13.	Economic capital	Capital allocated to assets or business for the purpose of mitigating risks based on internal assessment of the management of commercial banks
14.	Huijin	Central Huijin Investment Ltd.
15.	Hong Kong Listing Rules	The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
16.	Hong Kong Stock Exchange	The Stock Exchange of Hong Kong Limited
17.	Industries with high energy consumption, high pollution or overcapacity	Industries with high energy consumption, high pollution or overcapacity
18.	LIBOR	London Inter-Bank Offer Rate for short-term capital (overnight to one year)
19.	MOF	The Ministry of Finance of the People's Republic of China
20.	NAO	National Audit Office of the PRC
21.	PBOC	The People's Bank of China
22.	Sannong	Agriculture, rural areas and farmers
23.	SHIBOR	Shanghai Interbank Offered Rate quoted by National Interbank Funding Center since 4 January 2007
24.	SSF	National Council for Social Security Fund of the PRC
25.	Subordinated Bonds	Bonds issued by commercial bank which ranks after other equity capital and other debts. Subordinated Bonds fulfilling the conditions can be classified into supplementary capital
26.	The New Basel Capital Accord/ Basel II	The Revised Basel Capital Framework promulgated by Basel Committee on Banking Supervision on 26 June 2004

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