

*The following is the text of a report received from our reporting accountants, Deloitte Touche Tohmatsu, Certified Public Accountants, for the purpose of incorporation in this prospectus.*

**Deloitte.**  
**德勤**

30 June 2010

The Directors

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

Dear Sirs,

We set out below our report on the financial information (the “Financial Information”) relating to Agricultural Bank of China Limited (the “Bank”) and its subsidiaries (hereinafter collectively referred to as the “Group”) for each of the three years ended 31 December 2007, 2008 and 2009 (the “Relevant Periods”) for inclusion in the prospectus of the Bank dated 30 June 2010 (the “Prospectus”), in connection with the initial listing of the shares of the Bank on the Main Board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

The Bank was transformed from the former Agricultural Bank of China (the “Former Entity”) which was a state-owned commercial bank founded on 23 February 1979. Its establishment was authorised by the People’s Bank of China (the “PBOC”). Pursuant to the Joint Stock Restructuring Plan of the Agricultural Bank of China (the “Restructuring Plan”) as subsequently endorsed by the State Council (the “State Council”) of the People’s Republic of China (the “PRC”) on 21 October 2008, the Former Entity underwent its financial restructuring in accordance with the Restructuring Plan, details of which are set out in Note II. “Financial Restructuring and Incorporation of Joint Stock Company” of section A below.

All subsidiaries have adopted 31 December as their financial year end dates. As at the date of this report, the Bank has direct interests in the principal subsidiaries as set out in Note VI. 22 of section A below.

The consolidated financial statements of the Group prepared in accordance with the relevant accounting rules and financial regulations applicable to PRC enterprises for the years ended 31 December 2007, 2008 and 2009 were audited by Deloitte Touche Tohmatsu CPA Ltd. (德勤華永會計師事務所有限公司), certified public accountants registered in the PRC. The financial statements of the subsidiaries of the Bank were audited by independent auditors as set out in Note VI. 22 of section A below.

For the purpose of this report, the directors of the Bank have prepared consolidated financial statements of the Group for the Relevant Periods, in accordance with International Financial Reporting Standards (“IFRS”) issued by International Accounting Standards Board (the “Underlying Financial Statements”). The Underlying Financial Statements for the years ended 31 December 2007, 2008 and 2009 were audited by Deloitte Touche Tohmatsu CPA Ltd. (德勤華永會計師事務所有限公司), in accordance with International Standards on Auditing issued by International Auditing and Assurance Standards Board.

The Financial Information of the Group for the Relevant Periods set out in this report has been prepared in accordance with the Underlying Financial Statements. No adjustments were deemed necessary by us to the Underlying Financial Statements in preparing our report for inclusion in the Prospectus.

For the purpose of this report, we have examined the Underlying Financial Statements and carried out such additional procedures as necessary in accordance with the Auditing Guideline 3.340 “Prospectuses and the Reporting Accountant” issued by the Hong Kong Institute of Certified Public Accountants.

The directors of the Bank are responsible for the preparation of the Underlying Financial Statements and the contents of the Prospectus in which this report is included. It is our responsibility to compile the Financial Information set out in this report from the Underlying Financial Statements, to form an independent opinion on the Financial Information, and to report our opinion to you.

In our opinion, the Financial Information together with the notes thereon, for the purpose of this report, gives a true and fair view of the state of affairs of the Group and of the Bank as at 31 December 2007, 2008 and 2009, and of the consolidated results and consolidated cash flows of the Group for each of the three years ended 31 December 2007, 2008 and 2009.

## A. FINANCIAL INFORMATION

## Consolidated Income Statements

(Amounts in millions of Renminbi, unless otherwise stated)

	Notes	Year ended 31 December		
		2007	2008	2009
Interest income	VI. 1	250,035	321,855	296,147
Interest expense	VI. 1	(85,852)	(121,852)	(114,508)
Net interest income		164,183	200,003	181,639
Fee and commission income	VI. 2	23,921	24,794	37,285
Fee and commission expense	VI. 2	(926)	(996)	(1,645)
Net fee and commission income		22,995	23,798	35,640
Net trading gain/(loss)	VI. 3	2,968	(895)	444
Net (loss)/gain on financial instruments designated as at fair value through profit or loss	VI. 4	(1,244)	(3,603)	2,052
Net gain/(loss) on investment securities		33	324	(173)
Other operating (expense)/income, net	VI. 5	(5,484)	(5,611)	4,035
Operating income		183,451	214,016	223,637
Operating expenses	VI. 6	(74,620)	(110,175)	(109,567)
Impairment losses on assets	VI. 8	(30,574)	(51,478)	(40,142)
Operating profit		78,257	52,363	73,928
Share of losses of an associate		—	(14)	—
Profit before tax		78,257	52,349	73,928
Income tax expense	VI. 9	(34,470)	(896)	(8,926)
Profit for the year		43,787	51,453	65,002
Attributable to:				
Equity holders of the Bank		43,787	51,474	64,992
Non-controlling interests		—	(21)	10
		43,787	51,453	65,002
Earnings per share (Expressed in RMB per share)				
—Basic	VI. 10	N/A	N/A	0.25

## A. FINANCIAL INFORMATION (continued)

## Consolidated Statements of Comprehensive Income

(Amounts in millions of Renminbi, unless otherwise stated)

	Notes	Year ended 31 December		
		2007	2008	2009
Profit for the year		43,787	51,453	65,002
Other comprehensive income:				
Fair value (loss)/gain on available-for-sale financial assets				
—fair value (loss)/gain arising during the year		(11,820)	33,490	(13,146)
—amount reclassified to the profit or loss upon disposal/impairment of available-for-sale financial assets		209	(4)	(3,804)
Exchange difference arising on translating foreign operations		48	(132)	50
Others		38	—	—
Income tax relating to available-for-sale financial assets		2,884	(8,428)	4,282
Other comprehensive income for the year (net of tax)		(8,641)	24,926	(12,618)
Total comprehensive income for the year		35,146	76,379	52,384
Total comprehensive income attributable to:				
Equity holders of the Bank		35,146	76,400	52,374
Non-controlling interests		—	(21)	10
		35,146	76,379	52,384

## A. FINANCIAL INFORMATION (continued)

## Consolidated Statements of Financial Position

At 31 December 2007, 2008 and 2009

(Amounts in millions of Renminbi, unless otherwise stated)

	Notes	At 31 December		
		2007	2008	2009
<b>Assets</b>				
Cash and balances with central banks	VI. 11	937,014	1,145,884	1,517,806
Deposits with banks and other financial institutions	VI. 12	16,432	62,668	61,693
Placements with banks and other financial institutions	VI. 13	52,498	44,479	49,435
Financial assets held for trading	VI. 14	8,340	19,688	15,346
Financial assets designated as at fair value through profit or loss	VI. 15	8,865	20,329	96,830
Financial assets held under resale agreements	VI. 16	144,848	246,370	421,093
Derivative financial assets	VI. 17	10,207	7,151	4,678
Loans and advances to customers	VI. 18	2,709,192	3,014,984	4,011,495
Available-for-sale financial assets	VI. 19	529,343	800,205	730,382
Held-to-maturity investments	VI. 20	532,816	576,323	883,915
Debt securities classified as receivables	VI. 21	229,743	892,532	890,199
Interest in an associate	VI. 23	223	155	141
Property and equipment	VI. 24	76,450	103,883	111,973
Deferred tax assets	VI. 35	11,524	17,107	19,659
Other assets	VI. 25	38,011	62,593	67,943
<b>Total assets</b>		<b>5,305,506</b>	<b>7,014,351</b>	<b>8,882,588</b>
<b>Liabilities</b>				
Borrowings from central bank	VI. 26	150,867	314	58
Deposits from banks and other financial institutions	VI. 27	296,618	289,772	573,949
Placements from banks and other financial institutions	VI. 28	30,375	34,131	26,312
Financial liabilities held for trading	VI. 29	—	—	56
Financial liabilities designated as at fair value through profit or loss	VI. 30	10,488	22,677	113,843
Financial assets sold under repurchase agreements	VI. 31	73,391	35,090	100,812
Derivative financial liabilities	VI. 17	7,294	11,534	7,690
Due to customers	VI. 32	5,287,194	6,097,428	7,497,618
Accrued staff costs	VI. 33	58,349	68,144	29,938
Tax liabilities		27,385	21,234	5,163
Debt securities issued	VI. 34	4,154	5,150	55,179
Other liabilities	VI. 36	86,996	138,336	129,045
<b>Total liabilities</b>		<b>6,033,111</b>	<b>6,723,810</b>	<b>8,539,663</b>
<b>Equity</b>				
Paid in/share capital	VI. 37	121,612	260,000	260,000
Capital reserve		3,100	—	—
Investment revaluation reserve	VI. 38	(7,766)	17,292	4,624
Surplus reserve	VI. 39	—	1,187	7,676
General and regulatory reserve	VI. 40	57	64	10,772
(Accumulated losses)/retained earnings		(844,620)	12,022	59,817
Currency translation reserve		12	(120)	(70)
<b>Equity attributable to equity holders of the Bank</b>		<b>(727,605)</b>	<b>290,445</b>	<b>342,819</b>
<b>Non-controlling interests</b>		<b>—</b>	<b>96</b>	<b>106</b>
<b>Total equity</b>		<b>(727,605)</b>	<b>290,541</b>	<b>342,925</b>
<b>Total equity and liabilities</b>		<b>5,305,506</b>	<b>7,014,351</b>	<b>8,882,588</b>

## A. FINANCIAL INFORMATION (continued)

## Statements of Financial Position

At 31 December 2007, 2008 and 2009

(Amounts in millions of Renminbi, unless otherwise stated)

	Notes	At 31 December		
		2007	2008	2009
<b>Assets</b>				
Cash and balances with central banks	VI. 11	936,921	1,145,726	1,517,762
Deposits with banks and other financial institutions	VI. 12	16,098	61,853	61,285
Placements with banks and other financial institutions	VI. 13	52,498	44,700	49,435
Financial assets held for trading	VI. 14	8,340	19,688	15,346
Financial assets designated as at fair value through profit or loss	VI. 15	8,865	20,264	96,830
Financial assets held under resale agreements	VI. 16	144,848	246,370	421,093
Derivative financial assets	VI. 17	10,207	7,151	4,678
Loans and advances to customers	VI. 18	2,709,192	3,014,951	4,011,386
Available-for-sale financial assets	VI. 19	529,343	800,205	730,382
Held-to-maturity investments	VI. 20	532,816	576,323	883,915
Debt securities classified as receivables	VI. 21	229,743	892,532	890,199
Interest in an associate	VI. 23	223	155	141
Investments in subsidiaries	VI. 22	187	432	1,136
Property and equipment	VI. 24	76,311	103,715	111,776
Deferred tax assets	VI. 35	11,524	17,093	19,654
Other assets	VI. 25	36,364	61,283	66,137
<b>Total assets</b>		<b>5,303,480</b>	<b>7,012,441</b>	<b>8,881,155</b>
<b>Liabilities</b>				
Borrowings from central bank	VI. 26	150,867	314	58
Deposits from banks and other financial institutions	VI. 27	296,619	289,772	574,794
Placements from banks and other financial institutions	VI. 28	30,375	34,131	26,312
Financial liabilities held for trading	VI. 29	—	—	56
Financial liabilities designated as at fair value through profit or loss	VI. 30	10,488	22,677	113,843
Financial assets sold under repurchase agreements	VI. 31	73,391	35,090	100,812
Derivative financial liabilities	VI. 17	7,294	11,534	7,690
Due to customers	VI. 32	5,287,194	6,097,373	7,497,442
Accrued staff costs	VI. 33	58,347	68,130	29,911
Tax liabilities		27,385	21,233	5,162
Debt securities issued	VI. 34	4,154	5,150	55,179
Other liabilities	VI. 36	86,452	138,016	128,647
<b>Total liabilities</b>		<b>6,032,566</b>	<b>6,723,420</b>	<b>8,539,906</b>
<b>Equity</b>				
Paid in/share capital	VI. 37	121,612	260,000	260,000
Capital reserve		3,100	—	—
Investment revaluation reserve	VI. 38	(7,766)	17,292	4,624
Surplus reserve	VI. 39	—	1,187	7,676
General and regulatory reserve	VI. 40	57	60	10,755
(Accumulated losses)/retained earnings	VI.39	(846,086)	10,677	58,385
Currency translation reserve		(3)	(195)	(191)
<b>Total equity</b>		<b>(729,086)</b>	<b>289,021</b>	<b>341,249</b>
<b>Total equity and liabilities</b>		<b>5,303,480</b>	<b>7,012,441</b>	<b>8,881,155</b>

APPENDIX I

ACCOUNTANTS' REPORT

A. FINANCIAL INFORMATION (continued)

Consolidated Statements of Changes in Equity

(Amounts in millions of Renminbi, unless otherwise stated)

	Total equity attributable to equity holders of the Bank										
	Paid in capital	Share capital	Capital reserve	Surplus reserve	General and regulatory reserve	(Accumulated losses)/ retained earnings	Investment revaluation reserve	Currency translation reserve	Subtotal	Non-controlling interests	Total
As at 1 January 2007	121,944	—	3,062	—	51	(888,401)	961	(36)	(762,419)	—	(762,419)
Profit for the year	—	—	—	—	—	43,787	—	—	43,787	—	43,787
Other comprehensive income	—	—	38	—	—	—	(8,727)	48	(8,641)	—	(8,641)
Total comprehensive income for the year	—	—	38	—	—	43,787	(8,727)	48	35,146	—	35,146
Appropriation to general and regulatory reserve	—	—	—	—	6	(6)	—	—	—	—	—
Transfer to China Great Wall Asset Management Corporation	(332)	—	—	—	—	—	—	—	(332)	—	(332)
As at 31 December 2007	121,612	—	3,100	—	57	(844,620)	(7,766)	12	(727,605)	—	(727,605)
Profit for the year	—	—	—	—	—	51,474	—	—	51,474	(21)	51,453
Other comprehensive income	—	—	—	—	—	—	25,058	(132)	24,926	—	24,926
Total comprehensive income for the year	—	—	—	—	—	51,474	25,058	(132)	76,400	(21)	76,379
Capital contribution	—	—	—	—	—	—	—	—	—	—	—
— Disposal of non-performing assets to the MOF	—	—	760,665	—	—	—	—	—	760,665	—	760,665
— Revaluation of assets	—	—	50,992	—	—	—	—	—	50,992	—	50,992
Capitalisation of reserves	—	—	34,497	—	—	(34,497)	—	—	—	—	—
Capital restructuring	8,395	—	(849,254)	—	—	840,859	—	—	—	—	—
Capital injection by Huijin	—	130,000	—	—	—	—	—	—	130,000	—	130,000
Contribution from non-controlling shareholders	—	—	—	—	—	—	—	—	—	117	117
Appropriation to surplus reserve	—	—	—	1,187	—	(1,187)	—	—	—	—	—
Appropriation to general and regulatory reserve	—	—	—	—	7	(7)	—	—	—	—	—
Transfer to China Great Wall Asset Management Corporation	(7)	—	—	—	—	—	—	—	(7)	—	(7)
Transfer to Share Capital	(130,000)	130,000	—	—	—	—	—	—	—	—	—
As at 31 December 2008	—	260,000	—	1,187	64	12,022	17,292	(120)	290,445	96	290,541
Profit for the year	—	—	—	—	—	64,992	—	—	64,992	10	65,002
Other comprehensive income	—	—	—	—	—	—	(12,668)	50	(12,618)	—	(12,618)
Total comprehensive income for the year	—	—	—	—	—	64,992	(12,668)	50	52,374	10	52,384
Appropriation to surplus reserve	—	—	—	6,489	—	(6,489)	—	—	—	—	—
Appropriation to general and regulatory reserve	—	—	—	—	10,708	(10,708)	—	—	—	—	—
As at 31 December 2009	—	260,000	—	7,676	10,772	59,817	4,624	(70)	342,819	106	342,925

**A. FINANCIAL INFORMATION (continued)****Consolidated Statements of Cash Flows****(Amounts in millions of Renminbi, unless otherwise stated)**

	Note	Year ended 31 December		
		2007	2008	2009
<b>Cash flows from operating activities</b>				
Profit before tax		78,257	52,349	73,928
Adjustments for:				
Amortisation of intangible assets and other assets		930	1,602	1,624
Depreciation of property and equipment		6,885	9,821	9,151
Impairment losses on assets		30,574	51,478	40,142
Interest income arising from investment securities		(46,540)	(78,148)	(74,658)
Interest income arising from impaired financial assets		(5,957)	(2,171)	(1,788)
Interest expense on subordinated bonds issued		—	—	1,105
Net (gain)/ loss on investment securities		(33)	(324)	173
Net gain on disposal of property and equipment and other assets		(2,062)	(664)	(279)
Other operating expense		6,718	6,158	—
Net foreign exchange loss		806	1,247	44
Operating cash flows before movements in working capital		69,578	41,348	49,442
Net increase in balances with central banks, deposits with banks and other financial institutions		(262,229)	(183,117)	(389,037)
Net decrease/(increase) in placements with banks and other financial institutions		5,481	4,752	(12,233)
Net increase in loans and advances to customers		(333,335)	(392,847)	(1,039,072)
Net decrease/(increase) in borrowings from central bank		—	49	(256)
Net increase in due to customers and deposits from banks and other financial institutions		592,258	803,705	1,684,598
Decrease/(increase) in other operating assets		17,603	(4,814)	(392,699)
Increase in other operating liabilities		63,572	36,763	101,499
Cash generated by operations		152,928	305,839	2,242
Income tax paid		(8,213)	(21,058)	(23,267)
Net cash generated by/(used in) operating activities		144,715	284,781	(21,025)
<b>Cash flows from investing activities</b>				
Cash received from disposal/redemption of investment securities		780,605	496,066	1,410,865
Cash received from returns on investment securities		34,186	65,563	74,566
Cash received from other investing activities		6,628	1,830	1,917
Cash paid for purchase of investment securities		(913,942)	(783,606)	(1,655,801)
Cash paid for purchase of property and equipment and other assets		(11,739)	(14,909)	(19,885)
Net cash used in investing activities		(104,262)	(235,056)	(188,338)
<b>Cash flows from financing activities</b>				
Cash received from debt securities issued		—	—	49,950
Shareholder's contribution		—	130,000	—
Contribution from non-controlling shareholders		—	117	—
Net cash generated by financing activities		—	130,117	49,950
Net increase/(decrease) in cash and cash equivalents		40,453	179,842	(159,413)
Opening balances of cash and cash equivalents		276,848	314,190	488,564
Effect of exchange rate changes on cash and cash equivalents		(3,111)	(5,468)	149
<b>Closing balances of cash and cash equivalents</b>	VI.41	<u>314,190</u>	<u>488,564</u>	<u>329,300</u>



**A. FINANCIAL INFORMATION (continued)**

(Amounts in millions of Renminbi, unless otherwise stated)

**I. GENERAL INFORMATION**

The Bank was transformed from the Former Entity which was a state-owned commercial bank founded on 23 February 1979. The Bank's establishment was authorised by the PBOC. Pursuant to the Restructuring Plan as subsequently endorsed by the State Council of the PRC on 21 October 2008, the Former Entity underwent its financial restructuring in accordance with the Restructuring Plan. On this basis, the Financial Information of the Group for the Relevant Periods is prepared as a continuation of the Former Entity.

Upon the incorporation as a joint stock company, the registered capital of the Bank is Renminbi (RMB) 260,000 million. The Ministry of Finance of the PRC (the "MOF") and Central Huijin Investment Ltd. ("Huijin") each owns 50% of the share capital of the Bank.

The Bank has financial services certificate No. B0002H111000001 issued by the China Banking Regulatory Commission (the "CBRC"), and business license No. 100000000005472 issued by the State Administration of Industry and Commerce of the PRC.

The principal activities of the Group comprise the provision of banking services, which includes RMB and foreign currency deposits, loans, payment and settlement services, and other services as approved by the CBRC, and the provision of related services by its overseas establishments as approved by the respective local regulators.

The head office and domestic branches of the Bank and subsidiaries operating in the PRC are referred to as "Domestic Institutions". Hong Kong and Singapore branches of the Bank and the subsidiaries registered outside the PRC are referred to as "Overseas Institutions".

**II. FINANCIAL RESTRUCTURING AND INCORPORATION OF JOINT STOCK COMPANY**

Pursuant to the Restructuring Plan, the Former Entity completed the following financial restructuring and joint stock reformation measures:

**1. Disposal of non-performing assets to the MOF**

The Former Entity disposed of certain non-performing assets with total principal amounts of RMB815,695 million, which comprised non-performing loans of RMB766,768 million and other impaired assets of RMB48,927 million, for a total consideration of RMB815,695 million. The consideration was paid partially by setting off borrowings from the PBOC of RMB150,602 million with the remaining balance of RMB665,093 million to be settled by the MOF in 15 years starting from 1 January 2008 at an interest of 3.3% per annum.

**A. FINANCIAL INFORMATION (continued)**

(Amounts in millions of Renminbi, unless otherwise stated)

**II. FINANCIAL RESTRUCTURING AND INCORPORATION OF JOINT STOCK COMPANY (continued)****1. Disposal of non-performing assets to the MOF (continued)**

As a result of the disposal of these non-performing assets, the allowances for the impairment losses of the non-performing loans and other assets were reversed and credited to the capital reserve at RMB717,531 million and RMB43,134 million, respectively.

**2. Revaluation of the Former Entity's assets**

In accordance with the related requirements for state-owned enterprises restructuring, the Former Entity engaged China Enterprise Appraisals Co. Ltd. ("CEA"), a certified asset appraiser in the PRC to carry out an independent valuation on its assets and liabilities as at 31 December 2007. CEA issued a valuation report (*Zhongqihua Pingbaozi [2008] No. 414*) (the "Valuation Report") on 16 December 2008 which was subsequently approved by the MOF pursuant to the *Approval of Valuation Report on Assets of Agricultural Bank of China (Caijin [2008] No. 179)*. The valuation of certain of the Former Entity's assets amounted to RMB50,992 million (including revaluation surplus of certain property, plant and equipment and the valuation of certain land use rights transferred to the Group) were recognised in the Financial Information on 1 January 2008 by reference to the valuation of such assets as at 31 December 2007 set out in the Valuation Report and credited to capital reserve accordingly.

**3. Capitalisation of reserves and capital restructuring**

Pursuant to the Restructuring Plan and the *MOF's Approval of Agricultural Bank of China State Shares Administration Plan (Caijin [2008] No. 181)* issued on 23 December 2008, RMB130,000 million of the Former Entity's reserves was capitalised by way of equity transfer including (i) capitalisation of distributable profit of RMB34,497 million for the year ended 31 December 2008, (ii) elimination of accumulated losses of RMB840,859 million and (iii) transfer of capital reserve of RMB8,395 million to paid-in capital.

**4. Capital injection by Huijin**

On 29 October 2008, Huijin injected USD19,029 million, equivalent to RMB130,000 million, for the share subscription of the Bank pursuant to the Restructuring Plan.

**5. Incorporation of joint stock company**

Pursuant to the MOF's *Approval of Agricultural Bank of China State Shares Administration Plan (Caijin [2008] No.181)* issued by the MOF on 23 December 2008, the MOF and Huijin established Agricultural Bank of China Limited by subscribing for 260,000 million promoters' shares at par value of RMB1 each and at a total subscription price of RMB260,000 million. The MOF and Huijin each subscribed for 130,000 million shares representing 50% of share capital of the Bank.

**A. FINANCIAL INFORMATION (continued)**

(Amounts in millions of Renminbi, unless otherwise stated)

**III. ADOPTION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS (“IFRSs”)**

For the purpose of preparing and presenting the Financial Information, the Group has consistently applied a number of new and revised International Accounting Standards (“IASs”), International Financial Reporting Standards (“IFRSs”), amendments and the related Interpretations (“IFRICs”) issued by the International Accounting Standards Board (“IASB”) which are effective for the Group’s financial year beginning on 1 January 2009 during the Relevant Periods.

The Group prepared its first set of IFRS financial statements for the year ended 31 December 2008. The date of transition to IFRSs was 1 January 2007.

In addition, the Group has early applied the following amendment and revised standard.

**Amendment to IFRS 1 First-time Adoption of IFRSs**

The Group has early adopted the amendment to IFRS 1 issued by the IASB in May 2010 in advance of its effective date, 1 January 2011. The amendment to IFRS 1 allows an entity to establish a deemed cost in accordance with previous GAAP for some or all of its assets and liabilities by measuring them at their fair values at one particular date because of an event. If the measurement date is after the date of transition to IFRSs but during the period covered by the first IFRS financial statements, the event-driven fair value measurements may be used as a deemed cost when the event occurs.

**IAS 24 (Revised) Related Party Disclosures**

The Group has early adopted IAS 24 (Revised) in advance of its effective date 1 January 2011. The revised standard provides partial disclosure exemption for transactions between the Group and government/government-related entities and revised the definition of related parties. The early adoption does not have any effect on the Group’s operating results, financial positions or comprehensive income.

**A. FINANCIAL INFORMATION (continued)****(Amounts in millions of Renminbi, unless otherwise stated)****III. ADOPTION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS (“IFRSs”) (continued)**

The Group has not early applied the following new and revised standards, amendments or interpretations that have been issued but are not yet effective.

IFRSs (Amendments) . . . . .	Amendment to IFRS 5 as part of Improvements to IFRSs May 2008 <sup>1</sup>
IFRSs (Amendments) . . . . .	Improvements to IFRSs April 2009 <sup>2</sup>
IFRSs (Amendments) . . . . .	Improvements to IFRSs May 2010 <sup>6</sup> (Except for Amendment to IFRS 1)
IAS 27 (Revised) . . . . .	Consolidated and Separate Financial Statements <sup>1</sup>
IAS 32 (Amendment) . . . . .	Classification of Rights Issues <sup>4</sup>
IAS 39 (Amendment) . . . . .	Eligible Hedged Items <sup>1</sup>
IFRS 1 (Amendment) . . . . .	Additional Exemptions for First-time Adopters <sup>3</sup>
IFRS 2 (Amendment) . . . . .	Group Cash-settled Share-based Payment Transactions <sup>3</sup>
IFRS 3 (Revised) . . . . .	Business Combinations <sup>1</sup>
IFRS 9 . . . . .	Financial Instruments <sup>7</sup>
IFRIC 14 (Amendment) . . . . .	Prepayments of a Minimum Funding Requirement <sup>6</sup>
IFRIC 17 . . . . .	Distributions of Non-cash Assets to Owners <sup>1</sup>
IFRIC 19 . . . . .	Extinguishing Financial Liabilities with Equity Instruments <sup>5</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 July 2009

<sup>2</sup> Amendments that are effective for annual periods beginning on or after 1 July 2009 and 1 January 2010, as appropriate

<sup>3</sup> Effective for annual periods beginning on or after 1 January 2010

<sup>4</sup> Effective for annual periods beginning on or after 1 February 2010

<sup>5</sup> Effective for annual periods beginning on or after 1 July 2010

<sup>6</sup> Effective for annual periods beginning on or after 1 July 2010 and 1 January 2011, as appropriate

<sup>7</sup> Effective for annual periods beginning on or after 1 January 2011

<sup>8</sup> Effective for annual periods beginning on or after 1 January 2013

The application of IFRS 3 (Revised) may affect the accounting of the Group's business combination for which the acquisition date is on or after 1 January 2010. IAS 27 (Revised) will affect the accounting treatment for changes in the Group's ownership interest in a subsidiary.

IFRS 9 Financial Instruments introduces new requirements for the classification and measurement of financial assets and will be effective from 1 January 2013, with earlier application permitted. The Standard requires all recognised financial assets that are within the scope of IAS 39 Financial Instruments: Recognition and Measurement to be measured at either amortised cost or fair value. Specifically, debt investments that (i) are held within a business model whose objective is to collect the contractual cash flows and (ii) have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost. All other debt investments and equity investments are measured at fair value. In the opinion of management, the application of IFRS 9 will have a material effect on the classification and measurement of the Group's financial assets.

**IV. SIGNIFICANT ACCOUNTING POLICIES****1. Statement of compliance**

The Financial Information has been prepared in accordance with the following accounting policies which conform to IFRSs. These policies have been consistently applied throughout the Relevant Periods. In addition, the Financial Information includes applicable disclosures required by the Rules Governing the Listing of Securities in the Stock Exchange and the Hong Kong Companies Ordinance.

**A. FINANCIAL INFORMATION (continued)**

(Amounts in millions of Renminbi, unless otherwise stated)

**IV. SIGNIFICANT ACCOUNTING POLICIES (continued)****2. Basis of preparation**

The Financial Information has been prepared on the historical cost or deemed cost basis except for certain financial instruments which are measured at fair values, as explained in the accounting policies set out below.

**3. Basis of consolidation**

The Financial Information incorporates the financial statements of the Bank and the subsidiaries controlled by the Bank. Control is achieved where the Bank has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statements from the effective date of acquisition and up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

All intra-group transactions, balances, income and expenses are eliminated on consolidation.

Non-controlling interests of consolidated subsidiaries are presented separately from the Group's equity therein. Non-controlling interests consist of the amount of those interests at the date of the original business combination and their share of changes in equity since the date of the combination. Losses applicable to the non-controlling interests in excess of their interests in the subsidiary's equity are allocated against the interests of the Group except to the extent that the non-controlling shareholder has a binding obligation and is able to make an additional investment to cover the losses.

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

**4. Investment in an associate**

An associate is an entity over which the investor has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The results and assets and liabilities of an associate are incorporated in this Financial Information using the equity method of accounting. Under the equity method, investment in an associate is carried in the consolidated statements of financial position at cost as adjusted for post-acquisition changes in the Group's share of the net assets of the associate, less any impairment loss. When the Group's share of losses of an associate equals or exceeds its interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognising its share of further losses. An additional share of losses

**A. FINANCIAL INFORMATION (continued)**

(Amounts in millions of Renminbi, unless otherwise stated)

**IV. SIGNIFICANT ACCOUNTING POLICIES (continued)****4. Investment in an associate (continued)**

is provided for and a liability is recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of that associate.

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of the associate recognised at the date of acquisition is recognised as goodwill. The goodwill is included within the carrying amount of the investment and is not tested for impairment separately. Instead, the entire carrying amount of the investment is tested for impairment as a single asset. Any impairment loss recognised is not allocated to any asset, including goodwill, that forms part of the carrying amount of the investment in the associate. Any reversal of impairment loss is recognised to the extent that the recoverable amount of the investment subsequently increases.

Where a group entity transacts with an associate of the Group, profits and losses are eliminated to the extent of the Group's interest in the relevant associate.

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

**5. Revenue recognition**

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for services provided in the normal course of business, net of sales related taxes. Specific recognition criteria for different nature of revenue are disclosed below.

Interest income and expense for all interest-bearing financial instruments are recognised within 'interest income' and 'interest expense' in profit or loss using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial asset or liability and of allocating the interest income or expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts or payments through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or liability. When calculating the effective interest rate, the Group estimates cash flows considering all contractual terms of the financial instrument but does not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts.

Once a financial asset or a group of similar financial assets has been written down as a result of an impairment loss, interest income is recognised using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

**A. FINANCIAL INFORMATION (continued)**

(Amounts in millions of Renminbi, unless otherwise stated)

**IV. SIGNIFICANT ACCOUNTING POLICIES (continued)****6. Fee and commission income**

The Group earns fee and commission income from a range of services it provides to its customers. For those services that are over a period of time, fee and commission income are accrued over that period when the services are rendered. For other services, fee and commission income are recognised when the transactions are completed.

**7. Foreign currency transactions**

The functional currency of the Bank and the Domestic Institutions is Renminbi (“RMB”). The presentation currency of the Group and the Bank is RMB.

In preparing the financial statements of Overseas Institutions, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in the respective functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise, except for (i) exchange differences arising on a monetary item that forms part of the Bank’s net investment in a foreign operation, in which case, such exchange differences are recognised in other comprehensive income and accumulated in equity and will be reclassified from equity to profit or loss on disposal of the foreign operation; (ii) exchange differences arising from the changes of the fair value of monetary assets classified as available-for-sale financial assets (other than the changes relating to the amortised cost of the monetary assets) which are recognised in other comprehensive income and accumulated in equity.

Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except for exchange differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised directly in other comprehensive income, in which cases, the exchange differences are also recognised directly in other comprehensive income.

For the purposes of presenting the Financial Information, the assets and liabilities of the Group’s Foreign operations (i.e. Overseas Institutions) are translated into the presentation currency of the Group at the rate of exchange prevailing at the end of the reporting period, and their income and expenses are translated at the average exchange rates for the year. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in the currency translation reserve in equity.



**A. FINANCIAL INFORMATION (continued)**

(Amounts in millions of Renminbi, unless otherwise stated)

**IV. SIGNIFICANT ACCOUNTING POLICIES (continued)****8. Taxation**

Income tax expense represents the sum of the tax currently payable and deferred tax.

*Current tax*

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the consolidated income statements because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

*Deferred tax*

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the Financial Information and the corresponding tax base used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary difference to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associate, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of the reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities. Deferred tax is recognised in profit or loss, except when it relates to items that are recognised in other comprehensive income, in which case the deferred tax is also recognised in other comprehensive income respectively.



**A. FINANCIAL INFORMATION (continued)**

(Amounts in millions of Renminbi, unless otherwise stated)

**IV. SIGNIFICANT ACCOUNTING POLICIES (continued)****8. Taxation (continued)***Deferred tax (continued)*

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

**9. Employee benefits**

In the relevant period in which an employee has rendered services, the Group recognises the employee benefits payable for those services as a liability.

*Social welfare*

Social welfare expenditure refers to payments for employees' social welfare system established by the Government, including social insurance, housing funds and other social welfare contributions. The Group contributes on a monthly basis to these funds based on certain percentage of the salaries of the employees and the contributions are recognised in profit or loss for the period in which they are incurred. The Group's liabilities in respect of these funds are limited to the contribution payable in the relevant period.

*Annuity scheme*

The employees of Domestic Institutions participate in annuity scheme set up by the Group (the "Scheme"). The Group made annuity contributions with reference to employees' salaries, and the contributions are expensed in profit or loss when incurred. The Group has no further obligation if the Scheme does not have sufficient assets for payment of supplementary retirement benefits to employees.

*Retirement benefits*

The Group pays supplementary retirement benefits to employees of Domestic Institutions who retired on or before 31 December 2008, and early retirement benefits to employees of Domestic Institutions who accept the early retirement arrangement.

Obligations of retirement benefits are calculated by an independent actuary using the projected unit credit actuarial cost method at the end of the reporting period. Actuarial gains and losses arising from changes in actuarial assumptions are recognised in profit or loss for the period in which they are incurred.

**10. Financial instruments**

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

**A. FINANCIAL INFORMATION (continued)**

(Amounts in millions of Renminbi, unless otherwise stated)

**IV. SIGNIFICANT ACCOUNTING POLICIES (continued)****10. Financial instruments (continued)**

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets or financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

(1) Financial assets

The Group's financial assets are classified into one of the four categories, including financial assets at fair value through profit or loss ("FVTPL"), held-to-maturity investments, available-for-sale financial assets and loans and receivables. Investment securities comprise held-to-maturity investments, available-for-sale financial assets and debt securities classified as receivables. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the market-place.

*Financial assets at fair value through profit or loss*

Financial assets at FVTPL have two subcategories, including financial assets held for trading and those designated as at FVTPL on initial recognition.

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling it in the near future; or
- it is a part of an identified portfolio of financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

A financial asset other than a financial asset held for trading may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and IAS 39 permits the entire combined contract (asset or liability) to be designated as at FVTPL.

**A. FINANCIAL INFORMATION (continued)**

(Amounts in millions of Renminbi, unless otherwise stated)

**IV. SIGNIFICANT ACCOUNTING POLICIES (continued)****10. Financial instruments (continued)****(1) Financial assets (continued)**Financial assets at fair value through profit or loss (continued)

Financial assets at FVTPL are stated at fair value, with changes in fair value arising from re-measurement recognised directly in profit or loss in the period in which they arise. The net gain or loss recognised in profit or loss excludes any dividends or interest earned on financial assets.

Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group has the positive intention and ability to hold to maturity. Subsequent to initial recognition, held-to-maturity investments are measured at amortised cost using the effective interest method, less any identified impairment losses.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are not either designated or classified as financial assets at FVTPL, loans and receivables or held-to-maturity investments.

Available-for-sale financial assets are measured at fair value at the end of the reporting period. Changes in fair value are recognised in other comprehensive income and accumulated in the investment revaluation reserve, until the financial asset is disposed of or is determined to be impaired, at which time, the cumulative gain or loss previously accumulated in the investment revaluation reserve is reclassified to profit or loss.

For available-for-sale equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured, they are measured at cost less any identified impairment losses at the end of the reporting period.

Dividends on available-for-sale equity instruments are recognised in profit or loss when the Group's right to receive the dividends is established.

Loans and receivables

Loans and receivables are non-derivatives financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables are carried at amortised cost using the effective interest method, less any impairment losses.

Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of the reporting period. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial assets, the estimated future cash flows of the financial assets have been affected.

**A. FINANCIAL INFORMATION (continued)**

(Amounts in millions of Renminbi, unless otherwise stated)

**IV. SIGNIFICANT ACCOUNTING POLICIES (continued)****10. Financial instruments (continued)****(1) Financial assets (continued)*****Impairment of financial assets (continued)***

For an available-for-sale equity investment, a significant or prolonged decline in the fair value of that investment below its cost is considered to be objective evidence of impairment.

For all other financial assets, the objective evidence of impairment could include:

- (1) significant financial difficulty of the issuer or obligor;
- (2) a breach of contract, such as a default or delinquency in interest or principal payments;
- (3) the lender, for economic or legal reasons relating to the borrower's financial difficulty, granting to the borrower a concession that the lender would not otherwise consider;
- (4) it becomes probable that the borrower will enter bankruptcy or other financial reorganisation;
- (5) the disappearance of an active market for that financial asset because of financial difficulties; or
- (6) observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the portfolio, including:
  - (i) adverse changes in the payment status of borrowers in the portfolio; and
  - (ii) national or local economic conditions that correlate with defaults on the assets in the portfolio.

The Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Financial assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment.

***Impairment of financial assets carried at amortised cost***

For financial assets carried at amortised cost, an impairment loss is recognised in profit or loss when there is objective evidence that the assets are impaired, and is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. For financial assets with variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

**A. FINANCIAL INFORMATION (continued)**

(Amounts in millions of Renminbi, unless otherwise stated)

**IV. SIGNIFICANT ACCOUNTING POLICIES (continued)****10. Financial instruments (continued)****(1) Financial assets (continued)***Impairment of financial assets carried at amortised cost (continued)*

The calculation of present value of the estimated future cash flows of a collateralised financial asset reflects the cash flows that may result from foreclosure less costs for obtaining and selling the collateral.

The carrying amount of a financial asset is reduced through the use of an allowance account. Changes in carrying amount of the allowance account are recognised in the profit or loss. When a financial asset is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

*Impairment of available-for-sale financial assets*

When a decline in the fair value of an available-for-sale financial asset has been recognised directly in other comprehensive income and accumulated in the investment revaluation reserve and there is objective evidence that asset is impaired, the cumulative loss that had been recognised directly in the investment revaluation reserve is removed and recognised in profit or loss.

Impairment loss on available-for-sale equity investments at fair value is not reversed in profit or loss in subsequent periods. Any increase in fair value subsequent to impairment loss is recognised directly in other comprehensive income and accumulated in the investment revaluation reserve. For available-for-sale debt investments, impairment losses are subsequently reversed if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss.

Impairment loss on available-for-sale equity investments at cost is not reversed.

**(2) Financial liabilities and equity**

Financial liabilities and equity instruments issued by a group entity are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

An equity instrument is any contract that evidences a residual interest in the assets of the group after deducting all of its liabilities. The Group's financial liabilities are generally classified into financial liabilities at FVTPL and other financial liabilities.

**A. FINANCIAL INFORMATION (continued)**

(Amounts in millions of Renminbi, unless otherwise stated)

**IV. SIGNIFICANT ACCOUNTING POLICIES (continued)****10. Financial instruments (continued)****(2) Financial liabilities and equity (continued)***Financial liabilities at FVTPL*

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

The criteria for a financial liability to be classified as held for trading and designated as at FVTPL are the same as those for a financial asset to be classified as held for trading and designated as at FVTPL.

Financial liabilities at FVTPL are stated at fair value, with changes in fair value arising from re-measurement recognised directly in profit or loss in the period in which they arise. The net gain or loss recognised in profit or loss excludes any interest paid on the financial liabilities.

*Other financial liabilities*

Other financial liabilities are subsequently measured at amortised cost, using the effective interest method.

*Equity instruments*

Equity instruments issued by the Bank are recorded at the proceeds received, net of direct issue costs.

**(3) Derivative financial instruments**

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently re-measured at their fair value at the end of the reporting period. The resulting gain or loss is recognised in profit or loss immediately.

Derivatives embedded in non-derivative host contracts are treated as separate derivatives when their characteristics and risks are not closely related to those of the host contracts and the host contracts are not measured with changes in fair value recognised in profit or loss. These embedded derivatives are separately accounted for at fair value, with changes in fair value recognised in profit or loss.

**(4) Determination of fair value**

For financial instruments traded in active markets, the determination of fair values of financial assets and financial liabilities is based on quoted market prices or dealer price quotations. This includes listed equity securities and quoted debt instruments on major exchanges and broker quotes.

A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's

**A. FINANCIAL INFORMATION (continued)**

(Amounts in millions of Renminbi, unless otherwise stated)

**IV. SIGNIFICANT ACCOUNTING POLICIES (continued)****10. Financial instruments (continued)****(4) Determination of fair value (continued)**

length basis. If the above criteria are not met, the market is regarded as being inactive. Indications that a market is inactive are when there is a wide bid-offer spread or significant increase in the bid-offer spread or there are few recent transactions.

For all other financial instruments, fair value is determined using appropriate valuation techniques. Valuation techniques include the use of recent transaction prices, discounted cash flow analysis, option pricing models and other valuation techniques commonly used by market participants.

**(5) Derecognition**

Financial assets are derecognised when the rights to receive cash flows from the assets expire or, the financial assets are transferred and the Group has transferred substantially all the risks and rewards of ownership of the financial assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income is recognised in profit or loss. If the Group retains substantially all the risks and rewards of ownership of a transferred asset, the Group continues to recognise the financial asset and recognise a collateralised borrowing for proceeds received.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

**(6) Financial guarantee contracts**

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument. A financial guarantee contract issued by the Group and not designated as at fair value through profit or loss is recognised initially at its fair value less transaction costs that are directly attributable to the issue of the financial guarantee contract. Subsequent to initial recognition, the Group measures the financial guarantee contract at the higher of: (i) the amount determined in accordance with IAS 37 Provisions, Contingent Liabilities and Contingent Assets; and (ii) the amount initially recognised less, when appropriate, cumulative amortisation recognised in accordance with IAS 18 Revenue.

**(7) Offsetting financial assets and financial liabilities**

Financial assets and financial liabilities are offset and the net amount presented in the statements of financial position when both of the following conditions are satisfied: (1) the Group has a legal right to set off the recognised amounts and the legal right is currently enforceable; and (2) the Group intends either to settle on a net basis, or to realise the financial asset and settle the financial liability simultaneously.



**A. FINANCIAL INFORMATION (continued)****(Amounts in millions of Renminbi, unless otherwise stated)****IV. SIGNIFICANT ACCOUNTING POLICIES (continued)****10. Financial instruments (continued)****(8) Repurchase agreements and agreements to resale**

Financial assets sold subject to repurchase agreements continue to be recognised, and are recorded as “available-for-sale financial assets”, “debt securities classified as receivables” or “loans and advances to customers” as appropriate. The corresponding liability is included in “financial assets sold under repurchase agreements”. Financial assets held under agreements to resell are recorded as “financial assets held under resale agreements” as appropriate.

The difference between purchase and sale price is recognised as interest expense or income in profit or loss over the life of the agreements using the effective interest method.

**11. Precious metals**

Precious metals that are not related to the Group’s trading activities are initially measured at acquisition cost and subsequently measured at lower of cost and net realisable value. Precious metals that are related to the Group’s trading activities are initially recognised at fair value, with changes in fair value arising from re-measurement recognised directly in profit or loss in the period in which they arise.

**12. Property and equipment**

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

Depreciation is provided to write off the cost of items of property and equipment (other than construction in progress) over their estimated useful lives and after taking into account of their estimated residual value, using the straight-line method.

The useful lives, estimated residual value rates and annual depreciation rates of each class of property and equipment are as follows:

<u>Classes</u>	<u>Useful lives</u>	<u>Estimated residual value rates</u>	<u>Annual depreciation rates</u>
Buildings .....	15-35 years	3%	2.77%-6.47%
Electronic equipment, furniture and fixtures .....	3-11 years	3%	8.82%-32.33%
Motor vehicles .....	5 years	3%	19.40%

Construction in progress includes property and equipment in the course of construction for production or its own use purposes. Cost of construction in progress is determined as the expenditure incurred for the construction, comprising all expenditures incurred for construction projects and other related expenses. Construction in progress is carried at cost less any recognised impairment loss. Construction in progress is classified to the appropriate category of property and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.



**A. FINANCIAL INFORMATION (continued)**

(Amounts in millions of Renminbi, unless otherwise stated)

**IV. SIGNIFICANT ACCOUNTING POLICIES (continued)****12. Property and equipment (continued)**

An item of property and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in profit or loss in the period in which the item is derecognised.

**13. Land use right**

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

**14. Foreclosed assets**

Foreclosed assets are initially recognised at fair value and subsequently measured at lower of its carrying amount and fair value less costs to sell at the end of the reporting period. When the fair value less costs to sell is lower than the foreclosed asset's carrying amount, an impairment loss is recognised in profit or loss.

Any gain or loss arising from the disposal of the foreclosed asset is included in profit or loss in the period in which the item is disposed.

A foreclosed asset used by the Group is transferred to property and equipment at net carrying amount.

**15. Cash and cash equivalents**

Cash and cash equivalents refer to short term highly liquid assets, which are readily convertible into known amounts of cash and subject to an insignificant risk of changes in value.

**16. Leasing**

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

*The Group as lessor*

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised as an expense on a straight-line basis over the lease term.

**A. FINANCIAL INFORMATION (continued)**

(Amounts in millions of Renminbi, unless otherwise stated)

**IV. SIGNIFICANT ACCOUNTING POLICIES (continued)****16. Leasing (continued)***The Group as lessee*

Operating lease payments are recognised as an expense on a straight-line basis over the term of the relevant lease. Benefits received and receivable as an incentive to enter into an operating lease are recognised as a reduction of rental expense over the lease term on a straight-line basis.

*Leasehold land and building*

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

**17. Intangible assets**

Intangible assets acquired separately and with finite useful lives are carried at costs less accumulated amortisation and any accumulated impairment loss. Amortisation for intangible assets with finite useful lives is provided on a straight-line basis over their estimated useful lives.

**18. Impairment of tangible and intangible assets**

At the end of the reporting period, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

**A. FINANCIAL INFORMATION (continued)**

(Amounts in millions of Renminbi, unless otherwise stated)

**IV. SIGNIFICANT ACCOUNTING POLICIES (continued)****18. Impairment of tangible and intangible assets (continued)**

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised as income immediately.

**19. Provision**

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle that obligation, and a reliable estimate can be made of the amount of the obligation.

Provisions are measured at the best estimate of the consideration required to settle the present obligation at the end of each reporting period, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

**20. Fiduciary activities**

The Group acts as a custodian, trustee or in other fiduciary capacities to manage assets for customers in accordance with custody agreements between the Group and securities investment funds, social security funds, insurance companies, qualified foreign institutional investors, annuity schemes and other institutions. The Group receives fees in return for its services provided under the custody agreements and does not take up any risks and rewards related to assets under custody. Therefore, assets under custody are not recognised in the Group's consolidated statements of financial position.

The Group conducts entrusted lending arrangements for its customers. Under the terms of entrusted loan arrangements, the Group grants loans to borrowers, as an intermediary, according to the instruction of its customers who are the lenders providing the entrusted loans. The Group is responsible for the arrangement and collection of the entrusted loans and receives a commission for the services rendered. As the Group does not assume the risks and rewards of the entrusted loans and the funding for the corresponding entrusted funds, they are not recognised as assets and liabilities of the Group.

**V. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY**

In the application of the Group's accounting policies, which are described in Note IV, the management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

**A. FINANCIAL INFORMATION (continued)**

(Amounts in millions of Renminbi, unless otherwise stated)

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

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The following are the critical judgements and key estimation uncertainty that the management have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the Financial Information and/or in the next financial year.

*Impairment losses on loans and advances to customers*

The Group reviews its loan portfolio to assess impairment on a periodic basis. In determining whether an impairment loss should be recognised in profit or loss, the Group makes judgments as to whether there is any observable data indicating that there is an objective evidence of impairment which will have a measurable decrease in the estimated future cash flows from a portfolio of loans and advances. When the decrease may not have been identified individually or the individual loan is not significant, management uses estimates based on historical loss experience on a collective basis with similar credit risk characteristics to assess the impairment loss while estimating expected future cash flows. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

*Fair value of derivatives and other financial instruments*

The Group uses valuation technique for financial instruments which are not quoted in an active market. Valuation techniques include the use of discounted cash flows analysis, option pricing models or other valuation methods as appropriate. To the extent practical, models use only observable data, however areas such as credit risk of the Bank and the counterparty, volatilities and correlations require management to make estimates. Changes in assumptions about these factors could affect the estimated fair value of financial instruments.

*Held-to-maturity investments*

The Group classifies non-derivative financial assets with fixed or determinable payments and fixed maturity that the Group's management has the positive intention and ability to hold to maturity as held-to-maturity investments. This classification requires significant judgement. In making this judgement, the Group evaluates its intention and ability to hold such investments to maturity. If the Group fails to hold these investments to maturity other than for specific circumstances (such as selling an insignificant amount close to maturity), it will be required to reclassify the entire portfolio of held-to-maturity investments as available-for-sale financial assets.

**A. FINANCIAL INFORMATION (continued)**

(Amounts in millions of Renminbi, unless otherwise stated)

**V. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (continued)***Impairment of held-to-maturity investments*

The determination of whether a held-to-maturity financial asset is impaired requires significant judgement. Objective evidence that a financial asset or group of assets is impaired includes a breach of contract, such as a default or delinquency in interest or principal payments or the disappearance of an active market for that financial asset because of significant financial difficulty of the issuer, etc. In making such judgement, the impact of objective evidence for impairment on expected future cash flows of the investment is taken into account.

*Impairment of available-for-sale financial assets*

The determination of whether an available-for-sale financial asset is impaired requires significant judgement. In making this judgement, the Group evaluates the duration and extent to which the fair value of an investment is less than its cost; and the financial health of and near-term business outlook for the investee, including factors such as industry and sector performance, credit ratings, delinquency rates and counterparty risk.

*Taxes*

There are certain transactions and activities for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially estimated, such differences will impact the current income tax and deferred income tax in the period during which such a determination is made.

*Employee early retirement benefits obligations*

The Group recognises liabilities in connection with early retirement benefits of employees in Domestic Institutions using the projected unit credit actuarial cost method based on various assumptions, including the discount rate, average medical expense increase rate, cost of living adjustment for early retirements and other factors. Actual results may differ from the result of the projected amount. Any difference between the actual result or changes in assumptions may affect the amount of expense recognised in the consolidated statements of financial position and the corresponding liability.

*Provision*

The Group uses judgment to assess whether the Group has a present legal or constructive obligation as a result of past events at the end of each reporting period, and judgement is used to determine if it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and to determine a reliable estimate of the amount of the obligation. When making such judgement, the Group considers risks and uncertainty attached to the event and time value.

## A. FINANCIAL INFORMATION (continued)

(Amounts in millions of Renminbi, unless otherwise stated)

## VI. NOTES TO FINANCIAL INFORMATION

## 1. Net interest income

	Note	Year ended 31 December		
		2007	2008	2009
Interest income				
Loans and advances to customers		184,393	216,320	195,717
Including: Corporate loans and advances		148,723	172,407	154,836
Personal loans and advances		24,692	33,220	31,804
Discounted bills		10,978	10,693	9,077
Debt securities classified as receivables	(1)	10,251	33,509	28,457
Held-to-maturity investments		17,349	23,338	24,469
Available-for-sale financial assets		18,940	21,412	21,796
Balances with central banks		12,274	18,683	18,611
Financial assets held under resale agreements		3,447	5,366	5,877
Placements with banks and other financial institutions		2,312	1,928	576
Financial assets held for trading		211	520	447
Financial assets designated as at fair value through profit or loss		305	200	121
Deposits with banks and other financial institutions		553	579	76
Subtotal		<u>250,035</u>	<u>321,855</u>	<u>296,147</u>
Interest expense				
Due to customers		(77,564)	(111,815)	(103,251)
Deposits from banks and other financial institutions		(5,586)	(7,546)	(8,700)
Financial assets sold under repurchase agreements		(1,012)	(1,070)	(1,048)
Placements from banks and other financial institutions		(1,093)	(973)	(320)
Financial liabilities designated as at fair value through profit or loss		(528)	(395)	(29)
Debt securities issued		(64)	(51)	(1,159)
Borrowings from central bank		(5)	(2)	(1)
Subtotal		<u>(85,852)</u>	<u>(121,852)</u>	<u>(114,508)</u>
Net interest income		<u>164,183</u>	<u>200,003</u>	<u>181,639</u>
Included within interest income is interest income accrued on impaired financial assets		<u>5,957</u>	<u>2,171</u>	<u>1,788</u>

(1) Included in interest income on debt securities classified as receivables is interest on the special government bond amounted to RMB6,718 million and RMB6,158 million for the years ended 31 December 2007 and 2008, respectively (Note VI. 5).

**A. FINANCIAL INFORMATION (continued)**

(Amounts in millions of Renminbi, unless otherwise stated)

**VI. NOTES TO FINANCIAL INFORMATION (continued)****2. Net fee and commission income**

	Year ended 31 December		
	2007	2008	2009
Fee and commission income			
Settlement and clearing fees .....	8,997	10,757	12,207
Agency commissions .....	8,536	5,484	10,737
Bank card fees .....	3,083	3,824	4,821
Consultancy and advisory fees .....	396	1,573	6,566
Credit commitment fees .....	577	829	772
Electronic banking services fees .....	360	728	1,221
Custodian and other fiduciary service fees .....	690	632	761
Others .....	1,282	967	200
Subtotal .....	23,921	24,794	37,285
Fee and commission expense			
Bank card fees .....	(366)	(488)	(487)
Settlement and clearing fees .....	(116)	(243)	(566)
Other service fees .....	(444)	(265)	(592)
Subtotal .....	(926)	(996)	(1,645)
Total .....	22,995	23,798	35,640

**3. Net trading gain/(loss)**

	Year ended 31 December		
	2007	2008	2009
Net gain/(loss) on exchange rate derivatives .....	3,162	71	(463)
Net (loss)/gain on interest rate derivatives .....	(25)	(1,801)	1,253
Net (loss)/gain on held-for-trading debt securities .....	(153)	845	(466)
Others .....	(16)	(10)	120
Total .....	2,968	(895)	444

**4. Net (loss)/gain on financial instruments designated as at fair value through profit or loss**

	Year ended 31 December		
	2007	2008	2009
Net (loss)/gain on debt securities .....	(95)	(578)	147
Net (loss)/gain on financial guarantee contracts .....	(980)	(2,867)	1,858
Others .....	(169)	(158)	47
Total .....	(1,244)	(3,603)	2,052

## A. FINANCIAL INFORMATION (continued)

(Amounts in millions of Renminbi, unless otherwise stated)

## VI. NOTES TO FINANCIAL INFORMATION (continued)

## 5. Other operating (expense)/income, net

	Note	Year ended 31 December		
		2007	2008	2009
Net gain on disposal of property and equipment .....		3,044	1,147	555
Rental income .....		314	283	237
Net foreign exchange (loss)/gain .....		(3,786)	(2,913)	1,877
Special levy to the MOF .....	(1)	(6,718)	(6,158)	—
Others .....		1,662	2,030	1,366
Total .....		<u>(5,484)</u>	<u>(5,611)</u>	<u>4,035</u>

- (1) On 18 August 1998, the MOF issued a special government bond with a par value of RMB93,300 million to the Bank (Note VI.21). This special government bond was issued with a tenor of 30 years and an annual coupon interest rate of 7.2%. Interest on the special government bond amounted to RMB6,718 million and RMB6,158 million for the years ended 31 December 2007 and 2008, respectively (Note VI.1) was accrued and offset by the amount payable under a levy to the MOF. Pursuant to the MOF's Notice on Interest Payment of Special Government Bond Issued in 1998 to Agricultural Bank of China (Caijin [2009] No. 9), the special government bond was restructured, among other things, to reduce the annual coupon interest rate from 7.2% to 2.25%, the rate established by the PRC Government for large-scale policy directed financing transactions, and to reinstate cash interest payments from 1 December 2008. On the same date, the levy previously imposed by the MOF was ceased. This restructuring was accounted for as de-recognition of the original special government bond yielding 7.2% and recognition of a restructured special government bond yielding 2.25%, with a remaining maturity equal to that of the original special government bond.

## 6. Operating expenses

	Note	Year ended 31 December		
		2007	2008	2009
Staff costs .....	(1)	31,171	57,776	55,765
General operating and administrative expenses .....		21,090	25,218	29,283
Business tax and surcharges .....		11,140	13,223	12,567
Depreciation and amortisation .....		7,815	11,423	10,775
Others .....		3,404	2,535	1,177
Total .....		<u>74,620</u>	<u>110,175</u>	<u>109,567</u>

Included in general operating and administrative expenses is auditor's remuneration of RMB48 million, RMB109 million, and RMB119 million for each of the years ended 31 December 2007, 2008 and 2009 respectively.



## A. FINANCIAL INFORMATION (continued)

(Amounts in millions of Renminbi, unless otherwise stated)

## VI. NOTES TO FINANCIAL INFORMATION (continued)

## 6. Operating expenses (continued)

## (1) Staff costs

	Year ended 31 December		
	2007	2008	2009
Salaries, bonuses and allowances	24,301	31,648	35,734
Social insurance	4,713	6,024	9,592
Housing funds	2,577	3,049	3,710
Labour union fee and staff education expenses	1,067	1,466	1,601
Supplementary retirement benefits	(4,300)	8,935	—
Early retirement benefits	(552)	2,685	780
Others	3,365	3,969	4,348
Total	<u>31,171</u>	<u>57,776</u>	<u>55,765</u>

## 7. Emoluments of directors, supervisors and senior management

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

Item	Year ended 31 December 2009				
	Fees	Basic salaries, allowance and benefits in kind	Contribution to pension schemes	Bonus	Total
Executive directors					
Xiang Junbo	—	674	46	—	720
Zhang Yun	—	612	38	—	650
Yang Kun	—	576	38	—	614
Luo Xi (resigned on 21 December 2009)	—	576	38	—	614
Independent non-executive directors					
John Dexter Langlois	426	—	—	—	426
Anthony Wu Ting-yuk	368	—	—	—	368
Qiu Dong	426	—	—	—	426
Non-executive directors					
Zhang Guoming	—	—	—	—	—
Xin Baorong	—	—	—	—	—
Shen Bingxi	—	—	—	—	—
Lin Damao	—	—	—	—	—
Yuan Linjiang	—	—	—	—	—
Cheng Fengchao	—	—	—	—	—
Supervisors					
Che Yingxin	—	545	35	—	580
Pan Xiaojiang	—	377	26	—	403
Wang Yurui	—	377	26	—	403
Wang Xingchun	—	404	20	—	424
Jia Xiangsen	—	385	36	—	421
Total	<u>1,220</u>	<u>4,526</u>	<u>303</u>	<u>—</u>	<u>6,049</u>

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

**A. FINANCIAL INFORMATION (continued)**

(Amounts in millions of Renminbi, unless otherwise stated)

**VI. NOTES TO FINANCIAL INFORMATION (continued)****7. Emoluments of directors, supervisors and senior management (continued)**

(2) Five highest paid individuals (in thousands of RMB)

The emoluments payable to the five individuals whose emoluments were the highest in the Group for the years ended 31 December 2007, 2008 and 2009 respectively are as follows:

	Year ended 31 December		
	2007	2008	2009
Basic salaries and allowances .....	6,305	5,836	3,014
Discretionary bonuses .....	—	—	—
Contributions to pension schemes .....	186	219	198
Total .....	<u>6,491</u>	<u>6,055</u>	<u>3,212</u>

Amongst the five highest paid individuals in 2009, four of them are directors.

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

	Year ended 31 December		
	2007	2008	2009
HK\$ nil to 1,000,000 .....	—	—	5
HK\$1,000,001 to 1,500,000 .....	<u>5</u>	<u>5</u>	<u>—</u>

During the Relevant Periods, no emolument was paid by the Group to any of the directors, supervisors or the five highest paid individuals (including directors and employees) as an inducement to join or upon joining the Group or as compensation for loss of office. None of the directors or supervisors waived any emoluments during the Relevant Periods.

**8. Impairment losses on assets**

	Note	Year ended 31 December		
		2007	2008	2009
Loans and advances to customers .....		21,115	39,858	44,289
Available-for-sale financial assets .....	(1)	9,635	10,062	(4,427)
Held-to-maturity investments .....		364	(61)	(1)
Debt securities classified as receivables .....		(615)	(13)	—
Property and equipment .....		25	402	222
Deposits with banks and other financial institutions .....		—	3	(3)
Placements with banks and other financial institutions .....		—	4	4
Other assets .....		50	1,223	58
Total .....		<u>30,574</u>	<u>51,478</u>	<u>40,142</u>

(1) The impairment losses on available-for-sale financial assets are related to available-for-sale debt securities.

## A. FINANCIAL INFORMATION (continued)

(Amounts in millions of Renminbi, unless otherwise stated)

## VI. NOTES TO FINANCIAL INFORMATION (continued)

## 9. Income tax expense

	Note	Year ended 31 December		
		2007	2008	2009
Income tax expense comprises:				
Current income tax				
—PRC Enterprise Income Tax .....		24,819	14,876	7,136
—Hong Kong Profits Tax .....		32	31	60
Subtotal .....		24,851	14,907	7,196
Deferred tax (Note VI. 35)				
—Current year .....		6,762	(14,011)	1,730
—Attributable to a change in tax rate .....	(4)	2,857	—	—
Subtotal .....		9,619	(14,011)	1,730
Total .....		34,470	896	8,926

The tax charges for the year can be reconciled to the profit per the consolidated income statements as follows:

	Notes	Year ended 31 December		
		2007	2008	2009
Profit before tax .....		78,257	52,349	73,928
Tax calculated at applicable statutory tax rate of 33%, 25%, and 25% .....		25,825	13,087	18,482
Tax effect of expenses not deductible for tax purpose .....	(1)	10,179	636	(701)
Tax effect of income not taxable for the tax purpose .....	(2)	(4,360)	(4,187)	(4,220)
Effect of tax exemptions .....	(3)	—	(8,624)	(4,603)
Effect of different tax rates on Overseas Institutions .....		(31)	(16)	(32)
Effect of change in tax rate .....	(4)	2,857	—	—
Income tax expense .....		34,470	896	8,926

- (1) Item represents tax effects of assets written off in relation to prior years which were subjected to approval by local tax authorities, were subsequently approved in 2009 amounted to RMB2,154 million, and non tax deductible expenses incurred in 2009 amounted to RMB1,453 million.
- (2) Income not taxable for the tax purpose represents interest income from treasury bonds.
- (3) Reduction and exemption of income tax arising from the Restructuring Plan
  - (i) Pursuant to the Restructuring Plan and the State Administration of Tax Notification (“SAT”)’s *Notice With Respect to Issues Concerning Income Tax Arising from the Restructuring of Agriculture Bank of China (Guo Shui Han [2009]374)*, a special tax exemption was granted in 2009 taking into account the tax effect of interest payable which were not subject to any tax deduction in prior years.
  - (ii) Pursuant to the Restructuring Plan the MOF and the SAT’s *Notice With Respect to Income Tax Issues Arising from Restructuring of Agricultural Bank of China (Cai Shui [2010]39)*, the distributable profit of RMB34,497 million in 2008, which was subsequently recapitalised in accordance with the Restructuring Plan, is exempted from income tax.
- (4) According to the “Corporate Income Tax Law of the PRC” approved by the National People’s Congress on 16 March 2007, starting from 1 January 2008, the domestic corporate income tax rate decreased from 33% to 25%. The deferred tax expense for the year 2007 increased by RMB2,857 million as a result of the change in tax rate.
- (5) According to the SAT’s *Notice With Respect to Income Tax Issues Concerning Revaluation Surplus Arising From the Restructuring of Agricultural Bank of China (Guo Shui Han [2009]301)*, no income tax will be levied on the revaluation of assets amounted to RMB50,992 million. The depreciation and amortisation relating to the revalued assets are tax deductible for income tax purpose.

**A. FINANCIAL INFORMATION (continued)**

(Amounts in millions of Renminbi, unless otherwise stated)

**VI. NOTES TO FINANCIAL INFORMATION (continued)****10. Earnings per share**

The calculation of basic earnings per share is as follows:

	Year ended 31 December		
	2007	2008	2009
Earnings:			
Profit for the year attributable to equity holders of the Bank . . . . .	43,787	51,474	64,992
Numbers of shares:			
Weighted average number of shares in issue (million) . . . . .	N/A	N/A	260,000
Basic earnings per share (RMB yuan) . . . . .	N/A	N/A	0.25

There was no potential ordinary share outstanding during the Relevant Periods. Accordingly, no diluted earnings per share was presented.

**11. Cash and balances with central banks****Group**

	Notes	As at 31 December		
		2007	2008	2009
Cash . . . . .		43,499	44,168	48,896
Mandatory reserve deposits with central banks . . . . .	(1)	761,639	936,813	1,137,696
Surplus reserve deposits with central bank . . . . .	(2)	90,677	120,131	103,893
Other deposits with central banks . . . . .	(3)	41,199	44,772	227,321
Total . . . . .		937,014	1,145,884	1,517,806

**Bank**

	Notes	As at 31 December		
		2007	2008	2009
Cash . . . . .		43,406	44,010	48,895
Mandatory reserve deposits with central banks . . . . .	(1)	761,639	936,813	1,137,653
Surplus reserve deposits with central bank . . . . .	(2)	90,677	120,131	103,893
Other deposits with central banks . . . . .	(3)	41,199	44,772	227,321
Total . . . . .		936,921	1,145,726	1,517,762

- (1) The Group places mandatory reserve deposits mainly with the PBOC. These include RMB reserve deposits and foreign currency reserve deposits. These mandatory reserve deposits are not available for the Group's daily operations. As at 31 December 2007, 2008, and 2009, mandatory reserve deposits with the PBOC were calculated at 15%, 15.5% and 15.5% of eligible RMB deposits, and 5% of foreign currency deposits from customers respectively. Mandatory reserve deposits placed with the central bank of other country are determined by the local regulator and are non-interest bearing. The foreign currency reserve deposits placed with the PBOC are non-interest bearing.
- (2) The surplus reserve deposits are maintained with the PBOC mainly for the purpose of clearing.
- (3) This mainly represents fixed deposit and fiscal deposits placed with the PBOC. The fiscal deposits placed with the PBOC are non-interest bearing.
- (4) Except as specifically disclosed, all other deposits with the PBOC are interest bearing at prevailing PBOC rates.

**A. FINANCIAL INFORMATION (continued)**

(Amounts in millions of Renminbi, unless otherwise stated)

**VI. NOTES TO FINANCIAL INFORMATION (continued)****12. Deposits with banks and other financial institutions***Group*

	As at 31 December		
	2007	2008	2009
Deposits with:			
Domestic banks . . . . .	11,086	42,537	22,476
Other domestic financial institutions . . . . .	412	137	357
Overseas banks . . . . .	4,934	18,736	38,860
Other overseas financial institutions . . . . .	—	1,261	—
	16,432	62,671	61,693
Allowance for impairment losses . . . . .	—	(3)	—
Total . . . . .	<u>16,432</u>	<u>62,668</u>	<u>61,693</u>

*Bank*

	As at 31 December		
	2007	2008	2009
Deposits with:			
Domestic banks . . . . .	11,086	42,461	22,307
Other domestic financial institutions . . . . .	412	137	357
Overseas banks . . . . .	4,600	17,997	38,621
Other overseas financial institutions . . . . .	—	1,261	—
	16,098	61,856	61,285
Allowance for impairment losses . . . . .	—	(3)	—
Total . . . . .	<u>16,098</u>	<u>61,853</u>	<u>61,285</u>

As at 31 December 2007, the Group had no deposits of restricted use.

As at 31 December 2008, the Group pledged deposits with overseas banks amounting to RMB5,848 million for the purpose of carrying out financial derivative operations.

As at 31 December 2009, the Group pledged deposits with China Foreign Exchange Trade System (CFETS) amounting to RMB81 million as guarantee deposits.

**A. FINANCIAL INFORMATION (continued)**

(Amounts in millions of Renminbi, unless otherwise stated)

**VI. NOTES TO FINANCIAL INFORMATION (continued)****13. Placements with banks and other financial institutions***Group*

	As at 31 December		
	2007	2008	2009
Placements with:			
Domestic banks . . . . .	17,394	18,777	11,991
Other domestic financial institutions . . . . .	400	2,700	7,940
Overseas banks . . . . .	34,712	23,014	29,520
Other overseas financial institutions . . . . .	—	—	—
	52,506	44,491	49,451
Allowance for impairment losses . . . . .	(8)	(12)	(16)
Total . . . . .	<u>52,498</u>	<u>44,479</u>	<u>49,435</u>

*Bank*

	As at 31 December		
	2007	2008	2009
Placements with:			
Domestic banks . . . . .	17,394	18,777	11,991
Other domestic financial institutions . . . . .	400	2,700	7,940
Overseas banks . . . . .	34,712	23,014	29,520
Other overseas financial institutions . . . . .	—	221	—
	52,506	44,712	49,451
Allowance for impairment losses . . . . .	(8)	(12)	(16)
Total . . . . .	<u>52,498</u>	<u>44,700</u>	<u>49,435</u>

**14. Financial assets held for trading***Group and Bank*

	Note	As at 31 December		
		2007	2008	2009
Trading debt securities issued by:				
Governments . . . . .		2,886	11,531	8,858
Public sector and quasi-governments . . . . .		2,036	5,428	3,596
Financial institutions . . . . .		713	511	311
Corporations . . . . .		2,705	2,218	2,581
Total . . . . .		<u>8,340</u>	<u>19,688</u>	<u>15,346</u>
Analysed as:				
Listed in Hong Kong . . . . .		—	—	—
Listed outside Hong Kong . . . . .	(1)	8,340	19,688	15,346
Unlisted . . . . .		—	—	—
Total . . . . .		<u>8,340</u>	<u>19,688</u>	<u>15,346</u>

(1) Debt securities traded on the China Domestic Interbank Bond Market are included in "Listed outside Hong Kong".

## A. FINANCIAL INFORMATION (continued)

(Amounts in millions of Renminbi, unless otherwise stated)

## VI. NOTES TO FINANCIAL INFORMATION (continued)

## 15. Financial assets designated as at fair value through profit or loss

*Group*

	Note	As at 31 December		
		2007	2008	2009
Designated debt securities issued by:				
Governments . . . . .		891	8,275	9,531
Public sector and quasi-governments . . . . .		114	105	21,024
Financial institutions . . . . .		5,411	3,607	5,934
Corporations . . . . .		230	632	6,216
Financial guarantee contracts . . . . .		9	46	21
Credit notes issued by trust companies . . . . .		2,210	7,664	53,784
Others . . . . .		—	—	320
Total . . . . .		<u>8,865</u>	<u>20,329</u>	<u>96,830</u>
Analysed as:				
Listed in Hong Kong . . . . .		167	154	85
Listed outside Hong Kong . . . . . (1)		2,950	10,214	38,960
Unlisted . . . . .		5,748	9,961	57,785
Total . . . . .		<u>8,865</u>	<u>20,329</u>	<u>96,830</u>

*Bank*

		As at 31 December		
		2007	2008	2009
Designated debt securities issued by:				
Governments . . . . .		891	8,275	9,531
Public sector and quasi-governments . . . . .		114	105	21,024
Financial institutions . . . . .		5,411	3,542	5,934
Corporations . . . . .		230	632	6,216
Financial guarantee contracts . . . . .		9	46	21
Credit notes issued by trust companies . . . . .		2,210	7,664	53,784
Others . . . . .		—	—	320
Total . . . . .		<u>8,865</u>	<u>20,264</u>	<u>96,830</u>
Analysed as:				
Listed in Hong Kong . . . . .		167	154	85
Listed outside Hong Kong . . . . . (1)		2,950	10,214	38,960
Unlisted . . . . .		5,748	9,896	57,785
Total . . . . .		<u>8,865</u>	<u>20,264</u>	<u>96,830</u>

(1) Debt securities traded on the China Domestic Interbank Bond Market are included in "Listed outside Hong Kong".

**A. FINANCIAL INFORMATION (continued)**

(Amounts in millions of Renminbi, unless otherwise stated)

**VI. NOTES TO FINANCIAL INFORMATION (continued)****16. Financial assets held under resale agreements***Group and Bank*

	As at 31 December		
	2007	2008	2009
Analysed by collateral type:			
Bonds .....	104,029	210,477	298,321
Bills .....	37,689	32,700	117,113
Loans and advances to customers .....	3,130	3,193	5,659
Total .....	<u>144,848</u>	<u>246,370</u>	<u>421,093</u>

**17. Derivative financial assets/(liabilities)**

The Group enters into foreign currency exchange rate, interest rate and precious metals related derivative financial instruments for purposes of trading, asset and liability management and customer driven business.

The contractual/notional amounts and fair values of derivative instruments held by the Group are set out in the following tables. The contractual/notional amounts of financial instruments provide a basis for comparison with fair value of instruments recognised on the statements of financial position but do not necessarily indicate the amounts of future cash flows involved or the current fair value of the instruments and, therefore, do not indicate the Group's exposure to credit or market risks. The derivative instruments become favourable (assets) or unfavourable (liabilities) as a result of fluctuations in market interest rates or foreign exchange rates or commodity prices relative to their terms. The aggregate fair values of derivative financial assets and liabilities can fluctuate significantly from time to time.

*Group and Bank*

	As at 31 December 2007		
	Contractual/ notional amount	Fair value	
		Assets	Liabilities
Exchange rate derivatives			
Currency forwards .....	140,835	2,013	(3,696)
Currency swaps .....	95,212	1,768	(913)
Cross-currency interest rate swaps .....	64,668	5,207	(1,160)
Currency options .....	292	1	(1)
Subtotal .....		<u>8,989</u>	<u>(5,770)</u>
Interest rate derivatives			
Interest rate swaps .....	140,062	1,218	(1,422)
Other interest rate derivatives .....	730	—	(102)
Subtotal .....		<u>1,218</u>	<u>(1,524)</u>
Total derivatives financial assets/(liabilities) .....		<u>10,207</u>	<u>(7,294)</u>



## A. FINANCIAL INFORMATION (continued)

(Amounts in millions of Renminbi, unless otherwise stated)

## VI. NOTES TO FINANCIAL INFORMATION (continued)

## 17. Derivative financial assets/(liabilities) (continued)

*Group and Bank (continued)*

	As at 31 December 2008		
	Contractual/ notional amount	Fair value	
		Assets	Liabilities
Exchange rate derivatives			
Currency forwards	103,294	2,565	(2,872)
Currency swaps	98,730	777	(1,448)
Cross-currency interest rate swaps	13,429	1,384	(2,482)
Currency options	6	1	(1)
Subtotal		4,727	(6,803)
Interest rate derivatives			
Interest rate swaps	104,456	2,386	(4,599)
Other interest rate derivatives	1,094	38	(132)
Subtotal		2,424	(4,731)
Total derivatives financial assets/(liabilities)		7,151	(11,534)
	As at 31 December 2009		
	Contractual/ notional amount	Fair value	
		Assets	Liabilities
Exchange rate derivatives			
Currency forwards	110,467	1,546	(2,271)
Currency swaps	100,550	411	(374)
Cross-currency interest rate swaps	12,503	1,729	(3,140)
Currency options	81	2	(1)
Subtotal		3,688	(5,786)
Interest rate derivatives			
Interest rate swaps	113,644	932	(1,864)
Other interest rate derivatives	751	—	(15)
Subtotal		932	(1,879)
Other derivatives	1,008	58	(25)
Total derivatives financial assets/(liabilities)		4,678	(7,690)

## A. FINANCIAL INFORMATION (continued)

(Amounts in millions of Renminbi, unless otherwise stated)

## VI. NOTES TO FINANCIAL INFORMATION (continued)

## 18. Loans and advances to customers

(1) Analysis of loans and advances to customers

*Group*

	As at 31 December		
	2007	2008	2009
Corporate loans and advances			
Loans and advances	2,777,346	2,377,556	2,994,794
Discounted bills	205,631	258,098	353,937
Subtotal	2,982,977	2,635,654	3,348,731
Personal loans and advances			
Residential mortgages	298,858	319,505	497,950
Credit cards	4,417	7,901	14,118
Others	187,922	137,099	277,388
Subtotal	491,197	464,505	789,456
Gross loans and advances	3,474,174	3,100,159	4,138,187
Individually assessed	(668,130)	(43,141)	(55,596)
Collectively assessed	(96,852)	(42,034)	(71,096)
Allowance for impairment losses	(764,982)	(85,175)	(126,692)
Loans and advances to customers	2,709,192	3,014,984	4,011,495

*Bank*

	As at 31 December		
	2007	2008	2009
Corporate loans and advances			
Loans and advances	2,777,346	2,377,556	2,994,794
Discounted bills	205,631	258,098	353,937
Subtotal	2,982,977	2,635,654	3,348,731
Personal loans and advances			
Residential mortgages	298,858	319,505	497,950
Credit cards	4,417	7,901	14,118
Others	187,922	137,066	277,278
Subtotal	491,197	464,472	789,346
Gross loans and advances	3,474,174	3,100,126	4,138,077
Individually assessed	(668,130)	(43,141)	(55,596)
Collectively assessed	(96,852)	(42,034)	(71,095)
Allowance for impairment losses	(764,982)	(85,175)	(126,691)
Loans and advances to customers	2,709,192	3,014,951	4,011,386

## A. FINANCIAL INFORMATION (continued)

(Amounts in millions of Renminbi, unless otherwise stated)

## VI. NOTES TO FINANCIAL INFORMATION (continued)

## 18. Loans and advances to customers (continued)

(2) Analysis of loans and advances to customers by collective and individual assessments

*Group*

	Loans and advances for which allowance is collectively assessed (A)	Identified impaired loans and advances (B)			Total	Identified impaired gross loans and advances as a % of gross total loans and advances
		For which allowance is collectively assessed	For which allowance is individually assessed	Sub-total		
At 31 December 2007						
Gross loans and advances . . . . .	2,655,321	68,864	749,989	818,853	3,474,174	23.57
Allowance for impairment losses . . . . .	(33,503)	(63,349)	(668,130)	(731,479)	(764,982)	
Loans and advances to customers . . . . .	<u>2,621,818</u>	<u>5,515</u>	<u>81,859</u>	<u>87,374</u>	<u>2,709,192</u>	
At 31 December 2008						
Gross loans and advances . . . . .	2,966,092	10,323	123,744	134,067	3,100,159	4.32
Allowance for impairment losses . . . . .	(37,815)	(4,219)	(43,141)	(47,360)	(85,175)	
Loans and advances to customers . . . . .	<u>2,928,277</u>	<u>6,104</u>	<u>80,603</u>	<u>86,707</u>	<u>3,014,984</u>	
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 . . . . .	<u>3,951,889</u>	<u>6,033</u>	<u>53,573</u>	<u>59,606</u>	<u>4,011,495</u>	

## A. FINANCIAL INFORMATION (continued)

(Amounts in millions of Renminbi, unless otherwise stated)

## VI. NOTES TO FINANCIAL INFORMATION (continued)

## 18. Loans and advances to customers (continued)

(2) Analysis of loans and advances to customers by collective and individual assessments (continued)

*Bank*

	Loans and advances for which allowance is collectively assessed (A)	Identified impaired loans and advances (B)			Total	Identified impaired gross loans and advances as a % of gross total loans and advances
		For which allowance is collectively assessed	For which allowance is individually assessed	Sub-total		
At 31 December 2007						
Gross loans and advances . . . . .	2,655,321	68,864	749,989	818,853	3,474,174	23.57
Allowance for impairment losses . . . . .	(33,503)	(63,349)	(668,130)	(731,479)	(764,982)	
Loans and advances to customers . . . . .	<u>2,621,818</u>	<u>5,515</u>	<u>81,859</u>	<u>87,374</u>	<u>2,709,192</u>	
At 31 December 2008						
Gross loans and advances . . . . .	2,966,059	10,323	123,744	134,067	3,100,126	4.32
Allowance for impairment losses . . . . .	(37,815)	(4,219)	(43,141)	(47,360)	(85,175)	
Loans and advances to customers . . . . .	<u>2,928,244</u>	<u>6,104</u>	<u>80,603</u>	<u>86,707</u>	<u>3,014,951</u>	
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 . . . . .	<u>3,951,780</u>	<u>6,033</u>	<u>53,573</u>	<u>59,606</u>	<u>4,011,386</u>	

(A) Loans and advances for which allowance is collectively assessed consist of loans and advances which have not been specifically identified as impaired.

(B) Identified gross impaired loans and advances include loans for which objective evidence of impairment exists and which have been identified as bearing an impairment loss and assessed either individually or collectively.

## A. FINANCIAL INFORMATION (continued)

(Amounts in millions of Renminbi, unless otherwise stated)

## VI. NOTES TO FINANCIAL INFORMATION (continued)

## 18. Loans and advances to customers (continued)

(3) Movements of allowance for impairment losses on loans and advances to customers

*Group and Bank*

	2007		
	Individually assessed allowance	Collectively assessed allowance	Total
As at 1 January	662,318	92,358	754,676
Net additions	15,941	5,174	21,115
Written off	(3,327)	(137)	(3,464)
Recovery of loans and advances written off in previous years	7	14	21
Unwinding of discount on allowance	(5,403)	(554)	(5,957)
Transfer to foreclosed assets	(274)	—	(274)
Exchange difference	(1,132)	(3)	(1,135)
As at 31 December	<u>668,130</u>	<u>96,852</u>	<u>764,982</u>
	2008		
	Individually assessed allowance	Collectively assessed allowance	Total
As at 1 January	668,130	96,852	764,982
Net additions	32,783	7,075	39,858
Written off	(29)	—	(29)
Recovery of loans and advances written off in previous years	13	9	22
Unwinding of discount on allowance	(1,901)	(159)	(2,060)
Reversal upon disposal of non-performing loans and advances	II.1 (655,825)	(61,706)	(717,531)
Transfer to foreclosed assets	(4)	(3)	(7)
Exchange difference	(26)	(34)	(60)
As at 31 December	<u>43,141</u>	<u>42,034</u>	<u>85,175</u>

## A. FINANCIAL INFORMATION (continued)

(Amounts in millions of Renminbi, unless otherwise stated)

## VI. NOTES TO FINANCIAL INFORMATION (continued)

## 18. Loans and advances to customers (continued)

(3) Movements of allowance for impairment losses on loans and advances to customers  
(continued)*Group*

	2009		
	Individually assessed allowance	Collectively assessed allowance	Total
As at 1 January	43,141	42,034	85,175
Net additions	15,025	29,264	44,289
Written off	(1,036)	(34)	(1,070)
Recovery of loans and advances written off in previous years	20	6	26
Unwinding of discount on allowance	(1,551)	(173)	(1,724)
Exchange difference	(3)	(1)	(4)
As at 31 December	<u>55,596</u>	<u>71,096</u>	<u>126,692</u>

*Bank*

	2009		
	Individually assessed allowance	Collectively assessed allowance	Total
As at 1 January	43,141	42,034	85,175
Net additions	15,025	29,263	44,288
Written off	(1,036)	(34)	(1,070)
Recovery of loans and advances written off in previous years	20	6	26
Unwinding of discount on allowance	(1,551)	(173)	(1,724)
Exchange difference	(3)	(1)	(4)
As at 31 December	<u>55,596</u>	<u>71,095</u>	<u>126,691</u>

## A. FINANCIAL INFORMATION (continued)

(Amounts in millions of Renminbi, unless otherwise stated)

## VI. NOTES TO FINANCIAL INFORMATION (continued)

## 19. Available-for-sale financial assets

*Group and Bank*

	Note	As at 31 December		
		2007	2008	2009
Debt securities issued by:				
Governments .....		354,270	588,386	476,700
Public sector and quasi-governments .....		116,386	155,153	159,215
Financial institutions .....		43,545	30,054	23,267
Corporations .....		13,885	26,054	70,713
Subtotal .....		<u>528,086</u>	<u>799,647</u>	<u>729,895</u>
Equity instruments .....		<u>1,257</u>	<u>558</u>	<u>487</u>
Total .....		<u>529,343</u>	<u>800,205</u>	<u>730,382</u>
Analysed as:				
Listed in Hong Kong .....		1,729	1,954	1,886
Listed outside Hong Kong .....	(1)	525,108	796,477	726,600
Unlisted .....		<u>2,506</u>	<u>1,774</u>	<u>1,896</u>
Total .....		<u>529,343</u>	<u>800,205</u>	<u>730,382</u>

## 20. Held-to-maturity investments

*Group and Bank*

		As at 31 December		
		2007	2008	2009
Debt securities issued by:				
Governments .....		287,953	330,239	536,566
Public sector and quasi-governments .....		231,644	228,740	264,842
Financial institutions .....		11,351	12,302	42,342
Corporations .....		2,232	5,231	40,288
		<u>533,180</u>	<u>576,512</u>	<u>884,038</u>
Allowance for impairment losses .....		<u>(364)</u>	<u>(189)</u>	<u>(123)</u>
Total .....		<u>532,816</u>	<u>576,323</u>	<u>883,915</u>
Analysed as:				
Listed in Hong Kong .....		—	68	141
Listed outside Hong Kong .....	(1)	531,500	571,097	883,070
Unlisted .....		<u>1,316</u>	<u>5,158</u>	<u>704</u>
Total .....		<u>532,816</u>	<u>576,323</u>	<u>883,915</u>

(1) Debt securities traded on the China Domestic Interbank Bond market are included in "Listed outside Hong Kong".

## A. FINANCIAL INFORMATION (continued)

(Amounts in millions of Renminbi, unless otherwise stated)

## VI. NOTES TO FINANCIAL INFORMATION (continued)

## 21. Debt securities classified as receivables

*Group and Bank*

	Notes	As at 31 December		
		2007	2008	2009
Receivable from the MOF .....	(1)	—	665,093	635,539
Special Government Bond .....	(2)	93,300	93,300	93,300
Certificate treasury bonds .....		29,979	26,849	22,092
Savings treasury bonds .....		—	—	10,101
PBOC's designated bills .....	(3)	99,988	99,992	119,744
PBOC's special bills .....		112	112	112
Financial institution bonds .....		5,606	7,180	9,306
Corporate bonds .....		907	91	92
		229,892	892,617	890,286
Allowance for impairment losses .....		(149)	(85)	(87)
Total .....		229,743	892,532	890,199

(1) The receivable resulted from the disposal of non-performing assets to the MOF pursuant to the Restructuring Plan as set out in Note II.1. The amount is to be settled by the MOF in 15 years starting from 1 January 2008 at an interest of 3.3% per annum.

(2) The balance represents Special Government Bond issued by the MOF, with detailed terms set out in Note VI. 5.

(3) The Bank acquired the following bills from the PBOC:

Issue date	Tenor	Interest rate per annum (%)	Face value	As at 31 December		
				2007	2008	2009
				Carrying value	Carrying value	Carrying value
9 March 2007 .....	3 years	3.07	21,000	20,999	20,999	20,999
11 May 2007 .....	3 years	3.22	25,000	24,997	24,998	24,998
13 July 2007 .....	3 years	3.60	19,000	18,997	18,998	18,997
17 August 2007 .....	3 years	3.69	12,000	11,998	11,999	11,998
7 September 2007 .....	3 years	3.71	23,000	22,997	22,998	22,997
15 September 2009 .....	1 year	zero coupon bond	20,000	—	—	19,755
			120,000	99,988	99,992	119,744

The above bills cannot be transferred or pledged as collateral for borrowings without the approval of the PBOC.

## 22. Investments in subsidiaries

*Bank*

	As at 31 December		
	2007	2008	2009
Investment cost .....	838	1,091	1,795
Allowance for impairment losses .....	(651)	(659)	(659)
Investments in subsidiaries .....	187	432	1,136



## A. FINANCIAL INFORMATION (continued)

(Amounts in millions of Renminbi, unless otherwise stated)

## VI. NOTES TO FINANCIAL INFORMATION (continued)

## 22. Investments in subsidiaries (continued)

*Bank (continued)*

At 31 December 2009, details of the Bank's principal subsidiaries are set out below.

Name of entity		Date of incorporation/ establishment	Place of incorporation/ establishment	Authorised capital/ Paid-in capital	Proportion of equity interest (%) <sup>(6)</sup>	Proportion of voting power on the board of directors (%)	Principal activities
ABC International Holdings Limited	(1)	11 November 2009	Hong Kong	HKD800,000,000	100.00	100.00	Investment holding
China Agricultural Finance Co., Ltd.	(3)	1 November 1988	Hong Kong	HKD588,790,000	100.00	100.00	Investment holding
ABC-CA Fund Management Co., Ltd.	(4)	18 March 2008	Shanghai	RMB200,000,001	51.67	51.67	Fund Management
ABC Hexigten Rural Bank Limited Liability Company	(5)	12 August 2008	Inner Mongolia	RMB19,600,000	51.02	51.02	Banking
ABC Hubei Hanchuan Rural Bank Limited Liability Company	(2)	12 August 2008	Hubei	RMB20,000,000	50.00	66.67	Banking

(1) ABC International Holdings Limited was incorporated in Hong Kong by the Bank on 11 November 2009. ABC International Holdings Limited's authorised capital is HKD1,800,000,000. As at 31 December 2009, its paid-up share capital was HKD800,000,000.

(2) The Bank has appointed two of the three directors on the board of directors of ABC Hubei Hanchuan Rural Bank Limited Liability Company and is therefore able to control the financial and operating activities of ABC Hubei Hanchuan Rural Bank Limited Liability Company. The financial statements of ABC Hubei Hanchuan Rural Bank Limited Liability Company (set up in 2008) for the period ended 31 December 2008 and 2009 were audited by Hubei Tongxing CPA Limited Company.

(3) The financial statements of China Agricultural Finance Co., Ltd. for each of the three years ended 31 December 2007, 2008 and 2009 were audited by Deloitte Touche Tohmatsu.

(4) The financial statements of ABC-CA Fund Management Co., Ltd. (set up in 2008) for the period ended 31 December 2008 and year ended 31 December 2009 were audited by Deloitte Touche Tohmatsu CPA Ltd.

(5) The financial statements of ABC Hexigten Rural Bank Limited Liability Company (set up in 2008) for the period ended 31 December 2008 and year ended 31 December 2009 were audited by Hexigten Banner Tengyu associates CPAs.

(6) The Bank's holding of the equity interests in above subsidiaries remains unchanged during the Relevant Periods and up to the date of issuance of this Accountants' Report or since the respective date of incorporation/ establishment.

## A. FINANCIAL INFORMATION (continued)

(Amounts in millions of Renminbi, unless otherwise stated)

## VI. NOTES TO FINANCIAL INFORMATION (continued)

## 23. Interest in an associate

*Group and Bank*

	As at 31 December		
	2007	2008	2009
Investment cost .....	223	171	157
Allowance for impairment losses .....	—	(16)	(16)
Interest in an associate .....	<u>223</u>	<u>155</u>	<u>141</u>

Hunan Jinjian Cereals Industry Ltd., Co. (the “Jinjian”) was registered in Hunan Province of the PRC. The registered capital of the entity is RMB544 million, and the principal activities of the entity comprise manufacturing, processing and selling of food, cooking oil and agricultural products. The Group held 26.82%, 22.33% and 20.62% of equity interest in Jinjian as at 31 December 2007, 2008 and 2009 respectively.

## 24. Property and equipment

*Group*

	Buildings	Electronic equipment, furniture & fixtures	Motor vehicles	Construction in progress	Total
Cost					
As at 1 January 2007 .....	76,343	23,862	6,129	8,294	114,628
Additions .....	1,493	5,257	615	4,018	11,383
Transfers .....	5,696	286	30	(6,012)	—
Other transfer in .....	254	—	—	—	254
Disposals .....	<u>(5,625)</u>	<u>(4,075)</u>	<u>(647)</u>	<u>(74)</u>	<u>(10,421)</u>
As at 31 December 2007 .....	<u>78,161</u>	<u>25,330</u>	<u>6,127</u>	<u>6,226</u>	<u>115,844</u>
Accumulated depreciation					
As at 1 January 2007 .....	(20,646)	(12,854)	(4,209)	—	(37,709)
Provided for the year .....	(3,076)	(3,294)	(515)	—	(6,885)
Eliminated on disposals .....	<u>2,221</u>	<u>3,325</u>	<u>620</u>	—	<u>6,166</u>
As at 31 December 2007 .....	<u>(21,501)</u>	<u>(12,823)</u>	<u>(4,104)</u>	—	<u>(38,428)</u>
Allowance for impairment losses					
As at 1 January 2007 .....	(946)	(191)	(18)	(382)	(1,537)
Recognised in profit or loss .....	(25)	—	—	—	(25)
Eliminated on disposals .....	<u>413</u>	<u>172</u>	<u>11</u>	—	<u>596</u>
As at 31 December 2007 .....	<u>(558)</u>	<u>(19)</u>	<u>(7)</u>	<u>(382)</u>	<u>(966)</u>
Carrying amount					
As at 1 January 2007 .....	<u>54,751</u>	<u>10,817</u>	<u>1,902</u>	<u>7,912</u>	<u>75,382</u>
As at 31 December 2007 .....	<u>56,102</u>	<u>12,488</u>	<u>2,016</u>	<u>5,844</u>	<u>76,450</u>

## A. FINANCIAL INFORMATION (continued)

(Amounts in millions of Renminbi, unless otherwise stated)

## VI. NOTES TO FINANCIAL INFORMATION (continued)

## 24. Property and equipment (continued)

*Group (continued)*

	Buildings	Electronic equipment, furniture & fixtures	Motor vehicles	Construction in progress	Total
Cost/deemed cost					
As at 1 January 2008	78,161	25,330	6,127	6,226	115,844
Effect of revaluation upon the financial restructuring	3,021	(13,314)	(3,209)	(288)	(13,790)
Additions	2,046	4,957	466	6,133	13,602
Transfers	3,346	578	17	(3,941)	—
Other transfer in	172	—	—	—	172
Disposals	(1,572)	(221)	(57)	(182)	(2,032)
As at 31 December 2008	<u>85,174</u>	<u>17,330</u>	<u>3,344</u>	<u>7,948</u>	<u>113,796</u>
Accumulated depreciation					
As at 1 January 2008	(21,501)	(12,823)	(4,104)	—	(38,428)
Eliminated on revaluation	21,501	12,823	4,104	—	38,428
Provided for the year	(4,286)	(4,117)	(1,418)	—	(9,821)
Eliminated on disposals	92	169	49	—	310
As at 31 December 2008	<u>(4,194)</u>	<u>(3,948)</u>	<u>(1,369)</u>	<u>—</u>	<u>(9,511)</u>
Allowance for impairment losses					
As at 1 January 2008	(558)	(19)	(7)	(382)	(966)
Eliminated on revaluation	558	19	7	382	966
Recognised in profit or loss	(318)	(13)	(3)	(68)	(402)
As at 31 December 2008	<u>(318)</u>	<u>(13)</u>	<u>(3)</u>	<u>(68)</u>	<u>(402)</u>
Carrying amount					
As at 1 January 2008	<u>56,102</u>	<u>12,488</u>	<u>2,016</u>	<u>5,844</u>	<u>76,450</u>
As at 31 December 2008	<u>80,662</u>	<u>13,369</u>	<u>1,972</u>	<u>7,880</u>	<u>103,883</u>

## A. FINANCIAL INFORMATION (continued)

(Amounts in millions of Renminbi, unless otherwise stated)

## VI. NOTES TO FINANCIAL INFORMATION (continued)

## 24. Property and equipment (continued)

*Group (continued)*

	Buildings	Electronic equipment, furniture & fixtures	Motor vehicles	Construction in progress	Total
Cost/deemed cost					
As at 1 January 2009	85,174	17,330	3,344	7,948	113,796
Additions	1,289	5,315	295	12,018	18,917
Transfers	4,457	301	2	(4,760)	—
Disposals	(1,615)	(199)	(184)	(235)	(2,233)
As at 31 December 2009	<u>89,305</u>	<u>22,747</u>	<u>3,457</u>	<u>14,971</u>	<u>130,480</u>
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	<u>(8,638)</u>	<u>(7,664)</u>	<u>(1,902)</u>	<u>—</u>	<u>(18,204)</u>
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	<u>(286)</u>	<u>(13)</u>	<u>(3)</u>	<u>(1)</u>	<u>(303)</u>
Carrying amount					
As at 1 January 2009	<u>80,662</u>	<u>13,369</u>	<u>1,972</u>	<u>7,880</u>	<u>103,883</u>
As at 31 December 2009	<u>80,381</u>	<u>15,070</u>	<u>1,552</u>	<u>14,970</u>	<u>111,973</u>

## A. FINANCIAL INFORMATION (continued)

(Amounts in millions of Renminbi, unless otherwise stated)

## VI. NOTES TO FINANCIAL INFORMATION (continued)

## 24. Property and equipment (continued)

*Bank*

	<u>Buildings</u>	<u>Electronic equipment, furniture &amp; fixtures</u>	<u>Motor vehicles</u>	<u>Construction in progress</u>	<u>Total</u>
Cost					
As at 1 January 2007	76,203	23,781	6,122	8,294	114,400
Additions	1,489	5,253	615	4,018	11,375
Transfers	5,696	286	30	(6,012)	—
Other transfer in	254	—	—	—	254
Disposals	(5,623)	(4,066)	(647)	(74)	(10,410)
As at 31 December 2007	<u>78,019</u>	<u>25,254</u>	<u>6,120</u>	<u>6,226</u>	<u>115,619</u>
Accumulated depreciation					
As at 1 January 2007	(20,600)	(12,820)	(4,204)	—	(37,624)
Provided for the year	(3,071)	(3,290)	(515)	—	(6,876)
Eliminated on disposals	2,219	3,319	620	—	6,158
As at 31 December 2007	<u>(21,452)</u>	<u>(12,791)</u>	<u>(4,099)</u>	<u>—</u>	<u>(38,342)</u>
Allowance for impairment losses					
As at 1 January 2007	(946)	(191)	(18)	(382)	(1,537)
Recognised in profit or loss	(25)	—	—	—	(25)
Eliminated on disposals	413	172	11	—	596
As at 31 December 2007	<u>(558)</u>	<u>(19)</u>	<u>(7)</u>	<u>(382)</u>	<u>(966)</u>
Carrying amount					
As at 1 January 2007	<u>54,657</u>	<u>10,770</u>	<u>1,900</u>	<u>7,912</u>	<u>75,239</u>
As at 31 December 2007	<u>56,009</u>	<u>12,444</u>	<u>2,014</u>	<u>5,844</u>	<u>76,311</u>

## A. FINANCIAL INFORMATION (continued)

(Amounts in millions of Renminbi, unless otherwise stated)

## VI. NOTES TO FINANCIAL INFORMATION (continued)

## 24. Property and equipment (continued)

*Bank (continued)*

	Buildings	Electronic equipment, furniture & fixtures	Motor vehicles	Construction in progress	Total
Cost/deemed cost					
As at 1 January 2008	78,019	25,254	6,120	6,226	115,619
Effect of revaluation upon the financial restructuring	3,030	(13,287)	(3,204)	(288)	(13,749)
Additions	2,046	4,941	457	6,133	13,577
Transfers	3,346	578	17	(3,941)	—
Other transfer in	172	—	—	—	172
Disposals	(1,571)	(193)	(57)	(182)	(2,003)
As at 31 December 2008	<u>85,042</u>	<u>17,293</u>	<u>3,333</u>	<u>7,948</u>	<u>113,616</u>
Accumulated depreciation					
As at 1 January 2008	(21,452)	(12,791)	(4,099)	—	(38,342)
Eliminated on revaluation	21,452	12,791	4,099	—	38,342
Provided for the year	(4,281)	(4,110)	(1,412)	—	(9,803)
Eliminated on disposals	92	164	48	—	304
As at 31 December 2008	<u>(4,189)</u>	<u>(3,946)</u>	<u>(1,364)</u>	<u>—</u>	<u>(9,499)</u>
Allowance for impairment losses					
As at 1 January 2008	(558)	(19)	(7)	(382)	(966)
Eliminated on revaluation	558	19	7	382	966
Recognised in profit or loss	(318)	(13)	(3)	(68)	(402)
Eliminated on disposals	—	—	—	—	—
As at 31 December 2008	<u>(318)</u>	<u>(13)</u>	<u>(3)</u>	<u>(68)</u>	<u>(402)</u>
Carrying amount					
As at 1 January 2008	<u>56,009</u>	<u>12,444</u>	<u>2,014</u>	<u>5,844</u>	<u>76,311</u>
As at 31 December 2008	<u>80,535</u>	<u>13,334</u>	<u>1,966</u>	<u>7,880</u>	<u>103,715</u>

## A. FINANCIAL INFORMATION (continued)

(Amounts in millions of Renminbi, unless otherwise stated)

## VI. NOTES TO FINANCIAL INFORMATION (continued)

## 24. Property and equipment (continued)

*Bank (continued)*

	Buildings	Electronic equipment, furniture & fixtures	Motor vehicles	Construction in progress	Total
Cost/deemed cost					
As at 1 January 2009	85,042	17,293	3,333	7,948	113,616
Additions	1,275	5,191	294	12,017	18,777
Transfers	4,457	301	2	(4,760)	—
Disposals	(1,615)	(198)	(184)	(235)	(2,232)
As at 31 December 2009	<u>89,159</u>	<u>22,587</u>	<u>3,445</u>	<u>14,970</u>	<u>130,161</u>
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	<u>(8,588)</u>	<u>(7,599)</u>	<u>(1,895)</u>	<u>—</u>	<u>(18,082)</u>
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	<u>(286)</u>	<u>(13)</u>	<u>(3)</u>	<u>(1)</u>	<u>(303)</u>
Carrying amount					
As at 1 January 2009	<u>80,535</u>	<u>13,334</u>	<u>1,966</u>	<u>7,880</u>	<u>103,715</u>
As at 31 December 2009	<u>80,285</u>	<u>14,975</u>	<u>1,547</u>	<u>14,969</u>	<u>111,776</u>

The carrying amounts of buildings have the following remaining lease terms:

*Group*

	As at 31 December		
	2007	2008	2009
Held in the PRC			
on long-term lease (over 50 years)	3,887	5,003	4,275
on medium-term lease (10-50 years)	49,867	71,270	70,932
on short-term lease (less than 10 years)	2,348	4,389	5,174
Total	<u>56,102</u>	<u>80,662</u>	<u>80,381</u>

## A. FINANCIAL INFORMATION (continued)

(Amounts in millions of Renminbi, unless otherwise stated)

## VI. NOTES TO FINANCIAL INFORMATION (continued)

## 24. Property and equipment (continued)

*Bank*

	As at 31 December		
	2007	2008	2009
Held in the PRC			
on long-term lease (over 50 years) . . . . .	3,887	5,003	4,275
on medium-term lease (10-50 years) . . . . .	49,774	71,143	70,836
on short-term lease (less than 10 years) . . . . .	2,348	4,389	5,174
Total . . . . .	<u>56,009</u>	<u>80,535</u>	<u>80,285</u>

According to the relevant laws and regulations, subsequent to the transformation into a joint stock company, the legal title of certain properties previously held under the name of Agricultural Bank of China is to be transferred to the Bank. As at the date of issuance of this Accountants' Report, the re-registration process has not been completed. Management anticipates that the registration process does not affect the rights of the Bank as the legal successor to those assets of Agricultural Bank of China.

## 25. Other assets

*Group*

	Notes	As at 31 December		
		2007	2008	2009
Accounts receivable . . . . .	(1)	3,755	2,986	3,494
Interest receivable . . . . .	(2)	23,783	29,950	32,127
Foreclosed assets . . . . .	(3)	5,604	—	—
Amounts due from customers arising from derivative transactions . . .	(4)	—	—	—
Intangible assets . . . . .	(5)	1,327	1,486	1,580
Land use rights . . . . .	(6)	788	25,514	25,062
Assets pending for disposal . . . . .	(7)	—	—	11
Others . . . . .		<u>2,754</u>	<u>2,657</u>	<u>5,669</u>
Total . . . . .		<u>38,011</u>	<u>62,593</u>	<u>67,943</u>



## A. FINANCIAL INFORMATION (continued)

(Amounts in millions of Renminbi, unless otherwise stated)

## VI. NOTES TO FINANCIAL INFORMATION (continued)

## 25. Other assets (continued)

*Bank*

	Notes	As at 31 December		
		2007	2008	2009
Accounts receivable .....	(1)	3,702	2,924	3,425
Interest receivable .....	(2)	23,783	29,950	32,126
Foreclosed assets .....	(3)	5,604	—	—
Amounts due from customers arising from derivative transactions ...	(4)	—	—	—
Intangible assets .....	(5)	1,327	1,479	1,574
Land use rights .....	(6)	787	25,394	24,947
Assets pending for disposal .....	(7)	—	—	11
Others .....		1,161	1,536	4,054
Total .....		<u>36,364</u>	<u>61,283</u>	<u>66,137</u>

(1) The analysis of the aging of accounts receivable is as follows:

*Group*

	As at 31 December 2007			
	Gross amount	Percentage (%)	Impairment	Carrying amount
Within 1 year .....	3,342	11	(173)	3,169
From 1 year to 2 years .....	282	1	(82)	200
From 2 years to 3 years .....	110	1	(56)	54
Over 3 years .....	26,134	87	(25,802)	332
Total .....	<u>29,868</u>	<u>100</u>	<u>(26,113)</u>	<u>3,755</u>

  

	As at 31 December 2008			
	Gross amount	Percentage (%)	Impairment	Carrying amount
Within 1 year .....	3,051	77	(842)	2,209
From 1 year to 2 years .....	267	7	(13)	254
From 2 years to 3 years .....	202	5	(11)	191
Over 3 years .....	435	11	(103)	332
Total .....	<u>3,955</u>	<u>100</u>	<u>(969)</u>	<u>2,986</u>

## A. FINANCIAL INFORMATION (continued)

(Amounts in millions of Renminbi, unless otherwise stated)

## VI. NOTES TO FINANCIAL INFORMATION (continued)

## 25. Other assets (continued)

(1) The analysis of the aging of accounts receivable is as follows: (continued)

*Group (continued)*

	As at 31 December 2009			
	Gross amount	Percentage (%)	Impairment	Carrying amount
Within 1 year . . . . .	2,781	61	(156)	2,625
From 1 year to 2 years . . . . .	1,270	28	(759)	511
From 2 years to 3 years . . . . .	117	3	(13)	104
Over 3 years . . . . .	364	8	(110)	254
Total . . . . .	<u>4,532</u>	<u>100</u>	<u>(1,038)</u>	<u>3,494</u>

*Bank*

	As at 31 December 2007			
	Gross amount	Percentage (%)	Impairment	Carrying amount
Within 1 year . . . . .	3,289	10	(173)	3,116
From 1 year to 2 years . . . . .	282	1	(82)	200
From 2 years to 3 years . . . . .	110	1	(56)	54
Over 3 years . . . . .	28,051	88	(27,719)	332
Total . . . . .	<u>31,732</u>	<u>100</u>	<u>(28,030)</u>	<u>3,702</u>

	As at 31 December 2008			
	Gross amount	Percentage (%)	Impairment	Carrying amount
Within 1 year . . . . .	2,989	55	(842)	2,147
From 1 year to 2 years . . . . .	267	5	(13)	254
From 2 years to 3 years . . . . .	202	4	(11)	191
Over 3 years . . . . .	1,987	36	(1,655)	332
Total . . . . .	<u>5,445</u>	<u>100</u>	<u>(2,521)</u>	<u>2,924</u>

	As at 31 December 2009			
	Gross amount	Percentage (%)	Impairment	Carrying amount
Within 1 year . . . . .	2,734	45	(156)	2,578
From 1 year to 2 years . . . . .	1,248	21	(759)	489
From 2 years to 3 years . . . . .	117	2	(13)	104
Over 3 years . . . . .	1,915	32	(1,661)	254
Total . . . . .	<u>6,014</u>	<u>100</u>	<u>(2,589)</u>	<u>3,425</u>

## A. FINANCIAL INFORMATION (continued)

(Amounts in millions of Renminbi, unless otherwise stated)

## VI. NOTES TO FINANCIAL INFORMATION (continued)

## 25. Other assets (continued)

(2) Interest receivable

Analysed by type

*Group*

	As at 31 December		
	2007	2008	2009
Held-to-maturity investments	7,219	10,494	11,223
Loans and advances to customers	8,401	7,411	8,972
Available-for-sale financial assets	4,725	6,832	6,856
Debt securities classified as receivables	1,843	3,490	2,829
Financial assets held for trading	49	237	165
Financial assets designated as at fair value through profit or loss	80	37	21
Others	1,466	1,449	2,061
Total	23,783	29,950	32,127

*Bank*

	As at 31 December		
	2007	2008	2009
Held-to-maturity investments	7,219	10,494	11,223
Loans and advances to customers	8,401	7,411	8,972
Available-for-sale financial assets	4,725	6,832	6,856
Debt securities classified as receivables	1,843	3,490	2,829
Financial assets held for trading	49	237	165
Financial assets designated as at fair value through profit or loss	80	37	21
Others	1,466	1,449	2,060
Total	23,783	29,950	32,126

As at 31 December 2008 and 2009, all interest receivable is due within one year. As at 31 December 2007, interest receivable due after one year amounted to RMB612 million. The whole amount was received in 2008.

**A. FINANCIAL INFORMATION (continued)**

(Amounts in millions of Renminbi, unless otherwise stated)

**VI. NOTES TO FINANCIAL INFORMATION (continued)****25. Other assets (continued)**

(3) Foreclosed Assets

***Group and Bank****Analysed by type*

	As at 31 December		
	2007	2008	2009
Buildings .....	6,476	—	1
Others .....	568	5	4
Subtotal .....	7,044	5	5
Allowance for impairment losses .....	(1,440)	(5)	(5)
Total .....	<u>5,604</u>	<u>—</u>	<u>—</u>

(4) Amounts due from customers arising from derivative transactions

***Group and Bank***

	As at 31 December		
	2007	2008	2009
Advance to customers arising from derivatives transactions .....	—	1,067	982
Allowance for impairment losses .....	—	(1,067)	(982)
Total .....	<u>—</u>	<u>—</u>	<u>—</u>

## A. FINANCIAL INFORMATION (continued)

(Amounts in millions of Renminbi, unless otherwise stated)

## VI. NOTES TO FINANCIAL INFORMATION (continued)

## 25. Other assets (continued)

(5) Intangible assets

*Group*

	<u>Computer Software</u>	<u>Others</u>	<u>Total</u>
Cost			
As at 1 January 2007	2,171	93	2,264
Additions	385	3	388
Disposals	(66)	(30)	(96)
As at 31 December 2007	<u>2,490</u>	<u>66</u>	<u>2,556</u>
Accumulated amortisation			
As at 1 January 2007	(844)	(39)	(883)
Charge for the year	(356)	(11)	(367)
Disposals	10	11	21
As at 31 December 2007	<u>(1,190)</u>	<u>(39)</u>	<u>(1,229)</u>
Allowance for impairment losses			
As at 1 January 2007	—	—	—
Additions	—	—	—
Written off	—	—	—
As at 31 December 2007	<u>—</u>	<u>—</u>	<u>—</u>
Carrying amount			
As at 1 January 2007	<u>1,327</u>	<u>54</u>	<u>1,381</u>
As at 31 December 2007	<u>1,300</u>	<u>27</u>	<u>1,327</u>
Amortisation period (years)	<u>1-10</u>	<u>1-10</u>	

## A. FINANCIAL INFORMATION (continued)

(Amounts in millions of Renminbi, unless otherwise stated)

## VI. NOTES TO FINANCIAL INFORMATION (continued)

## 25. Other assets (continued)

(5) Intangible assets (continued)

*Group (continued)*

	<u>Computer Software</u>	<u>Others</u>	<u>Total</u>
Cost			
As at 1 January 2008	2,490	66	2,556
Effect of financial restructuring	(1,189)	(42)	(1,231)
Additions	581	45	626
Disposals	(8)	—	(8)
As at 31 December 2008	<u>1,874</u>	<u>69</u>	<u>1,943</u>
Accumulated amortisation			
As at 1 January 2008	(1,190)	(39)	(1,229)
Elimination of accumulated amortisation	1,190	39	1,229
Charge for the year	(422)	(12)	(434)
Disposals	5	—	5
As at 31 December 2008	<u>(417)</u>	<u>(12)</u>	<u>(429)</u>
Allowance for impairment losses			
As at 1 January 2008	—	—	—
Additions	(28)	—	(28)
Written off	—	—	—
As at 31 December 2008	<u>(28)</u>	<u>—</u>	<u>(28)</u>
Carrying amount			
As at 1 January 2008	<u>1,300</u>	<u>27</u>	<u>1,327</u>
As at 31 December 2008	<u>1,429</u>	<u>57</u>	<u>1,486</u>
Amortisation period (years)	<u>1-10</u>	<u>1-10</u>	

## A. FINANCIAL INFORMATION (continued)

(Amounts in millions of Renminbi, unless otherwise stated)

## VI. NOTES TO FINANCIAL INFORMATION (continued)

## 25. Other assets (continued)

(5) Intangible assets (continued)

*Group (continued)*

	<u>Computer Software</u>	<u>Others</u>	<u>Total</u>
Cost			
As at 1 January 2009 .....	1,874	69	1,943
Additions .....	489	2	491
Disposals .....	(15)	—	(15)
As at 31 December 2009 .....	<u>2,348</u>	<u>71</u>	<u>2,419</u>
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 .....	<u>(786)</u>	<u>(24)</u>	<u>(810)</u>
Allowance for impairment losses			
As at 1 January 2009 .....	(28)	—	(28)
Additions .....	(1)	—	(1)
Written off .....	—	—	—
As at 31 December 2009 .....	<u>(29)</u>	<u>—</u>	<u>(29)</u>
Carrying amount			
As at 1 January 2009 .....	<u>1,429</u>	<u>57</u>	<u>1,486</u>
As at 31 December 2009 .....	<u>1,533</u>	<u>47</u>	<u>1,580</u>
Amortisation period (years) .....	<u>1-10</u>	<u>1-10</u>	

## A. FINANCIAL INFORMATION (continued)

(Amounts in millions of Renminbi, unless otherwise stated)

## VI. NOTES TO FINANCIAL INFORMATION (continued)

## 25. Other assets (continued)

(5) Intangible assets (continued)

*Bank*

	<u>Computer Software</u>	<u>Others</u>	<u>Total</u>
Cost			
As at 1 January 2007	2,171	93	2,264
Additions	385	3	388
Disposals	(66)	(30)	(96)
As at 31 December 2007	<u>2,490</u>	<u>66</u>	<u>2,556</u>
Accumulated amortisation			
As at 1 January 2007	(844)	(39)	(883)
Charge for the year	(356)	(11)	(367)
Disposals	10	11	21
As at 31 December 2007	<u>(1,190)</u>	<u>(39)</u>	<u>(1,229)</u>
Allowance for impairment losses			
As at 1 January 2007	—	—	—
Additions	—	—	—
Written off	—	—	—
As at 31 December 2007	<u>—</u>	<u>—</u>	<u>—</u>
Carrying amount			
As at 1 January 2007	<u>1,327</u>	<u>54</u>	<u>1,381</u>
As at 31 December 2007	<u>1,300</u>	<u>27</u>	<u>1,327</u>
Amortisation period (years)	<u>1-10</u>	<u>1-10</u>	



## A. FINANCIAL INFORMATION (continued)

(Amounts in millions of Renminbi, unless otherwise stated)

## VI. NOTES TO FINANCIAL INFORMATION (continued)

## 25. Other assets (continued)

(5) Intangible assets (continued)

*Bank (continued)*

	<u>Computer Software</u>	<u>Others</u>	<u>Total</u>
Cost			
As at 1 January 2008	2,490	66	2,556
Effect of financial restructuring	(1,189)	(42)	(1,231)
Additions	581	37	618
Disposals	(8)	—	(8)
As at 31 December 2008	<u>1,874</u>	<u>61</u>	<u>1,935</u>
Accumulated amortisation			
As at 1 January 2008	(1,190)	(39)	(1,229)
Elimination of accumulated amortisation	1,190	39	1,229
Charge for the year	(422)	(11)	(433)
Disposals	5	—	5
As at 31 December 2008	<u>(417)</u>	<u>(11)</u>	<u>(428)</u>
Allowance for impairment losses			
As at 1 January 2008	—	—	—
Additions	(28)	—	(28)
Written off	—	—	—
As at 31 December 2008	<u>(28)</u>	<u>—</u>	<u>(28)</u>
Carrying amount			
As at 1 January 2008	<u>1,300</u>	<u>27</u>	<u>1,327</u>
As at 31 December 2008	<u>1,429</u>	<u>50</u>	<u>1,479</u>
Amortisation period (years)	<u>1-10</u>	<u>1-10</u>	

## A. FINANCIAL INFORMATION (continued)

(Amounts in millions of Renminbi, unless otherwise stated)

## VI. NOTES TO FINANCIAL INFORMATION (continued)

## 25. Other assets (continued)

## (5) Intangible assets (continued)

*Bank (continued)*

	<u>Computer Software</u>	<u>Others</u>	<u>Total</u>
Cost			
As at 1 January 2009	1,874	61	1,935
Additions	489	1	490
Disposals	(15)	—	(15)
As at 31 December 2009	<u>2,348</u>	<u>62</u>	<u>2,410</u>
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	<u>(786)</u>	<u>(21)</u>	<u>(807)</u>
Allowance for impairment losses			
As at 1 January 2009	(28)	—	(28)
Additions	(1)	—	(1)
Written off	—	—	—
As at 31 December 2009	<u>(29)</u>	<u>—</u>	<u>(29)</u>
Carrying amount			
As at 1 January 2009	<u>1,429</u>	<u>50</u>	<u>1,479</u>
As at 31 December 2009	<u>1,533</u>	<u>41</u>	<u>1,574</u>
Amortisation period (years)	<u>1-10</u>	<u>1-10</u>	

## (6) Land use rights

The carrying amount of land use rights analysed based on the remaining terms of the leases as follows:

*Group*

	<u>As at 31 December</u>		
	<u>2007</u>	<u>2008</u>	<u>2009</u>
Held in the PRC			
on long-term lease (over 50 years)	18	556	446
on medium-term lease (10-50 years)	749	24,857	24,513
on short-term lease (less than 10 years)	21	101	103
Total	<u>788</u>	<u>25,514</u>	<u>25,062</u>

**A. FINANCIAL INFORMATION (continued)**

(Amounts in millions of Renminbi, unless otherwise stated)

**VI. NOTES TO FINANCIAL INFORMATION (continued)****25. Other assets (continued)**

(6) Land use rights (continued)

**Bank**

	As at 31 December		
	2007	2008	2009
Held in the PRC			
on long-term lease (over 50 years) .....	18	556	446
on medium-term lease (10-50 years) .....	748	24,737	24,398
on short-term lease (less than 10 years) .....	21	101	103
Total .....	<u>787</u>	<u>25,394</u>	<u>24,947</u>

According to the relevant laws and regulations, subsequent to the transformation into a joint stock company, the legal title of certain land use rights previously held under the name of Agricultural Bank of China is to be transferred to the Bank. As at the date of issuance of this Accountants' Report, the re-registration process has not yet been completed. Management anticipates that the registration process does not affect the rights of Agricultural Bank of China Limited as the legal successor to those assets of Agricultural Bank of China.

(7) Assets pending for disposal

**Group and Bank**

	As at 31 December		
	2007	2008	2009
Gross amount .....	2,522	44	53
Allowance for impairment losses .....	(2,522)	(44)	(42)
Net book amount .....	<u>—</u>	<u>—</u>	<u>11</u>

**26. Borrowings from central bank****Group and Bank**

	As at 31 December		
	2007	2008	2009
Borrowings from central bank (Note II.1) .....	150,867	314	58
Total .....	<u>150,867</u>	<u>314</u>	<u>58</u>

**A. FINANCIAL INFORMATION (continued)**

(Amounts in millions of Renminbi, unless otherwise stated)

**VI. NOTES TO FINANCIAL INFORMATION (continued)****27. Deposits from banks and other financial institutions***Group*

	As at 31 December		
	2007	2008	2009
Deposits from:			
Domestic banks .....	66,507	96,716	284,899
Other domestic financial institutions .....	227,875	192,077	285,518
Overseas banks .....	2,232	977	379
Other overseas financial institutions .....	4	2	3,153
Total .....	<u>296,618</u>	<u>289,772</u>	<u>573,949</u>

*Bank*

	As at 31 December		
	2007	2008	2009
Deposits from:			
Domestic banks .....	66,507	96,716	284,879
Other domestic financial institutions .....	227,875	192,077	285,679
Overseas banks .....	2,232	977	379
Other overseas financial institutions .....	5	2	3,857
Total .....	<u>296,619</u>	<u>289,772</u>	<u>574,794</u>

**28. Placements from banks and other financial institutions***Group and Bank*

	As at 31 December		
	2007	2008	2009
Placements from:			
Domestic banks .....	11,811	19,914	11,241
Other domestic financial institutions .....	42	—	—
Overseas banks .....	<u>18,522</u>	<u>14,217</u>	<u>15,071</u>
Total .....	<u>30,375</u>	<u>34,131</u>	<u>26,312</u>

**29. Financial liabilities held for trading***Group and Bank*

	As at 31 December		
	2007	2008	2009
Short position in gold .....	—	—	<u>56</u>
Total .....	—	—	<u>56</u>

**A. FINANCIAL INFORMATION (continued)**

(Amounts in millions of Renminbi, unless otherwise stated)

**VI. NOTES TO FINANCIAL INFORMATION (continued)****30. Financial liabilities designated as at fair value through profit or loss***Group and Bank*

	Notes	As at 31 December		
		2007	2008	2009
Financial guarantee contracts . . . . .		996	2,752	770
Structured deposits . . . . .		6,256	3,211	1,127
Principal guaranteed wealth management products . . . . .	(1)	3,236	16,714	109,924
Others . . . . .	(2)	—	—	2,022
Total . . . . .	(3)	<u>10,488</u>	<u>22,677</u>	<u>113,843</u>

- (1) The Group and the Bank designate the amounts received through the principal guaranteed wealth management products sold to their customers as financial liabilities at FVTPL. As at 31 December 2007, 2008 and 2009, the fair value of the principal guaranteed wealth management products issued by the Group and the Bank were lower than the contractual amount payable upon maturity to the holders of the wealth management products by RMB194 million, RMB561 million and RMB1,071 million, respectively.
- (2) As at 31 December 2009, the fair value of financial instruments designated as at fair value through profit or loss approximated the contractual amounts payable upon maturity of these contracts.
- (3) There were no significant changes in the fair value of the Group's and the Bank's financial liabilities designated as at fair value through profit or loss that were attributable to the changes in credit risk.

**31. Financial assets sold under repurchase agreements***Group and Bank**Analysed by collateral*

	As at 31 December		
	2007	2008	2009
Bonds . . . . .	68,022	25,447	22,385
Bills . . . . .	1,381	2,598	69,356
Loans and advances to customers . . . . .	<u>3,988</u>	<u>7,045</u>	<u>9,071</u>
Total . . . . .	<u>73,391</u>	<u>35,090</u>	<u>100,812</u>

## A. FINANCIAL INFORMATION (continued)

(Amounts in millions of Renminbi, unless otherwise stated)

## VI. NOTES TO FINANCIAL INFORMATION (continued)

## 32. Due to customers

*Group*

	Note	As at 31 December		
		2007	2008	2009
Demand deposits				
Corporate customers .....		1,646,505	1,639,975	2,168,775
Individual customers .....		1,363,547	1,628,813	1,992,301
Time deposits				
Corporate customers .....		474,192	533,012	743,589
Individual customers .....		1,617,890	2,108,105	2,373,160
Guaranteed and margin deposits .....	(1)	111,249	107,722	129,525
Others (including outward remittance and remittance outstanding) .....		73,811	79,801	90,268
Total .....		<u>5,287,194</u>	<u>6,097,428</u>	<u>7,497,618</u>

*Bank*

	Note	As at 31 December		
		2007	2008	2009
Demand deposits				
Corporate customers .....		1,646,505	1,639,975	2,168,674
Individual customers .....		1,363,547	1,628,813	1,992,275
Time deposits				
Corporate customers .....		474,192	532,973	743,589
Individual customers .....		1,617,890	2,108,092	2,373,111
Guaranteed and margin deposits .....	(1)	111,249	107,722	129,525
Others (including outward remittance and remittance outstanding) .....		73,811	79,798	90,268
Total .....		<u>5,287,194</u>	<u>6,097,373</u>	<u>7,497,442</u>

(1) Analysed by business/products for which deposit is required:

*Group and Bank*

	As at 31 December		
	2007	2008	2009
Bank acceptances .....	70,345	72,637	74,002
Letters of guarantee .....	5,697	10,451	9,161
Letters of credit .....	9,754	7,544	9,185
Personal guarantee .....	1,955	1,144	4,413
Others .....	23,498	15,946	32,764
Total .....	<u>111,249</u>	<u>107,722</u>	<u>129,525</u>

## A. FINANCIAL INFORMATION (continued)

(Amounts in millions of Renminbi, unless otherwise stated)

## VI. NOTES TO FINANCIAL INFORMATION (continued)

## 33. Accrued staff costs

*Group*

	Notes	2007			
		As at 1 January	Accrued /(reversed)	Paid	As at 31 December
Salaries, bonuses and allowances		6,905	24,301	(23,470)	7,736
Social insurance		1,063	4,713	(5,458)	318
Housing funds		251	2,577	(2,634)	194
Labour union fees and staff education expenses		580	1,067	(762)	885
Supplementary retirement benefits	(1)	38,658	(4,300)	(3,045)	31,313
Early retirement benefits	(2)	20,452	(552)	(2,414)	17,486
Others		81	3,365	(3,029)	417
Total		<u>67,990</u>	<u>31,171</u>	<u>(40,812)</u>	<u>58,349</u>

  

	Notes	2008			
		As at 1 January	Accrued /(reversed)	Paid	As at 31 December
Salaries, bonuses and allowances		7,736	31,648	(30,895)	8,489
Social insurance		318	6,024	(5,830)	512
Housing funds		194	3,049	(2,963)	280
Labour union fees and staff education expenses		885	1,466	(1,243)	1,108
Supplementary retirement benefits	(1)	31,313	8,935	(1,611)	38,637
Early retirement benefits	(2)	17,486	2,685	(2,284)	17,887
Others		417	3,969	(3,155)	1,231
Total		<u>58,349</u>	<u>57,776</u>	<u>(47,981)</u>	<u>68,144</u>

  

	Notes	2009			
		As at 1 January	Accrued /(reversed)	Paid	As at 31 December
Salaries, bonuses and allowances		8,489	35,734	(33,554)	10,669
Social insurance		512	9,592	(9,530)	574
Housing funds		280	3,710	(3,730)	260
Labour union fees and staff education expenses		1,108	1,601	(1,453)	1,256
Supplementary retirement benefits	(1)	38,637	—	(38,637)	—
Early retirement benefits	(2)	17,887	780	(2,788)	15,879
Others		1,231	4,348	(4,279)	1,300
Total		<u>68,144</u>	<u>55,765</u>	<u>(93,971)</u>	<u>29,938</u>

## A. FINANCIAL INFORMATION (continued)

(Amounts in millions of Renminbi, unless otherwise stated)

## VI. NOTES TO FINANCIAL INFORMATION (continued)

## 33. Accrued staff costs (continued)

*Bank*

	Notes	2007			
		As at 1 January	Accrued /(reversed)	Paid	As at 31 December
Salaries, bonuses and allowances		6,904	24,288	(23,458)	7,734
Social insurance		1,063	4,713	(5,458)	318
Housing funds		251	2,577	(2,634)	194
Labour union fees and staff education expenses		580	1,067	(762)	885
Supplementary retirement benefits	(1)	38,658	(4,300)	(3,045)	31,313
Early retirement benefits	(2)	20,452	(552)	(2,414)	17,486
Others		81	3,365	(3,029)	417
Total		<u>67,989</u>	<u>31,158</u>	<u>(40,800)</u>	<u>58,347</u>

  

	Notes	2008			
		As at 1 January	Accrued /(reversed)	Paid	As at 31 December
Salaries, bonuses and allowances		7,734	31,604	(30,863)	8,475
Social insurance		318	6,024	(5,830)	512
Housing funds		194	3,049	(2,963)	280
Labour union fees and staff education expenses		885	1,466	(1,243)	1,108
Supplementary retirement benefits	(1)	31,313	8,935	(1,611)	38,637
Early retirement benefits	(2)	17,486	2,685	(2,284)	17,887
Others		417	3,969	(3,155)	1,231
Total		<u>58,347</u>	<u>57,732</u>	<u>(47,949)</u>	<u>68,130</u>

  

	Notes	2009			
		As at 1 January	Accrued /(reversed)	Paid	As at 31 December
Salaries, bonuses and allowances		8,475	35,682	(33,515)	10,642
Social insurance		512	9,592	(9,530)	574
Housing funds		280	3,710	(3,730)	260
Labour union fees and staff education expenses		1,108	1,601	(1,453)	1,256
Supplementary retirement benefits	(1)	38,637	—	(38,637)	—
Early retirement benefits	(2)	17,887	780	(2,788)	15,879
Others		1,231	4,348	(4,279)	1,300
Total		<u>68,130</u>	<u>55,713</u>	<u>(93,932)</u>	<u>29,911</u>

The Group's obligation in respect of the supplementary retirement benefits and early retirement benefits at the end of each reporting period was calculated using the projected unit credit actuarial cost method by Towers Watson, an external independent actuary.



**A. FINANCIAL INFORMATION (continued)**

(Amounts in millions of Renminbi, unless otherwise stated)

**VI. NOTES TO FINANCIAL INFORMATION (continued)****33. Accrued staff costs (continued)**

## (1) Supplementary retirement benefits

Supplementary retirement benefits include supplementary pension and medical benefits.

Amount recognised in profit or loss in respect of the supplementary retirement benefits is as follows:

**Group and Bank**

	Year ended 31 December		
	2007	2008	2009
Interest cost .....	1,114	1,362	—
Actuarial (gain)/loss recognised during the year .....	(5,414)	4,988	—
Obligations in respect of retirements during the extended period .....	—	2,585	—
Total .....	<u>(4,300)</u>	<u>8,935</u>	<u>—</u>

In 2009, the Bank transferred the obligations under the supplementary retirement benefits provided for employees of Domestic Institutions who retired on or before 31 December 2007, and during the year from 1 January 2008 to 31 December 2008 (the “extended period”) to ABC Enterprise Annuity Council. After the transfer, ABC Enterprise Annuity Council is responsible for management and payment of supplementary retirement benefits to employees. The Bank has no further obligation for such supplementary retirement benefits.

The principal assumptions used for the purpose of the actuarial valuations were as follows:

	As at 31 December		
	2007	2008	2009
Discount rate .....	4.50%	3.00% & 3.50%	—
Annual average medical expenses inflation rate .....	8.00%	8.00%	—
Mortality rate .....	China Insurance Industry Experience Mortality Table 2000-2003		

**A. FINANCIAL INFORMATION (continued)**

(Amounts in millions of Renminbi, unless otherwise stated)

**VI. NOTES TO FINANCIAL INFORMATION (continued)****33. Accrued staff costs (continued)**

## (2) Early retirement benefits

Amount recognised in profit or loss in respect of the early retirement benefits is as follows:

**Group and Bank**

	Year ended 31 December		
	2007	2008	2009
Interest cost	481	692	331
Actuarial (gain)/loss recognised in the year	(1,033)	1,062	(250)
Present value of benefit obligation for early retired employees annuity plan contribution	—	—	369
Incremental early retirement obligation cost	—	931	330
Total	<u>(552)</u>	<u>2,685</u>	<u>780</u>

The principal assumptions used for the purpose of the actuarial valuations were as follows:

	As at 31 December		
	2007	2008	2009
Discount rate	4.25%	2.00%	2.50%
Annual average medical expenses inflation rate	8.00%	8.00%	8.00%
Annual subsidies inflation rate	8.00%	8.00%	8.00%
Normal retirement age			
—Male	60	60	60
—Female	<u>55</u>	<u>55</u>	<u>55</u>

**34. Debt securities issued****Group and Bank**

	Notes	As at 31 December		
		2007	2008	2009
Subordinated bonds issued	(1)	—	—	49,955
Certificates of deposit issued	(2)	<u>4,154</u>	<u>5,150</u>	<u>5,224</u>
Total		<u>4,154</u>	<u>5,150</u>	<u>55,179</u>

As approved by the PBOC and the CBRC, the Bank issued callable subordinated bonds of RMB50,000 million in May 2009.

**A. FINANCIAL INFORMATION (continued)**

(Amounts in millions of Renminbi, unless otherwise stated)

**VI. NOTES TO FINANCIAL INFORMATION (continued)****34. Debt securities issued (continued)**

(1) The carrying value of the Group and the Bank's subordinated bonds issued is as follows:

	Notes	As at 31 December		
		2007	2008	2009
3.3% subordinated fixed rate bonds maturing in May 2019 .....	(i)	—	—	20,000
4.0% subordinated fixed rate bonds maturing in May 2024 .....	(ii)	—	—	25,000
Subordinated floating rate bonds maturing in May 2019 .....	(iii)	—	—	5,000
Total nominal value .....				50,000
Less: Unamortised issuance cost .....		—	—	(45)
Carrying value .....		—	—	49,955

- (i) The subordinated fixed rate bonds issued in May 2009 have a maturity of 10 years, with a fixed coupon rate of 3.3%, payable annually. The Bank has an option to redeem all of the bonds at face value on 20 May 2014. If the Bank does not exercise this option, the coupon rate of the bonds will increase to 6.3% per annum from 20 May 2014 for the next five years.
- (ii) The subordinated fixed rate bonds issued in May 2009 have a maturity of 15 years, with a fixed coupon rate of 4.0%, payable annually. The Bank has an option to redeem all of the bonds at face value on 20 May 2019. If the Bank does not exercise this option, the coupon rate of the bonds will increase to 7.0% per annum from 20 May 2019 for the next five years.
- (iii) The subordinated floating rate bonds issued in May 2009 have a maturity of 10 years. The annual coupon rate on the bonds resets annually based on the PBOC one-year fixed deposit rate + 60 basis points and is payable annually. The Bank has an option to redeem all of the bonds at face value on 20 May 2014. If the Bank does not exercise this option, the interest rate of the bonds will be adjusted to the PBOC one-year rate + 360 basis points from 20 May 2014 for the next five years.

(2) Certificates of deposit issued by the branches of the Bank in Hong Kong and Singapore were measured at amortised cost.

**35. Deferred tax assets**

For the purpose of presentation in the statements of financial position, certain deferred tax assets and liabilities have been offset.

**Group**

	As at 31 December		
	2007	2008	2009
Deferred tax assets .....	11,524	17,107	19,659

**Bank**

	As at 31 December		
	2007	2008	2009
Deferred tax assets .....	11,524	17,093	19,654

## A. FINANCIAL INFORMATION (continued)

(Amounts in millions of Renminbi, unless otherwise stated)

## VI. NOTES TO FINANCIAL INFORMATION (continued)

## 35. Deferred tax assets (continued)

The following are the major deferred tax assets and liabilities recognised and movements thereon during the current and prior years:

*Group*

	Allowance of impairment loss	Early retirement benefits	Accrued but not paid staff cost	Provision	Fair value changes of financial instruments	Others	Total
As at 1 January 2007 . . . . .	9,051	6,749	524	1,135	1,216	(416)	18,259
(Charge)/credit to profit or loss . . . . .	(2,790)	(978)	(524)	13	(2,103)	(380)	(6,762)
Effect of change in tax rate . . . .	(1,518)	(1,399)	—	(278)	145	193	(2,857)
Credit to other comprehensive income. . . . .	—	—	—	—	2,884	—	2,884
As at 31 December 2007 . . . . .	4,743	4,372	—	870	2,142	(603)	11,524
Credit to profit or loss . . . . .	8,344	100	720	170	2,229	2,448	14,011
Charge to other comprehensive income . . . . .	—	—	—	—	(8,428)	—	(8,428)
As at 31 December 2008 . . . . .	13,087	4,472	720	1,040	(4,057)	1,845	17,107
(Charge)/credit to profit or loss . . . . .	(487)	(502)	1,940	(32)	(805)	(1,844)	(1,730)
Credit to other comprehensive income . . . . .	—	—	—	—	4,282	—	4,282
As at 31 December 2009 . . . . .	<u>12,600</u>	<u>3,970</u>	<u>2,660</u>	<u>1,008</u>	<u>(580)</u>	<u>1</u>	<u>19,659</u>

*Bank*

	Allowance of impairment loss	Early retirement benefits	Accrued but not paid staff cost	Provision	Fair value changes of financial instruments	Others	Total
As at 1 January 2007 . . . . .	9,051	6,749	524	1,135	1,216	(416)	18,259
(Charge)/credit to profit or loss . . . . .	(2,790)	(978)	(524)	13	(2,103)	(380)	(6,762)
Effect of change in tax rate . . . .	(1,518)	(1,399)	—	(278)	145	193	(2,857)
Credit to other comprehensive income . . . . .	—	—	—	—	2,884	—	2,884
As at 31 December 2007 . . . . .	4,743	4,372	—	870	2,142	(603)	11,524
Credit to profit or loss . . . . .	8,344	100	720	170	2,229	2,434	13,997
Charge to other comprehensive income . . . . .	—	—	—	—	(8,428)	—	(8,428)
As at 31 December 2008 . . . . .	13,087	4,472	720	1,040	(4,057)	1,831	17,093
(Charge)/credit to profit or loss . . . . .	(487)	(502)	1,936	(32)	(805)	(1,831)	(1,721)
Credit to other comprehensive income . . . . .	—	—	—	—	4,282	—	4,282
As at 31 December 2009 . . . . .	<u>12,600</u>	<u>3,970</u>	<u>2,656</u>	<u>1,008</u>	<u>(580)</u>	<u>—</u>	<u>19,654</u>

## A. FINANCIAL INFORMATION (continued)

(Amounts in millions of Renminbi, unless otherwise stated)

## VI. NOTES TO FINANCIAL INFORMATION (continued)

## 36. Other liabilities

*Group*

	Notes	As at 31 December		
		2007	2008	2009
Interest payable	(1)	44,686	66,512	66,762
Amount payable to the MOF	(2)	—	26,027	5,891
Items in process of clearing and settlement		7,224	14,071	13,361
Dormant accounts		3,795	3,411	3,056
Securities purchases payable		4,940	2,860	6,626
Provision	(3)	5,395	5,784	5,047
Business and other taxes payable		5,419	4,939	4,282
Others		15,537	14,732	24,020
Total		<u>86,996</u>	<u>138,336</u>	<u>129,045</u>

*Bank*

		As at 31 December		
		2007	2008	2009
Interest payable	(1)	44,688	66,515	66,762
Amount payable to the MOF	(2)	—	26,027	5,891
Items in process of clearing and settlement		7,224	14,071	13,345
Dormant accounts		3,795	3,411	3,056
Securities purchases payable		4,940	2,860	6,626
Provision	(3)	5,395	5,784	5,047
Business and other taxes payable		5,419	4,939	4,280
Others		14,991	14,409	23,640
Total		<u>86,452</u>	<u>138,016</u>	<u>128,647</u>

## (1) Interest payable

*Group*

	As at 31 December		
	2007	2008	2009
Due to customers	43,207	64,510	62,662
Deposits from banks and other financial institutions	1,198	1,809	2,837
Placements from banks and other financial institutions	146	167	45
Debt securities issued	16	22	1,105
Financial assets sold under repurchase agreements	119	4	113
Total	<u>44,686</u>	<u>66,512</u>	<u>66,762</u>

## A. FINANCIAL INFORMATION (continued)

(Amounts in millions of Renminbi, unless otherwise stated)

## VI. NOTES TO FINANCIAL INFORMATION (continued)

## 36. Other liabilities (continued)

## (1) Interest payable (continued)

*Bank*

	As at 31 December		
	2007	2008	2009
Due to customers .....	43,209	64,513	62,662
Deposits from banks and other financial institutions .....	1,198	1,809	2,837
Placements from banks and other financial institutions .....	146	167	45
Debt securities issued .....	16	22	1,105
Financial assets sold under repurchase agreements .....	119	4	113
Total .....	<u>44,688</u>	<u>66,515</u>	<u>66,762</u>

## (2) Amount payable to the MOF

Pursuant to the MOF's Notice on Relevant Issues Concerning the Disposal of Non-performing assets of Agricultural Bank of China (Caijin [2008] No. 138), the MOF assigned the Bank to manage and dispose of the non-performing assets. Effective from 1 January 2008, the MOF is the beneficiary owner of the non-performing assets and thus entitled to any proceeds arising from the disposal and collection of these non-performing assets. The amount payable to the MOF represents proceeds collected from the transferred non-performing assets by the Group on behalf of the MOF.

## (3) Provision

*Group and Bank*

	As at 31 December								
	2007			2008			2009		
	Allowances for litigation	Others	Total	Allowances for litigation	Others	Total	Allowances for litigation	Others	Total
At 1 January .....	2,777	2,830	5,607	2,819	2,576	5,395	2,829	2,955	5,784
Additions .....	432	—	432	1,053	1,017	2,070	1,182	163	1,345
Reversals .....	(45)	—	(45)	(826)	(582)	(1,408)	(634)	(985)	(1,619)
Utilised .....	(345)	(254)	(599)	(217)	(56)	(273)	(403)	(60)	(463)
Total .....	<u>2,819</u>	<u>2,576</u>	<u>5,395</u>	<u>2,829</u>	<u>2,955</u>	<u>5,784</u>	<u>2,974</u>	<u>2,073</u>	<u>5,047</u>

## A. FINANCIAL INFORMATION (continued)

(Amounts in millions of Renminbi, unless otherwise stated)

## VI. NOTES TO FINANCIAL INFORMATION (continued)

## 37. Paid in/share capital

*Group and Bank*

	Note	As at 31 December		
		2007	2008	2009
As at 1 January . . . . .		121,944	121,612	260,000
Transfer to China Great Wall Asset Management Corporation . . . . .	(1)	(332)	(7)	—
Capital restructuring . . . . .	II. 3	—	8,395	—
Capital injection by Huijin . . . . .	II. 4	—	130,000	—
As at 31 December . . . . .	(2)	<u>121,612</u>	<u>260,000</u>	<u>260,000</u>

(1) Pursuant to the MOF's Letter Concerning the Transfer of capital of China Great Wall Trust and Investment Company (Caijin[2000] No. 111), the Bank transferred capital to China Great Wall Asset Management Corporation.

(2) The MOF and Huijin jointly established Agricultural Bank of China Limited. The MOF and Huijin each held 130,000 million promoter's share at par value of RMB1 each. The contribution from the MOF was deemed at RMB130,000 million upon completion of the Financial Restructuring and incorporation of joint stock company as set out in Note II. Contribution from Huijin was satisfied by cash of RMB130,000 million. All shares held by the MOF and Huijin are shares held on behalf of the PRC Government. The capital contribution was verified by Deloitte Touche Tohmatsu CPA Ltd., with verification report *De Shi Bao (Yan) Zi (08) No. 0034* issued on 25 December 2008.

## 38. Investment revaluation reserve

*Group and Bank*

	2007			2008			2009		
	Gross amount	Tax effect	Net effect	Gross amount	Tax effect	Net effect	Gross amount	Tax effect	Net effect
As at 1 January . . . . .	1,257	(296)	961	(10,354)	2,588	(7,766)	23,132	(5,840)	17,292
(Loss)/gain on fair value changes of available-for-sale financial assets . . . . .	(11,820)	2,936	(8,884)	33,490	(8,429)	25,061	(13,146)	3,331	(9,815)
Reclassification adjustment to profit or loss upon disposal/impairment of available-for-sale financial assets . . . . .	209	(52)	157	(4)	1	(3)	(3,804)	951	(2,853)
As at 31 December . . . . .	<u>(10,354)</u>	<u>2,588</u>	<u>(7,766)</u>	<u>23,132</u>	<u>(5,840)</u>	<u>17,292</u>	<u>6,182</u>	<u>(1,558)</u>	<u>4,624</u>

**A. FINANCIAL INFORMATION (continued)**

(Amounts in millions of Renminbi, unless otherwise stated)

**VI. NOTES TO FINANCIAL INFORMATION (continued)****39. Surplus reserve and (accumulated losses)/retained earnings**

Movements of (accumulated losses)/retained earnings of the Bank

	<u>Note</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
As at 1 January . . . . .		(889,463)	(846,086)	10,677
Profit for the year . . . . .		43,383	51,591	64,892
Capitalisation of reserves . . . . .	II.3	—	(34,497)	—
Capital restructuring . . . . .	II.3	—	840,859	—
Appropriation to surplus reserve . . . . .		—	(1,187)	(6,489)
Appropriation to general and regulatory reserve . . . . .	VI.40	(6)	(3)	(10,695)
As at 31 December . . . . .		<u>(846,086)</u>	<u>10,677</u>	<u>58,385</u>

Under relevant PRC Laws, the Bank is required to transfer 10% of its net profit to a non-distributable statutory surplus reserve. Appropriation to the statutory surplus reserve may cease when the balance of such reserve has reached 50% of the share capital.

**40. General and regulatory reserve**

Pursuant to *Measures on General Provision for Bad and Doubtful Debts for Financial Institutions (Caijin [2005] No. 49)* and *Application Guidance of Financing Measures for Financial Institutions (Caijin [2007] No. 23)* issued by MOF in addition to the specific and collective allowance for impairment losses, the Bank is required to establish and maintain a general reserve within equity to address potential unidentified impairment losses. The general reserve should not be less than 1% of the aggregate amount of risk assets as defined by this policy.

Pursuant to the relevant regulatory requirements in the PRC, ABC-CA Fund Management Co., Ltd., a subsidiary of the Bank, that mainly engages in fund raising, distribution and assets management, is required to appropriate certain amounts of its net profit as general reserve.

For the years ended 31 December 2007, 2008 and 2009, the Group transferred RMB6 million, RMB7 million and RMB10,708 million respectively to general and regulatory reserve pursuant to regulatory requirements in the PRC and overseas jurisdiction.



**A. FINANCIAL INFORMATION (continued)****(Amounts in millions of Renminbi, unless otherwise stated)****VI. NOTES TO FINANCIAL INFORMATION (continued)****41. Cash and cash equivalents**

For the purpose of the consolidated statements of cash flows, cash and cash equivalents include the following balances with an original maturity of less than three months:

	<u>As at 31 December</u>		
	<u>2007</u>	<u>2008</u>	<u>2009</u>
Cash .....	43,499	44,168	48,896
Balances with central banks .....	90,677	120,131	103,893
Deposits with banks and other financial institutions with an original maturity of less than 3 months .....	9,499	51,388	44,805
Financial assets held under resale agreements with an original maturity of less than 3 months .....	135,102	237,278	95,561
Placements with banks and other financial institutions with an original maturity of less than 3 months .....	<u>35,413</u>	<u>35,599</u>	<u>36,145</u>
Total .....	<u><u>314,190</u></u>	<u><u>488,564</u></u>	<u><u>329,300</u></u>

**42. Segment information**

Operating segments are identified on the basis of internal reports about components of the Group that are regularly reviewed by the Board and relevant management committees (chief operating decision maker) for the purposes of allocating resources to segments and assessing their performance. The Group's chief operating decision maker reviews three different sets of financial information for allocating resources and performance assessment. They are financial information based on (i) geographical location, (ii) business activities and (iii) argo-related (County Area and Urban Area) banking business.

The measurement of segment assets and liabilities, segment income and results is based on the Group's accounting policies in accordance with accounting rules and regulations applicable to PRC enterprises. There is no significant difference between the segment accounting policy and the policies applied in preparing the Financial Information.

Transactions between segments are conducted under normal commercial terms and conditions. Internal charges and transfer pricing are determined with reference to market rates and have been reflected in the performance of each segment. Interest income and expense arising from internal charges and transfer pricing adjustments are referred to as "inter-segment interest income/expense". Interest income and expense earned from third parties are referred to as "external interest income/expense".

Segment revenues, results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

**A. FINANCIAL INFORMATION (continued)**

(Amounts in millions of Renminbi, unless otherwise stated)

**VI. NOTES TO FINANCIAL INFORMATION (continued)****42. Segment information (continued)****(a) Geographical segment**

The details of the geographical segments are as follows:

- Head Office
- Yangtze River Delta: including Shanghai, Jiangsu, Zhejiang, Ningbo
- Pearl River Delta: including Guangdong, Shenzhen, Fujian, Xiamen
- Bohai Rim: including Beijing, Tianjin, Hebei, Shandong, Qingdao
- Central China: including Shanxi, Hubei, Henan, Hunan, Jiangxi, Hainan, Anhui
- Western China: including Chongqing, Sichuan, Guizhou, Yunnan, Shaanxi, Gansu, Qinghai, Ningxia, Xinjiang, Xinjiang Bingtuan, Tibet, Inner Mongolia, Guangxi
- Northeastern China: including Liaoning, Heilongjiang, Jilin, Dalian, and
- Overseas and others: including overseas branches and subsidiaries.

## A. FINANCIAL INFORMATION (continued)

(Amounts in millions of Renminbi, unless otherwise stated)

## VI. NOTES TO FINANCIAL INFORMATION (continued)

## 42. Segment information (continued)

## (a) Geographical segment (continued)

2007	Head Office	Yangtze River Delta	Pearl River Delta	Bohai Rim	Central China	Western China	Northeastern China	Overseas and others	Segment total	Eliminations	Consolidated total
External interest income	66,708	51,359	25,410	32,989	21,783	41,873	7,891	2,022	250,035	—	250,035
External interest expense	(1,617)	(19,901)	(13,027)	(14,780)	(13,871)	(15,712)	(5,375)	(1,569)	(85,852)	—	(85,852)
Inter-segment interest (expense)/income	(46,736)	4,392	9,193	7,534	12,220	8,822	4,575	—	—	—	—
Net interest income	18,355	35,850	21,576	25,743	20,132	34,983	7,091	453	164,183	—	164,183
Fee and commission income	1,141	4,641	4,462	3,669	3,571	5,063	1,336	38	23,921	—	23,921
Fee and commission expense	(127)	(208)	(160)	(146)	(89)	(144)	(52)	—	(926)	—	(926)
Net fee and commission income	1,014	4,433	4,302	3,523	3,482	4,919	1,284	38	22,995	—	22,995
Net trading gain/(loss)	2,984	—	—	—	—	—	—	(16)	2,968	—	2,968
Net loss on financial instruments designated as at fair value through profit or loss	(1,227)	—	—	—	—	—	—	(17)	(1,244)	—	(1,244)
Net (loss)/gain on investment securities	(11)	25	1	2	4	6	—	6	33	—	33
Other operating (expense)/income, net	(12,639)	1,581	1,674	824	962	1,159	331	624	(5,484)	—	(5,484)
Operating income	8,476	41,889	27,553	30,092	24,580	41,067	8,706	1,088	183,451	—	183,451
Operating expenses	(3,296)	(14,497)	(9,808)	(11,549)	(11,845)	(17,391)	(6,052)	(182)	(74,620)	—	(74,620)
Impairment losses on assets	(9,989)	(2,034)	(461)	(5,236)	(4,585)	(5,427)	(2,728)	(114)	(30,574)	—	(30,574)
Operating (loss)/profit	(4,809)	25,358	17,284	13,307	8,150	18,249	(74)	792	78,257	—	78,257
Share of losses of an associate	—	—	—	—	—	—	—	—	—	—	—
(Loss)/profit before tax	(4,809)	25,358	17,284	13,307	8,150	18,249	(74)	792	78,257	—	78,257
Income tax expense	—	—	—	—	—	—	—	—	—	—	—
Profit for the year	2,866,937	1,349,448	838,815	914,971	731,730	1,062,898	222,803	42,056	8,029,658	(2,735,676)	5,293,982
Segment assets	—	—	—	—	223	—	—	—	223	—	223
Including: Interest in an associate	—	—	—	—	—	—	—	—	—	—	—
Unallocated assets	—	—	—	—	—	—	—	—	—	—	—
Total assets	(2,849,298)	(1,364,814)	(915,228)	(1,019,741)	(966,112)	(1,233,349)	(352,923)	(39,937)	(8,741,402)	2,735,676	(6,005,726)
Segment liabilities	—	—	—	—	—	—	—	—	—	—	—
Unallocated liabilities	—	—	—	—	—	—	—	—	—	—	—
Total liabilities	—	—	—	—	—	—	—	—	—	—	—
Supplementary information	—	—	—	—	—	—	—	—	—	—	—
Credit commitments	29,149	216,790	117,288	145,884	87,221	104,382	13,526	9,935	724,175	—	724,175
Depreciation and amortisation included in operating expenses	(753)	(1,273)	(1,053)	(1,137)	(1,310)	(1,695)	(577)	(17)	(7,815)	—	(7,815)
Capital expenditure	2,256	2,542	1,032	1,786	1,992	2,472	736	28	12,844	—	12,844

## A. FINANCIAL INFORMATION (continued)

(Amounts in millions of Renminbi, unless otherwise stated)

## VI. NOTES TO FINANCIAL INFORMATION (continued)

## 42. Segment information (continued)

## (a) Geographical segment (continued)

2008	Head Office	Yangtze River Delta	Pearl River Delta	Bohai Rim	Central China	Western China	Northeastern China	Overseas and others	Segment total	Eliminations	Consolidated total
External interest income	107,083	63,934	30,916	38,531	24,529	48,497	6,837	1,528	321,855	—	321,855
External interest expense	(2,212)	(27,979)	(18,130)	(22,182)	(20,138)	(22,794)	(7,353)	(1,064)	(121,852)	—	(121,852)
Inter-segment interest (expense)/income	(46,638)	1,411	8,806	7,363	14,278	9,290	5,490	—	—	—	—
Net interest income	58,233	37,366	21,592	23,712	18,669	34,993	4,974	464	200,003	—	200,003
Fee and commission income	1,028	5,154	4,467	3,925	4,013	4,959	1,203	45	24,794	—	24,794
Fee and commission expense	(97)	(255)	(243)	(129)	(80)	(146)	(46)	—	(996)	—	(996)
Net fee and commission income	931	4,899	4,224	3,796	3,933	4,813	1,157	45	23,798	—	23,798
Net trading (loss)/gain	(5,741)	1,805	102	196	510	1,884	429	(80)	(895)	—	(895)
Net loss on financial instruments designated as at fair value through profit or loss	(3,531)	—	—	—	—	—	—	(72)	(3,603)	—	(3,603)
Net gain on investment securities	287	3	6	10	12	3	—	3	324	—	324
Other operating (expense)/income, net	(9,538)	1,016	577	643	820	654	160	57	(5,611)	—	(5,611)
Operating income	40,641	45,089	26,501	28,357	23,944	42,347	6,720	417	214,016	—	214,016
Operating expenses	(3,506)	(21,093)	(14,308)	(16,419)	(19,129)	(26,426)	(9,011)	(283)	(110,175)	—	(110,175)
Impairment losses on assets	(10,538)	(5,962)	(8,088)	(6,889)	(4,724)	(11,638)	(3,597)	(42)	(51,478)	—	(51,478)
Operating profit/(loss)	26,597	18,034	4,105	5,049	91	4,283	(5,888)	92	52,363	—	52,363
Share of losses of an associate	—	—	—	—	(14)	—	—	—	(14)	—	(14)
Profit/(loss) before tax	26,597	18,034	4,105	5,049	77	4,283	(5,888)	92	52,349	—	52,349
Income tax expense	—	—	—	—	—	—	—	—	—	—	(896)
Profit for the year	—	—	—	—	—	—	—	—	—	—	51,453
Segment assets	4,128,292	1,565,536	1,055,448	1,134,722	1,115,727	1,434,709	363,744	40,902	10,839,080	(3,841,836)	6,997,244
Including: Interest in an associate	—	—	—	—	155	—	—	—	155	—	155
Unallocated assets	—	—	—	—	—	—	—	—	—	—	17,107
Total assets	(3,913,905)	(1,533,043)	(1,043,150)	(1,120,040)	(1,107,838)	(1,419,263)	(368,020)	(39,153)	(10,544,412)	3,841,836	7,014,351
Segment liabilities	—	—	—	—	—	—	—	—	—	—	(6,702,576)
Unallocated liabilities	—	—	—	—	—	—	—	—	—	—	(21,234)
Total liabilities	—	—	—	—	—	—	—	—	—	—	(6,723,810)
Supplementary information	—	—	—	—	—	—	—	—	—	—	—
Credit commitments	42,157	233,162	121,005	141,534	108,039	108,798	12,743	14,144	781,582	—	781,582
Depreciation and amortisation included in operating expenses	(956)	(2,165)	(1,549)	(1,660)	(1,952)	(2,319)	(757)	(65)	(11,423)	—	(11,423)
Capital expenditure	1,727	2,546	1,185	3,641	2,216	2,945	833	60	15,153	—	15,153

APPENDIX I

ACCOUNTANTS' REPORT

A. FINANCIAL INFORMATION (continued)

(Amounts in millions of Renminbi, unless otherwise stated)

VI. NOTES TO FINANCIAL INFORMATION (continued)

42. Segment information (continued)

(a) Geographical segment (continued)

2009	Head Office	Yangtze River Delta	Pearl River Delta	Bohai Rim	Central China	Western China	Northeastern China	Overseas and others	Segment total	Eliminations	Consolidated total
External interest income	101,607	54,781	28,269	34,018	23,618	46,162	6,918	774	296,147	—	296,147
External interest expense	(1,853)	(27,090)	(17,250)	(21,465)	(18,550)	(20,772)	(7,298)	(230)	(114,508)	—	(114,508)
Inter-segment interest (expense)/income	(75,091)	10,426	11,199	14,831	17,154	14,416	7,065	—	—	—	—
Net interest income	24,663	38,117	22,218	27,384	22,222	39,806	6,685	544	181,639	—	181,639
Fee and commission income	2,371	8,300	5,851	5,425	5,767	7,695	1,825	51	37,285	—	37,285
Fee and commission expense	(125)	(533)	(266)	(197)	(194)	(248)	(82)	—	(1,645)	—	(1,645)
Net fee and commission income	2,246	7,767	5,585	5,228	5,573	7,447	1,743	51	35,640	—	35,640
Net trading gain/(loss)	1,648	(594)	(41)	(45)	(237)	(230)	(59)	2	444	—	444
Net gain on financial instruments designated as at fair value through profit or loss	1,988	1	458	1	1	1	—	63	2,052	—	2,052
Net (loss)/gain on investment securities	(639)	4	536	491	418	496	260	517	(173)	—	(173)
Other operating income, net	447	870	—	—	—	—	—	—	4,035	—	4,035
Operating income	30,353	46,165	28,756	33,059	27,977	47,520	8,629	1,178	223,637	—	223,637
Operating expenses	(6,600)	(20,874)	(14,632)	(15,899)	(17,153)	(25,369)	(8,524)	(516)	(109,567)	—	(109,567)
Impairment losses on assets	3,756	(14,468)	(7,525)	(4,800)	(4,173)	(10,924)	(1,946)	(62)	(40,142)	—	(40,142)
Operating profit/(loss)	27,509	10,823	6,599	12,360	6,651	11,227	(1,841)	600	73,928	—	73,928
Share of losses of an associate	—	—	—	—	—	—	—	—	—	—	—
Profit/(loss) before tax	27,509	10,823	6,599	12,360	6,651	11,227	(1,841)	600	73,928	—	73,928
Income tax expense	—	—	—	—	—	—	—	—	—	—	—
Profit for the year	—	—	—	—	—	—	—	—	—	—	—
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	—	—	—	—	—	—	—	—	—	—	—
Total assets	—	—	—	—	—	—	—	—	—	—	—
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	—	—	—	—	—	—	—	—	—	—	—
Total liabilities	—	—	—	—	—	—	—	—	—	—	—
Supplementary information	—	—	—	—	—	—	—	—	—	—	—
Credit commitments	52,834	321,714	204,089	259,806	140,753	180,647	35,329	26,511	1,221,683	—	1,221,683
Depreciation and amortisation included in operating expenses	(990)	(2,140)	(1,292)	(1,519)	(1,814)	(2,177)	(717)	(126)	(10,775)	—	(10,775)
Capital expenditure	1,167	6,573	1,358	4,353	1,799	3,857	1,117	166	20,390	—	20,390
Total assets	8,882,588	8,882,588	8,882,588	8,882,588	8,882,588	8,882,588	8,882,588	8,882,588	8,882,588	8,882,588	8,882,588
Total liabilities	(8,534,500)	(8,534,500)	(8,534,500)	(8,534,500)	(8,534,500)	(8,534,500)	(8,534,500)	(8,534,500)	(8,534,500)	(8,534,500)	(8,534,500)
Total	(8,539,663)	(8,539,663)	(8,539,663)	(8,539,663)	(8,539,663)	(8,539,663)	(8,539,663)	(8,539,663)	(8,539,663)	(8,539,663)	(8,539,663)

**A. FINANCIAL INFORMATION (continued)**

(Amounts in millions of Renminbi, unless otherwise stated)

**VI. NOTES TO FINANCIAL INFORMATION (continued)****42. Segment information (continued)*****(b) Business operating segment***

The Group provides a diversified range of banking and related financial services. The products and services offered to customers are organised into four business segments:

*Corporate banking*

The corporate banking segment provides financial products and services to corporations, government agencies and financial institutions. The range of products and services includes corporate loans, trade financing, deposit products and other types of corporate intermediary services.

*Personal banking*

The personal banking segment provides financial products and services to individual customers. The range of products and services includes personal loans, deposit products, card business, personal wealth management services and other types of personal intermediary services.

*Treasury operations*

The Group's treasury operations conduct money market or repurchase transactions, debt instruments investment, and holding of derivative positions, for its own accounts or on behalf of customers.

*Others*

Others comprise equity investments and the remaining part of the Group that could not directly fall into any of the above segments, and certain assets, liabilities, income or expenses of the Head Office that could not be allocated on a reasonable basis.

## A. FINANCIAL INFORMATION (continued)

(Amounts in millions of Renminbi, unless otherwise stated)

## VI. NOTES TO FINANCIAL INFORMATION (continued)

## 42. Segment information (continued)

## (b) Business operating segment (continued)

<u>2007</u>	<u>Corporate banking</u>	<u>Personal banking</u>	<u>Treasury operations</u>	<u>Others</u>	<u>Segment and consolidated total</u>
External interest income .....	163,427	32,928	53,680	—	250,035
External interest expense .....	(28,654)	(49,369)	(7,829)	—	(85,852)
Inter-segment interest (expense)/ income .....	(50,697)	63,631	(12,872)	(62)	—
Net interest income .....	84,076	47,190	32,979	(62)	164,183
Fee and commission income .....	11,348	12,573	—	—	23,921
Fee and commission expense .....	(560)	(366)	—	—	(926)
Net fee and commission income .....	10,788	12,207	—	—	22,995
Net trading gain .....	—	—	2,968	—	2,968
Net loss on financial instruments designated as at fair value through profit or loss .....	—	—	(1,244)	—	(1,244)
Net gain on investment securities .....	—	—	33	—	33
Other operating income/(expense), net .....	1,728	1,616	(10,498)	1,670	(5,484)
Operating income .....	96,592	61,013	24,238	1,608	183,451
Operating expenses .....	(33,086)	(35,137)	(5,753)	(644)	(74,620)
Impairment losses on assets .....	(27,110)	(4,890)	1,502	(76)	(30,574)
Operating profit .....	36,396	20,986	19,987	888	78,257
Share of losses of an associate .....	—	—	—	—	—
Profit before tax .....	36,396	20,986	19,987	888	78,257
Income tax expense .....					(34,470)
Profit for the year .....					43,787
Segment assets .....	2,380,398	476,893	2,432,986	3,705	5,293,982
Including: Interest in an associate .....	—	—	—	223	223
Unallocated assets .....					11,524
Total assets .....					5,305,506
Segment liabilities .....	(2,372,601)	(3,052,823)	(579,726)	(576)	(6,005,726)
Unallocated liabilities .....					(27,385)
Total liabilities .....					(6,033,111)
Supplementary information					
Credit commitments .....	651,010	73,165	—	—	724,175
Depreciation and amortisation included in operating expenses .....	(2,450)	(4,279)	(1,086)	—	(7,815)
Capital expenditure .....	4,026	7,032	1,786	—	12,844

## A. FINANCIAL INFORMATION (continued)

(Amounts in millions of Renminbi, unless otherwise stated)

## VI. NOTES TO FINANCIAL INFORMATION (continued)

## 42. Segment information (continued)

## (b) Business operating segment (continued)

<u>2008</u>	<u>Corporate banking</u>	<u>Personal banking</u>	<u>Treasury operations</u>	<u>Others</u>	<u>Segment and consolidated total</u>
External interest income . . . . .	190,177	44,669	87,009	—	321,855
External interest expense . . . . .	(37,438)	(74,756)	(9,658)	—	(121,852)
Inter-segment interest (expense)/ income . . . . .	(46,332)	81,462	(35,088)	(42)	—
Net interest income . . . . .	106,407	51,375	42,263	(42)	200,003
Fee and commission income . . . . .	9,095	15,699	—	—	24,794
Fee and commission expense . . . . .	(428)	(568)	—	—	(996)
Net fee and commission income . . . . .	8,667	15,131	—	—	23,798
Net trading loss . . . . .	—	—	(895)	—	(895)
Net loss on financial instruments designated as at fair value through profit or loss . . . . .	—	—	(3,603)	—	(3,603)
Net gain on investment securities . . . . .	—	—	307	17	324
Other operating income/(expense), net . . . . .	1,301	1,490	(8,999)	597	(5,611)
Operating income . . . . .	116,375	67,996	29,073	572	214,016
Operating expenses . . . . .	(43,054)	(54,012)	(12,616)	(493)	(110,175)
Impairment losses on assets . . . . .	(40,480)	(1,003)	(9,995)	—	(51,478)
Operating profit . . . . .	32,841	12,981	6,462	79	52,363
Share of losses of an associate . . . . .	—	—	—	(14)	(14)
Profit before tax . . . . .	32,841	12,981	6,462	65	52,349
Income tax expense . . . . .	—	—	—	—	(896)
Profit for the year . . . . .	—	—	—	—	51,453
Segment assets . . . . .	2,673,949	547,169	3,773,085	3,041	6,997,244
Including: Interest in an associate . . . . .	—	—	—	155	155
Unallocated assets . . . . .	—	—	—	—	17,107
Total assets . . . . .	—	—	—	—	7,014,351
Segment liabilities . . . . .	(2,477,527)	(3,830,744)	(393,932)	(373)	(6,702,576)
Unallocated liabilities . . . . .	—	—	—	—	(21,234)
Total liabilities . . . . .	—	—	—	—	(6,723,810)
Supplementary information					
Credit commitments . . . . .	692,797	88,785	—	—	781,582
Depreciation and amortisation included in operating expenses . . . . .	(3,343)	(6,292)	(1,788)	—	(11,423)
Capital expenditure . . . . .	4,435	8,346	2,372	—	15,153



## A. FINANCIAL INFORMATION (continued)

(Amounts in millions of Renminbi, unless otherwise stated)

## VI. NOTES TO FINANCIAL INFORMATION (continued)

## 42. Segment information (continued)

## (b) Business operating segment (continued)

<u>2009</u>	<u>Corporate banking</u>	<u>Personal banking</u>	<u>Treasury operations</u>	<u>Others</u>	<u>Segment and consolidated total</u>
External interest income . . . . .	163,987	31,702	100,458	—	296,147
External interest expense . . . . .	(34,176)	(71,062)	(9,270)	—	(114,508)
Inter-segment interest (expense)/ income . . . . .	(27,152)	96,417	(69,273)	8	—
Net interest income . . . . .	102,659	57,057	21,915	8	181,639
Fee and commission income . . . . .	20,668	16,617	—	—	37,285
Fee and commission expense . . . . .	(685)	(960)	—	—	(1,645)
Net fee and commission income . . . . .	19,983	15,657	—	—	35,640
Net trading gain . . . . .	—	—	444	—	444
Net gain on financial instruments designated as at fair value through profit or loss . . . . .	—	—	2,052	—	2,052
Net (loss)/gain on investment securities . . . . .	—	—	(179)	6	(173)
Other operating income, net . . . . .	463	900	1,877	795	4,035
Operating income . . . . .	123,105	73,614	26,109	809	223,637
Operating expenses . . . . .	(40,820)	(56,483)	(12,016)	(248)	(109,567)
Impairment losses on assets . . . . .	(37,118)	(7,289)	4,255	10	(40,142)
Operating profit . . . . .	45,167	9,842	18,348	571	73,928
Share of losses of an associate . . . . .	—	—	—	—	—
Profit before tax . . . . .	45,167	9,842	18,348	571	73,928
Income tax expense . . . . .	—	—	—	—	(8,926)
Profit for the year . . . . .	—	—	—	—	65,002
Segment assets . . . . .	3,318,792	921,938	4,621,486	713	8,862,929
Including: Interest in an associate . . . . .	—	—	—	141	141
Unallocated assets . . . . .	—	—	—	—	19,659
Total assets . . . . .	—	—	—	—	8,882,588
Segment liabilities . . . . .	(3,415,474)	(4,592,356)	(525,325)	(1,345)	(8,534,500)
Unallocated liabilities . . . . .	—	—	—	—	(5,163)
Total liabilities . . . . .	—	—	—	—	(8,539,663)
Supplementary information					
Credit commitments . . . . .	1,047,513	174,170	—	—	1,221,683
Depreciation and amortisation included in operating expenses . . . . .	(2,918)	(6,124)	(1,733)	—	(10,775)
Capital expenditure . . . . .	5,527	11,587	3,276	—	20,390

**A. FINANCIAL INFORMATION (continued)**

(Amounts in millions of Renminbi, unless otherwise stated)

**VI. NOTES TO FINANCIAL INFORMATION (continued)****42. Segment information (continued)***(c) County Area and Urban Area segment*

The Group's operating segments organised by County Area and Urban Area banking business are set out as follows:

*County Area banking business*

The Bank's County Area banking business aims to provide financial products and services to the rural area, agriculture industry and peasants through its outlets at the 2,048 county areas across the PRC and 22 tier-two branches. The products and services comprise mainly loans, deposits, bank cards, and agency services.

*Urban Area banking business*

Urban Area banking business comprises all other businesses not covered by County Area banking business, overseas operations, and subsidiaries.

## A. FINANCIAL INFORMATION (continued)

(Amounts in millions of Renminbi, unless otherwise stated)

## VI. NOTES TO FINANCIAL INFORMATION (continued)

## 42. Segment information (continued)

## (c) County Area and Urban Area segment (continued)

2007	County Area banking business	Urban Area banking business	Segment total	Eliminations	Consolidated total
External interest income . . . . .	51,696	198,339	250,035	—	250,035
External interest expense . . . . .	(33,207)	(52,645)	(85,852)	—	(85,852)
Inter-segment interest income/ (expense) . . . . .	18,149	(18,149)	—	—	—
Net interest income . . . . .	36,638	127,545	164,183	—	164,183
Fee and commission income . . . . .	8,974	14,947	23,921	—	23,921
Fee and commission expense . . . . .	(133)	(793)	(926)	—	(926)
Net fee and commission income . . . . .	8,841	14,154	22,995	—	22,995
Net trading gain . . . . .	—	2,968	2,968	—	2,968
Net loss on financial instruments designated as at fair value through profit or loss . . . . .	—	(1,244)	(1,244)	—	(1,244)
Net gain/(loss) on investment securities . . . . .	75	(42)	33	—	33
Other operating income/ (expense), net . . . . .	2,171	(7,655)	(5,484)	—	(5,484)
Operating income . . . . .	47,725	135,726	183,451	—	183,451
Operating expenses . . . . .	(30,644)	(43,976)	(74,620)	—	(74,620)
Impairment losses on assets . . . . .	(7,647)	(22,927)	(30,574)	—	(30,574)
Operating profit . . . . .	9,434	68,823	78,257	—	78,257
Share of losses of an associate . . . . .	—	—	—	—	—
Profit before tax . . . . .	9,434	68,823	78,257	—	78,257
Income tax expense . . . . .	—	—	—	—	(34,470)
Profit for the year . . . . .	—	—	—	—	43,787
Segment assets . . . . .	1,911,160	3,445,169	5,356,329	(62,347)	5,293,982
Including: Interest in an associate . . . . .	—	223	223	—	223
Unallocated assets . . . . .	—	—	—	—	11,524
Total assets . . . . .	—	—	—	—	5,305,506
Segment liabilities . . . . .	(2,223,520)	(3,844,553)	(6,068,073)	62,347	(6,005,726)
Unallocated liabilities . . . . .	—	—	—	—	(27,385)
Total liabilities . . . . .	—	—	—	—	(6,033,111)
Supplementary information					
Credit commitments . . . . .	124,745	599,430	724,175	—	724,175
Depreciation and amortisation included in operating expenses . . . . .	(2,969)	(4,846)	(7,815)	—	(7,815)
Capital expenditure . . . . .	2,928	9,916	12,844	—	12,844

## A. FINANCIAL INFORMATION (continued)

(Amounts in millions of Renminbi, unless otherwise stated)

## VI. NOTES TO FINANCIAL INFORMATION (continued)

## 42. Segment information (continued)

## (c) County Area and Urban Area segment (continued)

2008	County Area banking business	Urban Area banking business	Segment total	Eliminations	Consolidated total
External interest income . . . . .	62,889	258,966	321,855	—	321,855
External interest expense . . . . .	(48,514)	(73,338)	(121,852)	—	(121,852)
Inter-segment interest income/ (expense) . . . . .	45,953	(45,953)	—	—	—
Net interest income . . . . .	60,328	139,675	200,003	—	200,003
Fee and commission income . . . . .	10,671	14,123	24,794	—	24,794
Fee and commission expense . . . . .	(255)	(741)	(996)	—	(996)
Net fee and commission income . . .	10,416	13,382	23,798	—	23,798
Net trading loss . . . . .	—	(895)	(895)	—	(895)
Net loss on financial instruments designated as at fair value through profit or loss . . . . .	—	(3,603)	(3,603)	—	(3,603)
Net gain on investment securities . . . . .	73	251	324	—	324
Other operating income/(expense), net . . . . .	1,208	(6,819)	(5,611)	—	(5,611)
Operating income . . . . .	72,025	141,991	214,016	—	214,016
Operating expenses . . . . .	(45,757)	(64,418)	(110,175)	—	(110,175)
Impairment losses on assets . . . . .	(12,824)	(38,654)	(51,478)	—	(51,478)
Operating profit . . . . .	13,444	38,919	52,363	—	52,363
Share of losses of an associate . . . .	—	(14)	(14)	—	(14)
Profit before tax . . . . .	13,444	38,905	52,349	—	52,349
Income tax expense . . . . .	—	—	—	—	(896)
Profit for the year . . . . .	—	—	—	—	51,453
Segment assets . . . . .	2,715,177	4,356,869	7,072,046	(74,802)	6,997,244
Including: Interest in an associate . . . . .	—	155	155	—	155
Unallocated assets . . . . .	—	—	—	—	17,107
Total assets . . . . .	—	—	—	—	7,014,351
Segment liabilities . . . . .	(2,703,498)	(4,073,880)	(6,777,378)	74,802	(6,702,576)
Unallocated liabilities . . . . .	—	—	—	—	(21,234)
Total liabilities . . . . .	—	—	—	—	(6,723,810)
Supplementary information . . . . .	—	—	—	—	—
Credit commitments . . . . .	145,165	636,417	781,582	—	781,582
Depreciation and amortisation included in operating expenses . . . . .	(4,897)	(6,526)	(11,423)	—	(11,423)
Capital expenditure . . . . .	4,175	10,978	15,153	—	15,153

## A. FINANCIAL INFORMATION (continued)

(Amounts in millions of Renminbi, unless otherwise stated)

## VI. NOTES TO FINANCIAL INFORMATION (continued)

## 42. Segment information (continued)

## (c) County Area and Urban Area segment (continued)

2009	County Area banking business	Urban Area banking business	Segment total	Eliminations	Consolidated total
External interest income .....	57,708	238,439	296,147	—	296,147
External interest expense .....	(41,830)	(72,678)	(114,508)	—	(114,508)
Inter-segment interest income/(expense) .....	54,575	(54,575)	—	—	—
Net interest income .....	70,453	111,186	181,639	—	181,639
Fee and commission income .....	14,146	23,139	37,285	—	37,285
Fee and commission expense .....	(453)	(1,192)	(1,645)	—	(1,645)
Net fee and commission income ...	13,693	21,947	35,640	—	35,640
Net trading gain .....	2	442	444	—	444
Net gain on financial instruments designated as at fair value through profit or loss .....	—	2,052	2,052	—	2,052
Net gain/(loss) on investment securities .....	54	(227)	(173)	—	(173)
Other operating income, net .....	1,159	2,876	4,035	—	4,035
Operating income .....	85,361	138,276	223,637	—	223,637
Operating expenses .....	(46,892)	(62,675)	(109,567)	—	(109,567)
Impairment losses on assets .....	(17,524)	(22,618)	(40,142)	—	(40,142)
Operating profit .....	20,945	52,983	73,928	—	73,928
Share of losses of an associate ....	—	—	—	—	—
Profit before tax .....	20,945	52,983	73,928	—	73,928
Income tax expense .....					(8,926)
Profit for the year .....					65,002
Segment assets .....	3,235,103	5,712,643	8,947,746	(84,817)	8,862,929
Including: Interest in an associate .....	—	141	141	—	141
Unallocated assets .....					19,659
Total assets .....					8,882,588
Segment liabilities .....	(3,217,406)	(5,401,911)	(8,619,317)	84,817	(8,534,500)
Unallocated liabilities .....					(5,163)
Total liabilities .....					(8,539,663)
Supplementary information					
Credit commitments .....	262,452	959,231	1,221,683	—	1,221,683
Depreciation and amortisation included in operating expenses .....	(3,978)	(6,797)	(10,775)	—	(10,775)
Capital expenditure .....	5,296	15,094	20,390	—	20,390

**A. FINANCIAL INFORMATION (continued)**

(Amounts in millions of Renminbi, unless otherwise stated)

**VI. NOTES TO FINANCIAL INFORMATION (continued)****43. Related party transactions**

## (1) The Bank and the MOF

As at 31 December 2007, 2008 and 2009, the MOF directly owned 100%, 50% and 50% of the paid in/share capital of the Bank.

The MOF is one of the ministries under the State Council, primarily responsible for state fiscal revenue and expenditures, and taxation policies. Enterprises or legal entities under the control or supervision of the MOF are mainly financial institutions, government departments and agencies. The Group is of the opinion that none of the companies over which the MOF controls, jointly controls or exercises significant influence is considered as related party of the Group.

Except for the Financial Restructuring set out in Note II, the Group has the following balances and has entered into the following transactions with the MOF in its ordinary course of business:

*Treasury bond and special government bond*

	<u>2007</u>	<u>2008</u>	<u>2009</u>
As at 31 December .....	449,448	492,640	565,085

*Receivable from the MOF*

	<u>2007</u>	<u>2008</u>	<u>2009</u>
As at 31 December .....	—	665,093	635,539

*Interest receivable from the MOF*

	<u>2007</u>	<u>2008</u>	<u>2009</u>
As at 31 December .....	—	1,412	—

*Structured deposits*

	<u>2007</u>	<u>2008</u>	<u>2009</u>
As at 31 December .....	584	547	546

*Amount payable to the MOF*

	<u>2007</u>	<u>2008</u>	<u>2009</u>
As at 31 December .....	—	26,027	5,891

*Deposits from the MOF*

	<u>2007</u>	<u>2008</u>	<u>2009</u>
As at 31 December .....	23,250	8,384	20,477

## A. FINANCIAL INFORMATION (continued)

(Amounts in millions of Renminbi, unless otherwise stated)

## VI. NOTES TO FINANCIAL INFORMATION (continued)

## 43. Related party transactions (continued)

(1) The Bank and the MOF (continued)

*Other liability—redemption of certificate treasury bonds*

	<u>2007</u>	<u>2008</u>	<u>2009</u>
As at 31 December .....	652	818	792

*Net interest income*

	<u>2007</u>	<u>2008</u>	<u>2009</u>
Interest income .....	17,312	42,386	37,909
Interest expense .....	(343)	(131)	(284)
Net interest income .....	<u>16,969</u>	<u>42,255</u>	<u>37,625</u>

	<u>2007</u>	<u>2008</u>	<u>2009</u>
Other operating expense .....	<u>6,718</u>	<u>6,158</u>	<u>—</u>

*Fee and commission income*

	<u>2007</u>	<u>2008</u>	<u>2009</u>
Fee and commission income .....	<u>212</u>	<u>420</u>	<u>4,481</u>

*Government bond underwriting and redemption commitment*

Government bond underwriting and redemption commitment are disclosed in Note VI.44(7).

(2) The Bank and Huijin

Huijin is a wholly-owned subsidiary of China Investment Corporation Limited, which is incorporated in Beijing, PRC with a registered capital of RMB552,117 million. Huijin is established to hold certain equity investments as authorised by the State Council and does not engage in other commercial activities. Huijin exercises legal rights and obligations in the Bank on behalf of the PRC Government.

As at 31 December 2008 and 2009, Huijin directly owned 50% of the paid in/share capital of the Bank. The transactions carried out with Huijin are conducted in the normal course of business, with prices based on normal transaction prices, and under normal commercial terms.

The Group has ordinary business transactions with Huijin. The details are as follows:

	<u>As at 31 December</u>		
	<u>2007</u>	<u>2008</u>	<u>2009</u>
Financial liabilities at FVTPL .....	<u>—</u>	<u>5,840</u>	<u>4,014</u>

**A. FINANCIAL INFORMATION (continued)**

(Amounts in millions of Renminbi, unless otherwise stated)

**VI. NOTES TO FINANCIAL INFORMATION (continued)****43. Related party transactions (continued)**

(3) The Bank and its associate

*Balances with an associate*

	<u>As at 31 December</u>		
	<u>2007</u>	<u>2008</u>	<u>2009</u>
Loans and advances to customers .....	330	300	300
Due to customers .....	<u>(8)</u>	<u>(2)</u>	<u>(1)</u>

In the opinion of management, no material impact to profit or loss arose from the transactions between the Bank and its associate.

(4) The Bank and government controlled or related entities

The Group enters into various banking transactions with government controlled or government related entities on commercial terms under normal course of business. These transactions mainly include provision of credit and guarantee, deposit placing and taking, foreign exchange related services and underwriting and provision of agency services on purchase and redemption of treasury bonds issued by the government.

(5) Key management personnel

Key management personnel are those persons who have the authority and responsibility to plan, direct and control the activities of the Group.

The remuneration of directors and other members of key management during the year was as follows:

	<u>2007</u>	<u>2008</u>	<u>2009</u>
Salaries, bonuses and staff welfare .....	<u>8.71</u>	<u>8.41</u>	<u>8.36</u>

When the Underlying Financial Statements were approved by the Board of Directors on 11 June 2010, the total compensation package of the key management personnel for the year 2009 represented an estimation made by the Bank which was subject to approval of the PRC government. Following the approval by the PRC government, the total compensation amounted to RMB17.37 million was subsequently approved at the annual shareholders' general meeting on 13 June 2010. Management considers that the additional compensation not provided for has no significant impact on the Group's financial statements for the year ended 31 December 2009.

(6) The Bank with the Annuity Plan

	<u>As at 31 December</u>		
	<u>2007</u>	<u>2008</u>	<u>2009</u>
Due to customers .....	—	—	<u>6,339</u>
Interest expense .....	—	—	<u>28</u>



**A. FINANCIAL INFORMATION (continued)**

(Amounts in millions of Renminbi, unless otherwise stated)

**VI. NOTES TO FINANCIAL INFORMATION (continued)****44. Contingent liabilities and commitments**

## (1) Legal proceedings

The Group is involved as defendants in certain lawsuits arising from its normal business operations. As at 31 December 2007, 2008 and 2009, provisions of RMB2,819 million, RMB2,829 million and RMB2,974 million respectively were made based on court judgments or the advice of counsel. Management of the Group believes, based on legal advice, that the final result of these lawsuits will not have a material impact on the financial position or operations of the Group. Provision for litigation losses as advised by in-house or external legal professionals is disclosed in Note VI.36.(3) "Provision".

## (2) Capital commitments

**Group**

	As at 31 December		
	2007	2008	2009
Contracted but not provided for .....	2,122	4,135	6,217
Authorised but not contracted for .....	259	1,262	1,102
Total .....	<u>2,381</u>	<u>5,397</u>	<u>7,319</u>

**Bank**

	As at 31 December		
	2007	2008	2009
Contracted but not provided for .....	2,122	4,134	6,217
Authorised but not contracted for .....	259	1,262	1,102
Total .....	<u>2,381</u>	<u>5,396</u>	<u>7,319</u>

## (3) Credit commitments

**Group and Bank**

	As at 31 December		
	2007	2008	2009
Loan commitments .....	338,283	403,839	744,524
—With an original maturity of less than 1 year .....	25,041	41,667	50,650
—With an original maturity of 1 year or above .....	313,242	362,172	693,874
Letters of credit .....	51,983	38,780	53,933
Letters of guarantee .....	129,214	149,837	151,355
Acceptances .....	<u>204,695</u>	<u>189,126</u>	<u>271,871</u>
Total .....	<u>724,175</u>	<u>781,582</u>	<u>1,221,683</u>

Credit commitments represent credit cards and general credit facility limits granted to customers. These credit facilities may be drawn in the form of loans and advances or through the issuance of letters of credit, acceptances or letters of guarantee.

**A. FINANCIAL INFORMATION (continued)**

(Amounts in millions of Renminbi, unless otherwise stated)

**VI. NOTES TO FINANCIAL INFORMATION (continued)****44. Contingent liabilities and commitments (continued)**

## (4) Operating lease commitments

At the end of each reporting period, the Group and the Bank have the following non-cancellable operating lease commitments:

*Group*

	As at 31 December		
	2007	2008	2009
Within 1 year .....	839	1,103	1,271
1 to 2 years .....	570	914	1,087
2 to 3 years .....	478	742	919
Above 3 years .....	<u>2,114</u>	<u>2,621</u>	<u>3,174</u>
Total .....	<u>4,001</u>	<u>5,380</u>	<u>6,451</u>

*Bank*

	As at 31 December		
	2007	2008	2009
Within 1 year .....	839	1,097	1,266
1 to 2 years .....	570	914	1,083
2 to 3 years .....	478	742	916
Above 3 years .....	<u>2,114</u>	<u>2,621</u>	<u>3,174</u>
Total .....	<u>4,001</u>	<u>5,374</u>	<u>6,439</u>

## (5) Credit risk weighted amounts for credit commitments

*Group and Bank*

	As at 31 December		
	2007	2008	2009
Credit commitments .....	<u>342,273</u>	<u>384,091</u>	<u>527,386</u>

The credit risk weighted amounts are the amounts calculated in accordance with the guidelines issued by the CBRC and are dependent on, among other factors, the creditworthiness of the counterparty and the maturity characteristics. The risk weights used range from 0% to 100%, for contingent liabilities and commitments.

**A. FINANCIAL INFORMATION (continued)****(Amounts in millions of Renminbi, unless otherwise stated)****VI. NOTES TO FINANCIAL INFORMATION (continued)****44. Contingent liabilities and commitments (continued)****(6) Collateral***Assets pledged*

The carrying amount of assets pledged as collateral under repurchase agreement as set out in Note VI. 31 "Financial assets sold under repurchase agreements" by the Group and the Bank is as follows:

**Group and Bank**

	As at 31 December		
	2007	2008	2009
Bonds .....	68,503	25,830	22,389
Bills .....	1,390	2,601	69,611
Loans and advances to customers .....	3,988	7,045	9,071
Total .....	<u>73,881</u>	<u>35,476</u>	<u>101,071</u>

The net book value of financial assets sold under repurchase agreements by the Group as at 31 December 2007, 2008 and 2009 was RMB73,391 million, RMB35,090 million and RMB100,812 million respectively. All repurchase agreements are due within 12 months from the effective dates of these agreements.

In addition, the bonds pledged as collateral by the Group and the Bank and derivative transactions with other banks and financial institutions as at 31 December 2007, 2008 and 2009 amounted to RMB3,462 million, RMB2,452 million and RMB8,603 million, respectively.

*Collateral accepted*

Part of cash and securities received as collateral can be resold or re-pledged in connection with purchase of assets under resale agreements and security lending business. The fair value of collateral accepted by the Group as at 31 December 2007, 2008 and 2009 was RMB8,520 million, RMB56,901 million and RMB75,425 million, respectively. Of this total, the Group has an obligation to return collateral that had been sold or re-pledged by the Group with a fair value of RMB1,409 million, RMB2,301 million and RMB51,107 million, respectively.

**(7) Government bonds underwriting and redemption commitment**

The Group is entrusted by the MOF to underwrite certain treasury bonds. The investors of treasury bonds have a right to redeem the bonds at par any time prior to maturity and the Group is committed to such redemption. The redemption price is calculated as the par value of the treasury bonds plus unpaid interest in accordance with the early redemption arrangement.

As at 31 December 2007, 2008 and 2009, the nominal value of treasury bonds the Group has committed to redeem prior to maturity is RMB62,500 million, RMB51,400 million and RMB59,378

**A. FINANCIAL INFORMATION (continued)****(Amounts in millions of Renminbi, unless otherwise stated)****VI. NOTES TO FINANCIAL INFORMATION (continued)****44. Contingent liabilities and commitments (continued)****(7) Government bonds underwriting and redemption commitment (continued)**

million, respectively. The original maturities of these bonds vary from 1 to 5 years. As the benchmark interest rate of deposits set by the PBOC is lower than the coupon rate of these bonds, management of the Group expects that the amount of redemption before the maturity dates of those bonds will not be material to the Group.

The MOF will not provide funding for the early redemption of these bonds on a back-to-back basis, but will settle the principal and interest upon maturity.

**(8) Underwriting obligations for other debt securities*****Group and Bank***

	<b>As at 31 December</b>		
	<b>2007</b>	<b>2008</b>	<b>2009</b>
Underwriting obligations .....	—	4,000	—
	=	=	=

**45. Dividends**

No dividend was paid or proposed during the Relevant Periods. On 21 April 2010, cash dividend of RMB20 billion to its shareholders was approved at the extraordinary shareholders' general meeting.

**VII. FINANCIAL RISK MANAGEMENT****1. Overview**

The Group's primary risk management is to maintain risk within acceptable parameters and satisfying the regulatory requirements.

The Group has designed risk management policies and has set up risk controls to identify, analyse, monitor and report risks by means of relevant and up-to-date information systems. The Group regularly reviews its risk management policies and systems to address changes in markets, products and emerging best practice.

The most significant types of risk to which the Group is exposed are credit risk, market risk and liquidity risk. Market risk includes interest rate risk, foreign currency risk and other price risk.

**2. Risk management framework**

The Board of Directors is responsible for establishing overall risk appetite of the Group and reviewing and approving the risk management objectives and strategies.

**A. FINANCIAL INFORMATION (continued)**

(Amounts in millions of Renminbi, unless otherwise stated)

**VII. FINANCIAL RISK MANAGEMENT (continued)****2. Risk management framework (continued)**

Within this framework, the Group's senior management has overall management responsibility for managing all aspects of risk, including implementing risk management strategies, initiatives and credit policies and approving internal rules, measures and procedures related to risk management. The Risk Management Department of the Group implements procedures for monitoring risk arising from financial instruments.

**3. Credit risk****3.1 Credit risk management**

Credit risk represents the potential loss that may arise from a customer or counterparty's failure to meet its obligation. Credit risk can also arise from operational failures that result in an unauthorised or inappropriate advance, commitment or investment of funds. The Group's major credit risks come from loans and receivables, treasury operations and off-balance sheet related credit risk exposures.

The Group exercises standardised credit management procedures, including credit investigation and proposals, credit limit review, loan disbursement, post lending monitoring and non-performing loans management. The Group enhances its credit risk management by strict compliance with its credit management procedures; strengthening customer investigation, credit rating, lending approval and post lending monitoring; enhancing risk mitigation effect of loans through collateral; accelerating disposal process of non-performing loans and continuously upgrade of Credit Management System (CMS).

Apart from the credit risk exposures on credit-related assets and deposits with banks and other financial institutions, the credit risk arising from treasury business is managed by selecting counterparties with acceptable credit quality including by reference to external credit rating information where available. In addition, the Group also provides financial guarantee service to customers which may require the Group to make payments on behalf of customers upon their failure to perform under the terms of the contract. Risks arising from financial guarantees are similar to those associated with loans and advances. These transactions are, therefore, subject to the same risk management procedures and policies.

**3.2 Impairment assessment***Key factors on impairment assessment*

The Group generally measures and manages the quality of credit risk-bearing assets based on the *Guideline for Loan Credit Risk Classification* issued by the CBRC, which requires to classify loans into the following five category loan classification: normal, special-mention, substandard, doubtful and loss. Loans classified in the substandard, doubtful and loss categories are regarded as non-performing loans. The main factors considered in loan impairment assessment include probability of loan repayment and recoverability of principal and interest, which relates to borrowers' repayment ability, credit record, repayment intention, projected profitability, guarantees or collateral and legal responsibility of repayment. The allowance for impairment losses are assessed collectively or individually as appropriate.

**A. FINANCIAL INFORMATION (continued)**

(Amounts in millions of Renminbi, unless otherwise stated)

**VII. FINANCIAL RISK MANAGEMENT (continued)****3. Credit risk (continued)****3.2 Impairment assessment (continued)**

The five category loan classification in which the Group classifies its loans and advances to customers is set out below:

<i>Normal</i>	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.
<i>Special mention</i>	Borrowers are able to service their loans currently, although repayment may be adversely affected by specific factors.
<i>Substandard</i>	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.
<i>Doubtful</i>	Borrowers cannot repay principal and interest in full and significant losses will need to be recognised even when collateral or guarantees are invoked.
<i>Loss</i>	Only a small portion or none of principal and interest can be recovered after taking all possible measures and exhausting all legal remedies.

The accounting policies regarding the Group's estimation of impairment losses on financial assets are set out in Note IV.10 (1) "Impairment of financial assets".

**3.3 Maximum exposure to credit risk before taking into account any collateral held or other credit enhancements**

The maximum exposure to credit risk represents the credit risk exposure to the Group at the end of each reporting period without taking into account any collateral held or other credit enhancements. The maximum exposure to credit risk at the end of each reporting period is represented by the carrying amount of each financial asset recognised in the consolidated statements of financial position and credit commitments disclosed in Note VI.44 "Contingent liabilities and commitments".

**A. FINANCIAL INFORMATION (continued)**

(Amounts in millions of Renminbi, unless otherwise stated)

**VII. FINANCIAL RISK MANAGEMENT (continued)****3. Credit risk (continued)****3.3 Maximum exposure to credit risk before taking into account any collateral held or other credit enhancements (continued)**

A summary of the maximum exposure to credit risk is as follows:

**Group**

	Year ended 31 December		
	2007	2008	2009
Balances with central banks . . . . .	893,515	1,101,716	1,468,910
Deposits with banks and other financial institutions . . . . .	16,432	62,668	61,693
Placements with banks and other financial institutions . . . . .	52,498	44,479	49,435
Financial assets held for trading . . . . .	8,340	19,688	15,346
Financial assets designated as at fair value through profit or loss . . .	8,865	20,329	96,830
Derivative financial assets . . . . .	10,207	7,151	4,678
Financial assets held under resale agreements . . . . .	144,848	246,370	421,093
Loans and advances to customers . . . . .	2,709,192	3,014,984	4,011,495
Available-for-sale financial assets . . . . .	528,086	799,647	729,895
Held-to-maturity investments . . . . .	532,816	576,323	883,915
Debt securities classified as receivables . . . . .	229,743	892,532	890,199
Other financial assets . . . . .	27,538	32,936	35,621
Subtotal . . . . .	<u>5,162,080</u>	<u>6,818,823</u>	<u>8,669,110</u>
Off-balance sheet items			
Credit commitments . . . . .	724,175	781,582	1,221,683
Total . . . . .	<u>5,886,255</u>	<u>7,600,405</u>	<u>9,890,793</u>

**Bank**

	Year ended 31 December		
	2007	2008	2009
Balances with central banks . . . . .	893,515	1,101,716	1,468,867
Deposits with banks and other financial institutions . . . . .	16,098	61,853	61,285
Placements with banks and other financial institutions . . . . .	52,498	44,700	49,435
Financial assets held for trading . . . . .	8,340	19,688	15,346
Financial assets designated as at fair value through profit or loss . . .	8,865	20,264	96,830
Derivative financial assets . . . . .	10,207	7,151	4,678
Financial assets held under resale agreements . . . . .	144,848	246,370	421,093
Loans and advances to customers . . . . .	2,709,192	3,014,951	4,011,386
Available-for-sale financial assets . . . . .	528,086	799,647	729,895
Held-to-maturity investments . . . . .	532,816	576,323	883,915
Debt securities classified as receivables . . . . .	229,743	892,532	890,199
Other financial assets . . . . .	27,485	32,874	35,551
Subtotal . . . . .	<u>5,161,693</u>	<u>6,818,069</u>	<u>8,668,480</u>
Off-balance sheet items			
Credit commitments . . . . .	724,175	781,582	1,221,683
Total . . . . .	<u>5,885,868</u>	<u>7,599,651</u>	<u>9,890,163</u>

**A. FINANCIAL INFORMATION (continued)**

(Amounts in millions of Renminbi, unless otherwise stated)

**VII. FINANCIAL RISK MANAGEMENT (continued)****3. Credit risk (continued)****3.3 Maximum exposure to credit risk before taking into account any collateral held or other credit enhancements (continued)**

The Group implements specific policies and credit enhancement practices to mitigate credit risk exposure to an acceptable level, the most typical of these is by obtaining collateral and guarantees. The amount and type of acceptable collateral are determined by credit risk evaluations of borrowers. The Group implements guidelines on the acceptability of specific classes of collateral and evaluation parameters.

The main types of collateral obtained are as follows:

- Mortgage loans to personal customers are generally collateralised by mortgages over residential properties;
- Other personal lending and corporate loans and advances are mainly collateralised by charges over land and properties and other assets of the borrowers; and
- Reverse repurchase transactions are mainly collateralised by bonds, bills, loans or securities.

The Group monitors the market value of collateral periodically and requests for additional collateral in accordance with the underlying agreement when necessary.



**A. FINANCIAL INFORMATION (continued)****(Amounts in millions of Renminbi, unless otherwise stated)****VII. FINANCIAL RISK MANAGEMENT (continued)****3. Credit risk (continued)****3.4 Loans and advances to customers**

The following tables set out the concentration of risk for loans and advances to customers by industry and geographical area.

(1) The composition of loans and advances to customers by industry is analysed as follows:

**Group**

	As at 31 December					
	2007		2008		2009	
	Amount	% of total	Amount	% of total	Amount	% of total
Corporate loans and advances						
Mining . . . . .	73,196	2.5	69,834	2.6	98,024	2.9
Manufacturing . . . . .	1,007,829	33.8	821,258	31.2	954,760	28.6
Production and supply of power, gas and water . . . . .	344,970	11.6	384,314	14.6	421,303	12.6
Construction . . . . .	83,572	2.8	85,280	3.2	102,123	3.0
Transportation, logistics and postal services . . . . .	162,308	5.4	203,809	7.7	314,872	9.4
Information transmission, computer services and software . . . . .	31,205	1.0	38,663	1.5	28,316	0.8
Retail and wholesale . . . . .	344,119	11.5	203,576	7.7	263,963	7.9
Real estate . . . . .	353,130	11.8	342,237	13.0	434,926	13.1
Leasing and commercial services . . . . .	112,238	3.8	67,204	2.5	147,879	4.4
Water, environment and public utilities management . . . . .	77,262	2.6	91,063	3.5	155,629	4.6
Others . . . . .	393,148	13.2	328,416	12.5	426,936	12.7
Subtotal . . . . .	<u>2,982,977</u>	<u>100.0</u>	<u>2,635,654</u>	<u>100.0</u>	<u>3,348,731</u>	<u>100.0</u>
Personal loans and advances						
Residential mortgage loans . . . . .	298,858	60.8	319,505	68.8	497,950	63.1
Loans to private business . . . . .	92,758	18.9	78,428	16.9	105,953	13.4
Personal consumption loans . . . . .	40,090	8.2	42,299	9.1	85,600	10.8
Credit card balances . . . . .	4,417	0.9	7,901	1.7	14,118	1.8
Others . . . . .	55,074	11.2	16,372	3.5	85,835	10.9
Subtotal . . . . .	<u>491,197</u>	<u>100.0</u>	<u>464,505</u>	<u>100.0</u>	<u>789,456</u>	<u>100.0</u>
Gross loans and advances to customers . . . . .	<u>3,474,174</u>		<u>3,100,159</u>		<u>4,138,187</u>	

## A. FINANCIAL INFORMATION (continued)

(Amounts in millions of Renminbi, unless otherwise stated)

## VII. FINANCIAL RISK MANAGEMENT (continued)

## 3. Credit risk (continued)

## 3.4 Loans and advances to customers (continued)

(1) The composition of loans and advances to customers by industry is analysed as follows: (continued)

*Bank*

	As at 31 December					
	2007		2008		2009	
	Amount	% of total	Amount	% of total	Amount	% of total
Corporate loans and advances						
Mining . . . . .	73,196	2.5	69,834	2.6	98,024	2.9
Manufacturing . . . . .	1,007,829	33.8	821,258	31.2	954,760	28.6
Production and supply of power, gas and water . . . . .	344,970	11.6	384,314	14.6	421,303	12.6
Construction . . . . .	83,572	2.8	85,280	3.2	102,123	3.0
Transportation, logistics and postal services . . . . .	162,308	5.4	203,809	7.7	314,872	9.4
Information transmission, computer services and software . . . . .	31,205	1.0	38,663	1.5	28,316	0.8
Retail and wholesale . . . . .	344,119	11.5	203,576	7.7	263,963	7.9
Real estate . . . . .	353,130	11.8	342,237	13.0	434,926	13.1
Leasing and commercial services . . . . .	112,238	3.8	67,204	2.5	147,879	4.4
Water, environment and public utilities management . . . . .	77,262	2.6	91,063	3.5	155,629	4.6
Others . . . . .	393,148	13.2	328,416	12.5	426,936	12.7
Subtotal . . . . .	<u>2,982,977</u>	<u>100.0</u>	<u>2,635,654</u>	<u>100.0</u>	<u>3,348,731</u>	<u>100.0</u>
Personal loans and advances						
Residential mortgage loans . . . . .	298,858	60.8	319,505	68.8	497,950	63.1
Loans to private businesses . . . . .	92,758	18.9	78,428	16.9	105,953	13.4
Personal consumption loans . . . . .	40,090	8.2	42,299	9.1	85,600	10.8
Credit card balances . . . . .	4,417	0.9	7,901	1.7	14,118	1.8
Others . . . . .	55,074	11.2	16,339	3.5	85,725	10.9
Subtotal . . . . .	<u>491,197</u>	<u>100.0</u>	<u>464,472</u>	<u>100.0</u>	<u>789,346</u>	<u>100.0</u>
Gross loans and advances to customers . . . . .	<u>3,474,174</u>		<u>3,100,126</u>		<u>4,138,077</u>	

## A. FINANCIAL INFORMATION (continued)

(Amounts in millions of Renminbi, unless otherwise stated)

## VII. FINANCIAL RISK MANAGEMENT (continued)

## 3. Credit risk (continued)

## 3.4 Loans and advances to customers (continued)

(2) The composition of loans and advances to customers by geographical area is analysed as follows:

*Group*

	As at 31 December					
	2007		2008		2009	
	Amount	% of total	Amount	% of total	Amount	% of total
Corporate loans and advances						
Head Office . . . . .	107,636	3.6	140,987	5.3	121,899	3.6
Yangtze River Delta . . . . .	691,700	23.1	741,278	28.2	894,868	26.7
Pearl River Delta . . . . .	372,768	12.5	352,288	13.4	446,597	13.3
Bohai Rim . . . . .	507,478	17.0	437,359	16.6	601,191	18.0
Central China . . . . .	467,639	15.7	306,368	11.6	407,555	12.2
Western China . . . . .	634,477	21.3	557,141	21.1	739,592	22.1
Northeastern China . . . . .	183,587	6.2	81,039	3.1	109,219	3.3
Overseas . . . . .	17,692	0.6	19,194	0.7	27,810	0.8
Subtotal . . . . .	<u>2,982,977</u>	<u>100.0</u>	<u>2,635,654</u>	<u>100.0</u>	<u>3,348,731</u>	<u>100.0</u>
Personal loans and advances						
Head Office . . . . .	—	—	—	—	—	—
Yangtze River Delta . . . . .	147,170	30.0	155,468	33.5	252,867	32.1
Pearl River Delta . . . . .	90,346	18.4	95,821	20.6	167,321	21.2
Bohai Rim . . . . .	69,698	14.2	67,271	14.5	104,369	13.2
Central China . . . . .	47,552	9.7	35,475	7.6	80,601	10.2
Western China . . . . .	114,654	23.3	101,061	21.8	162,045	20.5
Northeastern China . . . . .	21,764	4.4	9,369	2.0	22,139	2.8
Overseas and others . . . . .	13	—	40	—	114	—
Subtotal . . . . .	<u>491,197</u>	<u>100.0</u>	<u>464,505</u>	<u>100.0</u>	<u>789,456</u>	<u>100.0</u>
Gross loans and advances to customers . . . . .	<u>3,474,174</u>		<u>3,100,159</u>		<u>4,138,187</u>	

## A. FINANCIAL INFORMATION (continued)

(Amounts in millions of Renminbi, unless otherwise stated)

## VII. FINANCIAL RISK MANAGEMENT (continued)

## 3. Credit risk (continued)

## 3.4 Loans and advances to customers (continued)

(2) The composition of loans and advances to customers by geographical area is analysed as follows: (continued)

*Bank*

	As at 31 December					
	2007		2008		2009	
	Amount	% of total	Amount	% of total	Amount	% of total
Corporate loans and advances						
Head Office . . . . .	107,636	3.6	140,987	5.3	121,899	3.6
Yangtze River Delta . . . . .	691,700	23.1	741,278	28.2	894,868	26.7
Pearl River Delta . . . . .	372,768	12.5	352,288	13.4	446,597	13.3
Bohai Rim . . . . .	507,478	17.0	437,359	16.6	601,191	18.0
Central China . . . . .	467,639	15.7	306,368	11.6	407,555	12.2
Western China . . . . .	634,477	21.3	557,141	21.1	739,592	22.1
Northeastern China . . . . .	183,587	6.2	81,039	3.1	109,219	3.3
Overseas . . . . .	17,692	0.6	19,194	0.7	27,810	0.8
Subtotal . . . . .	<u>2,982,977</u>	<u>100.0</u>	<u>2,635,654</u>	<u>100.0</u>	<u>3,348,731</u>	<u>100.0</u>
Personal loans and advances						
Head Office . . . . .	—	—	—	—	—	—
Yangtze River Delta . . . . .	147,170	30.0	155,468	33.5	252,867	32.1
Pearl River Delta . . . . .	90,346	18.4	95,821	20.6	167,321	21.2
Bohai Rim . . . . .	69,698	14.2	67,271	14.5	104,369	13.2
Central China . . . . .	47,552	9.7	35,475	7.6	80,601	10.2
Western China . . . . .	114,654	23.3	101,061	21.8	162,045	20.5
Northeastern China . . . . .	21,764	4.4	9,369	2.0	22,139	2.8
Overseas . . . . .	13	—	7	—	4	—
Subtotal . . . . .	<u>491,197</u>	<u>100.0</u>	<u>464,472</u>	<u>100.0</u>	<u>789,346</u>	<u>100.0</u>
Gross loans and advances to customers . . . . .	<u>3,474,174</u>		<u>3,100,126</u>		<u>4,138,077</u>	

## A. FINANCIAL INFORMATION (continued)

(Amounts in millions of Renminbi, unless otherwise stated)

## VII. FINANCIAL RISK MANAGEMENT (continued)

## 3. Credit risk (continued)

## 3.4 Loans and advances to customers (continued)

(3) The composition of gross loans and advances to customers by contractual maturity and security type is analysed as follows:

*Group*

	As at 31 December 2007			
	Less than 1 year	1 to 5 years	More than 5 years	Total
Unsecured loans	369,070	159,594	166,783	695,447
Guaranteed loans	562,142	228,662	191,798	982,602
Collateralised and other secured loans				
—loans secured by property and other immovable assets	592,301	393,356	367,930	1,353,587
—other pledged loans	274,314	31,514	136,710	442,538
Total	<u>1,797,827</u>	<u>813,126</u>	<u>863,221</u>	<u>3,474,174</u>
	As at 31 December 2008			
	Less than 1 year	1 to 5 years	More than 5 years	Total
Unsecured loans	420,862	173,794	155,715	750,371
Guaranteed loans	263,408	139,666	251,977	655,051
Collateralised and other secured loans				
—loans secured by property and other immovable assets	461,188	331,862	394,788	1,187,838
—other pledged loans	310,964	24,246	171,689	506,899
Total	<u>1,456,422</u>	<u>669,568</u>	<u>974,169</u>	<u>3,100,159</u>
	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	<u>1,818,304</u>	<u>942,765</u>	<u>1,377,118</u>	<u>4,138,187</u>

## A. FINANCIAL INFORMATION (continued)

(Amounts in millions of Renminbi, unless otherwise stated)

## VII. FINANCIAL RISK MANAGEMENT (continued)

## 3. Credit risk (continued)

## 3.4 Loans and advances to customers (continued)

(3) The composition of gross loans and advances to customers by contractual maturity and security type is analysed as follows: (continued)

*Bank*

	As at 31 December 2007			
	Less than 1 year	1 to 5 years	More than 5 years	Total
Unsecured loans . . . . .	369,070	159,594	166,783	695,447
Guaranteed loans . . . . .	562,142	228,662	191,798	982,602
Collateralised and other secured loans				
—loans secured by property and other immovable assets . . . . .	592,301	393,356	367,930	1,353,587
—other pledged loans . . . . .	274,314	31,514	136,710	442,538
Total . . . . .	<u>1,797,827</u>	<u>813,126</u>	<u>863,221</u>	<u>3,474,174</u>
	As at 31 December 2008			
	Less than 1 year	1 to 5 years	More than 5 years	Total
Unsecured loans . . . . .	420,862	173,794	155,715	750,371
Guaranteed loans . . . . .	263,408	139,666	251,977	655,051
Collateralised and other secured loans				
—loans secured by property and other immovable assets . . . . .	461,155	331,862	394,788	1,187,805
—other pledged loans . . . . .	310,964	24,246	171,689	506,899
Total . . . . .	<u>1,456,389</u>	<u>669,568</u>	<u>974,169</u>	<u>3,100,126</u>
	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 . . . . .	<u>1,818,194</u>	<u>942,765</u>	<u>1,377,118</u>	<u>4,138,077</u>

## A. FINANCIAL INFORMATION (continued)

(Amounts in millions of Renminbi, unless otherwise stated)

## VII. FINANCIAL RISK MANAGEMENT (continued)

## 3. Credit risk (continued)

## 3.4 Loans and advances to customers (continued)

## (4) Past due loans

*Group and Bank*

	As at 31 December 2007				
	Up to 90 days (including 90 days)	91-360 days	361 days to 3 years	Over 3 years	Total
Unsecured loans	997	2,227	3,041	248,184	254,449
Guaranteed loans	13,818	16,181	46,786	148,156	224,941
Collateralised and other secured loans					
—loans secured by property and other immovable assets	27,749	21,555	65,542	194,053	308,899
—other pledged loans	4,218	2,852	4,197	4,008	15,275
Total	46,782	42,815	119,566	594,401	803,564

	As at 31 December 2008				
	Up to 90 days (including 90 days)	91-360 days	361 days to 3 years	Over 3 years	Total
Unsecured loans	1,348	701	390	182	2,621
Guaranteed loans	11,269	8,855	6,193	214	26,531
Collateralised and other secured loans					
—loans secured by property and other immovable assets	24,430	18,734	7,295	317	50,776
—other pledged loans	3,268	2,701	876	65	6,910
Total	40,315	30,991	14,754	778	86,838

	As at 31 December 2009				
	Up to 90 days (including 90 days)	91-360 days	361 days to 3 years	Over 3 years	Total
Unsecured loans	1,398	337	872	168	2,775
Guaranteed loans	4,917	4,375	14,427	489	24,208
Collateralised and other secured loans					
—loans secured by property and other immovable assets	13,746	8,540	21,422	507	44,215
—other pledged loans	356	3,047	3,512	37	6,952
Total	20,417	16,299	40,233	1,201	78,150

Note: If either a loan's principal or interest was past due by 1 day in any period, the whole loan is classified as past due loan.

**A. FINANCIAL INFORMATION (continued)**

(Amounts in millions of Renminbi, unless otherwise stated)

**VII. FINANCIAL RISK MANAGEMENT (continued)****3. Credit risk (continued)**

## 3.4 Loans and advances to customers (continued)

## (5) Credit quality of loans and advances to customers

**Group**

	As at 31 December		
	2007	2008	2009
Neither past due nor impaired (i) . . . . .	2,626,085	2,945,165	4,003,287
Past due but not impaired (ii) . . . . .	29,236	20,927	14,659
Impaired (iii) . . . . .	818,853	134,067	120,241
Subtotal . . . . .	3,474,174	3,100,159	4,138,187
Less: Allowance for impairment losses of loans and advances to customers . . . . .	(764,982)	(85,175)	(126,692)
Loans and advances to customers . . . . .	<u>2,709,192</u>	<u>3,014,984</u>	<u>4,011,495</u>

**Bank**

	As at 31 December		
	2007	2008	2009
Neither past due nor impaired (i) . . . . .	2,626,085	2,945,132	4,003,177
Past due but not impaired (ii) . . . . .	29,236	20,927	14,659
Impaired (iii) . . . . .	818,853	134,067	120,241
Subtotal . . . . .	3,474,174	3,100,126	4,138,077
Less: Allowance for impairment losses of loans and advances to customers . . . . .	(764,982)	(85,175)	(126,691)
Loans and advances to customers . . . . .	<u>2,709,192</u>	<u>3,014,951</u>	<u>4,011,386</u>

## (i) Loans and advances neither past due nor impaired

**Group**

	As at 31 December 2007		
	Normal	Special mention	Total
Corporate loans and advances . . . . .	1,985,939	237,788	2,223,727
Personal loans and advances . . . . .	393,290	9,068	402,358
Total . . . . .	<u>2,379,229</u>	<u>246,856</u>	<u>2,626,085</u>

  

	As at 31 December 2008		
	Normal	Special mention	Total
Corporate loans and advances . . . . .	2,144,489	363,409	2,507,898
Personal loans and advances . . . . .	421,597	15,670	437,267
Total . . . . .	<u>2,566,086</u>	<u>379,079</u>	<u>2,945,165</u>



**A. FINANCIAL INFORMATION (continued)**

(Amounts in millions of Renminbi, unless otherwise stated)

**VII. FINANCIAL RISK MANAGEMENT (continued)****3. Credit risk (continued)**

## 3.4 Loans and advances to customers (continued)

## (5) Credit quality of loans and advances to customers (continued)

## (i) Loans and advances neither past due nor impaired (continued)

**Group (continued)**

	As at 31 December 2009		
	Normal	Special mention	Total
Corporate loans and advances	2,941,136	297,590	3,238,726
Personal loans and advances	749,987	14,574	764,561
Total	<u>3,691,123</u>	<u>312,164</u>	<u>4,003,287</u>

**Bank**

	As at 31 December 2007		
	Normal	Special mention	Total
Corporate loans and advances	1,985,939	237,788	2,223,727
Personal loans and advances	393,290	9,068	402,358
Total	<u>2,379,229</u>	<u>246,856</u>	<u>2,626,085</u>

	As at 31 December 2008		
	Normal	Special mention	Total
Corporate loans and advances	2,144,489	363,409	2,507,898
Personal loans and advances	421,564	15,670	437,234
Total	<u>2,566,053</u>	<u>379,079</u>	<u>2,945,132</u>

	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	<u>3,691,013</u>	<u>312,164</u>	<u>4,003,177</u>

## (ii) Loans and advances past due but not impaired

**Group and Bank**

	As at 31 December 2007				
	Up to 30 days (including 30 days)	30-60 days (including 60 days)	60-90 days (including 90 days)	Total	Fair value of collateral
Corporate loans and advances	6,990	1,429	841	9,260	12,202
Personal loans and advances	14,686	3,348	1,942	19,976	36,399
Total	<u>21,676</u>	<u>4,777</u>	<u>2,783</u>	<u>29,236</u>	<u>48,601</u>

**A. FINANCIAL INFORMATION (continued)**

(Amounts in millions of Renminbi, unless otherwise stated)

**VII. FINANCIAL RISK MANAGEMENT (continued)****3. Credit risk (continued)**

## 3.4 Loans and advances to customers (continued)

## (5) Credit quality of loans and advances to customers (continued)

## (ii) Loans and advances past due but not impaired (continued)

*Group and Bank (continued)*

	As at 31 December 2008				
	Up to 30 days (including 30 days)	30-60 days (including 60 days)	60-90 days (including 90 days)	Total	Fair value of collateral
Corporate loans and advances . . . . .	3,623	241	148	4,012	4,857
Personal loans and advances . . . . .	11,618	3,117	2,180	16,915	27,496
Total . . . . .	<u>15,241</u>	<u>3,358</u>	<u>2,328</u>	<u>20,927</u>	<u>32,353</u>

  

	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 . . . . .	<u>11,043</u>	<u>2,292</u>	<u>1,324</u>	<u>14,659</u>	<u>21,921</u>

## (iii) Impaired loans and advances

*Group and Bank*

	As at 31 December 2007		
	Book value	Allowances for impairment	Net value
Individually assessed . . . . .	749,989	(668,130)	81,859
Collectively assessed . . . . .	68,864	(63,349)	5,515
Total . . . . .	<u>818,853</u>	<u>(731,479)</u>	<u>87,374</u>

  

	As at 31 December 2008		
	Book value	Allowances for impairment	Net value
Individually assessed . . . . .	123,744	(43,141)	80,603
Collectively assessed . . . . .	10,323	(4,219)	6,104
Total . . . . .	<u>134,067</u>	<u>(47,360)</u>	<u>86,707</u>

  

	As at 31 December 2009		
	Book value	Allowances for impairment	Net value
Individually assessed . . . . .	109,169	(55,596)	53,573
Collectively assessed . . . . .	11,072	(5,039)	6,033
Total . . . . .	<u>120,241</u>	<u>(60,635)</u>	<u>59,606</u>

**A. FINANCIAL INFORMATION (continued)**

(Amounts in millions of Renminbi, unless otherwise stated)

**VII. FINANCIAL RISK MANAGEMENT (continued)****3. Credit risk (continued)**

## 3.4 Loans and advances to customers (continued)

## (5) Credit quality of loans and advances to customers (continued)

## (iii) Impaired loans and advances (continued)

**Group and Bank (continued)**

Including:

	As at 31 December		
	2007	2008	2009
Individually assessed and impaired	749,989	123,744	109,169
Individually assessed and impaired %	21.59%	3.99%	2.64%
Fair value of collateral	46,445	21,394	18,349

(iv) The composition of impaired loans and advances to customers by geographical area is analysed as follows:

**Group and Bank**

	As at 31 December					
	2007		2008		2009	
	Amount	% of total	Amount	% of total	Amount	% of total
Head Office	4,873	0.6	2,128	1.6	2,127	1.8
Yangtze River Delta	52,097	6.4	22,198	16.6	22,194	18.5
Pearl River Delta	86,039	10.5	14,557	10.9	14,888	12.4
Bohai Rim	122,108	14.9	21,287	15.9	19,642	16.3
Central China	233,088	28.5	17,968	13.4	16,086	13.4
Western China	197,796	24.2	48,178	35.9	38,840	32.3
Northeastern China	122,395	14.8	7,364	5.5	6,146	5.1
Overseas and others	457	0.1	387	0.2	318	0.2
Total	818,853	100.0	134,067	100.0	120,241	100.0

## (6) Rescheduled loans and advances

Rescheduled loans and advances arise from rescheduling and deferral of repayment terms. Rescheduled loans and advances are under continuous monitoring. Rescheduled loans and advances as at 31 December 2007, 31 December 2008 and 31 December 2009 totaled RMB32,271 million, RMB11,197 million and RMB11,675 million, respectively.

## (7) Assets foreclosed under credit enhancement arrangement

The Group disclosed such assets in Note VI.25.

**A. FINANCIAL INFORMATION (continued)**

(Amounts in millions of Renminbi, unless otherwise stated)

**VII. FINANCIAL RISK MANAGEMENT (continued)****3. Credit risk (continued)**

## 3.5 Debt securities

## (1) Credit quality of debt securities

*Group*

	As at 31 December		
	2007	2008	2009
Neither past due nor impaired (i) . . . . .	1,283,006	2,291,389	2,606,881
Past due but not impaired . . . . .	—	—	—
Impaired (ii) . . . . .	25,348	17,358	9,173
Subtotal . . . . .	1,308,354	2,308,747	2,616,054
Less: Allowance for impairment . . . . .	(513)	(274)	(210)
	<u>1,307,841</u>	<u>2,308,473</u>	<u>2,615,844</u>

*Bank*

	As at 31 December		
	2007	2008	2009
Neither past due nor impaired (i) . . . . .	1,283,006	2,291,324	2,606,881
Past due but not impaired . . . . .	—	—	—
Impaired (ii) . . . . .	25,348	17,358	9,173
Subtotal . . . . .	1,308,354	2,308,682	2,616,054
Less: Allowance for impairment . . . . .	(513)	(274)	(210)
	<u>1,307,841</u>	<u>2,308,408</u>	<u>2,615,844</u>

## A. FINANCIAL INFORMATION (continued)

(Amounts in millions of Renminbi, unless otherwise stated)

## VII. FINANCIAL RISK MANAGEMENT (continued)

## 3. Credit risk (continued)

## 3.5 Debt securities (continued)

## (1) Credit quality of debt securities (continued)

## (i) Debt securities neither past due nor impaired

*Group*

	As at 31 December 2007				
	Financial assets at FVTPL	Available- for-sale financial assets	Held-to-maturity investments	Debt securities classified as receivables	Total
Government bonds . . . . .	3,777	354,270	287,953	—	646,000
Public sector, quasi- government bonds . . . . .	2,150	113,437	229,810	—	345,397
Financial institution bonds . . . .	6,124	24,043	10,453	5,606	46,226
Corporate bonds . . . . .	2,935	13,881	2,232	746	19,794
Special government bond . . . . .	—	—	—	93,300	93,300
Certificate treasury bonds . . . . .	—	—	—	29,979	29,979
PBOC's designated bills . . . . .	—	—	—	99,988	99,988
PBOC's special bills . . . . .	—	—	—	112	112
Credit notes issued by trust companies . . . . .	2,210	—	—	—	2,210
Total . . . . .	17,196	505,631	530,448	229,731	1,283,006

	As at 31 December 2008				
	Financial assets at FVTPL	Available- for-sale financial assets	Held-to-maturity investments	Debt securities classified as receivables	Total
Government bonds . . . . .	19,806	588,386	330,239	—	938,431
Public sector, quasi- government bonds . . . . .	5,533	153,342	227,204	—	386,079
Financial institution bonds . . . .	4,118	17,061	11,395	7,180	39,754
Corporate bonds . . . . .	2,850	26,054	5,211	—	34,115
Special government bond . . . . .	—	—	—	93,300	93,300
Certificate treasury bonds . . . . .	—	—	—	26,849	26,849
PBOC's designated bills . . . . .	—	—	—	99,992	99,992
PBOC's special bills . . . . .	—	—	—	112	112
Receivable from the MOF . . . . .	—	—	—	665,093	665,093
Credit notes issued by trust companies . . . . .	7,664	—	—	—	7,664
Total . . . . .	39,971	784,843	574,049	892,526	2,291,389

**A. FINANCIAL INFORMATION (continued)**

(Amounts in millions of Renminbi, unless otherwise stated)

**VII. FINANCIAL RISK MANAGEMENT (continued)****3. Credit risk (continued)**

## 3.5 Debt securities (continued)

## (1) Credit quality of debt securities (continued)

## (i) Debt securities neither past due nor impaired (continued)

*Group (continued)*

	As at 31 December 2009				
	Financial assets at FVTPL	Available-for-sale financial assets	Held-to-maturity investments	Debt securities classified as receivables	Total
Government bonds . . . . .	18,389	476,700	536,566	—	1,031,655
Public sector, quasi-government bonds . . . . .	24,620	157,027	263,890	—	445,537
Financial institution bonds . . . . .	6,245	18,164	41,504	9,306	75,219
Corporate bonds . . . . .	8,797	70,713	40,288	—	119,798
Special government bond . . . . .	—	—	—	93,300	93,300
Certificate treasury bonds . . . . .	—	—	—	22,092	22,092
PBOC's designated bills . . . . .	—	—	—	119,744	119,744
PBOC's special bills . . . . .	—	—	—	112	112
Receivable from the MOF . . . . .	—	—	—	635,539	635,539
Savings treasury bonds . . . . .	—	—	—	10,101	10,101
Credit notes issued by trust companies . . . . .	53,784	—	—	—	53,784
Total . . . . .	<u>111,835</u>	<u>722,604</u>	<u>882,248</u>	<u>890,194</u>	<u>2,606,881</u>

*Bank*

	As at 31 December 2007				
	Financial assets at FVTPL	Available-for-sale financial assets	Held-to-maturity investments	Debt securities classified as receivables	Total
Government bonds . . . . .	3,777	354,270	287,953	—	646,000
Public sector, quasi-government bonds . . . . .	2,150	113,437	229,810	—	345,397
Financial institution bonds . . . . .	6,124	24,043	10,453	5,606	46,226
Corporate bonds . . . . .	2,935	13,881	2,232	746	19,794
Special government bond . . . . .	—	—	—	93,300	93,300
Certificate treasury bonds . . . . .	—	—	—	29,979	29,979
PBOC's designated bills . . . . .	—	—	—	99,988	99,988
PBOC's special bills . . . . .	—	—	—	112	112
Credit notes issued by trust companies . . . . .	2,210	—	—	—	2,210
Total . . . . .	<u>17,196</u>	<u>505,631</u>	<u>530,448</u>	<u>229,731</u>	<u>1,283,006</u>

## A. FINANCIAL INFORMATION (continued)

(Amounts in millions of Renminbi, unless otherwise stated)

## VII. FINANCIAL RISK MANAGEMENT (continued)

## 3. Credit risk (continued)

## 3.5 Debt securities (continued)

## (1) Credit quality of debt securities (continued)

## (i) Debt securities neither past due nor impaired (continued)

*Bank (continued)*

	As at 31 December 2008				Total
	Financial assets at FVTPL	Available-for-sale financial assets	Held-to-maturity investments	Debt securities classified as receivables	
Government bonds . . . . .	19,806	588,386	330,239	—	938,431
Public sector, quasi-government bonds . . . . .	5,533	153,342	227,204	—	386,079
Financial institution bonds . . . . .	4,053	17,061	11,395	7,180	39,689
Corporate bonds . . . . .	2,850	26,054	5,211	—	34,115
Special government bond . . . . .	—	—	—	93,300	93,300
Certificate treasury bonds . . . . .	—	—	—	26,849	26,849
PBOC's designated bills . . . . .	—	—	—	99,992	99,992
PBOC's special bills . . . . .	—	—	—	112	112
Receivable from the MOF . . . . .	—	—	—	665,093	665,093
Credit notes issued by trust companies . . . . .	7,664	—	—	—	7,664
Total . . . . .	<u>39,906</u>	<u>784,843</u>	<u>574,049</u>	<u>892,526</u>	<u>2,291,324</u>

  

	As at 31 December 2009				Total
	Financial assets at FVTPL	Available-for-sale financial assets	Held-to-maturity investments	Debt securities classified as receivables	
Government bonds . . . . .	18,389	476,700	536,566	—	1,031,655
Public sector, quasi-government bonds . . . . .	24,620	157,027	263,890	—	445,537
Financial institution bonds . . . . .	6,245	18,164	41,504	9,306	75,219
Corporate bonds . . . . .	8,797	70,713	40,288	—	119,798
Special government bond . . . . .	—	—	—	93,300	93,300
Certificate treasury bonds . . . . .	—	—	—	22,092	22,092
PBOC's designated bills . . . . .	—	—	—	119,744	119,744
PBOC's special bills . . . . .	—	—	—	112	112
Receivable from the MOF . . . . .	—	—	—	635,539	635,539
Savings treasury bonds . . . . .	—	—	—	10,101	10,101
Credit notes issued by trust companies . . . . .	53,784	—	—	—	53,784
Total . . . . .	<u>111,835</u>	<u>722,604</u>	<u>882,248</u>	<u>890,194</u>	<u>2,606,881</u>

## A. FINANCIAL INFORMATION (continued)

(Amounts in millions of Renminbi, unless otherwise stated)

## VII. FINANCIAL RISK MANAGEMENT (continued)

## 3. Credit risk (continued)

## 3.5 Debt securities (continued)

## (1) Credit quality of debt securities (continued)

## (ii) Impaired debt securities

*Group and Bank*

	As at 31 December 2007			
	Available-for-sale financial assets	Held-to-maturity investments	Debt securities classified as receivables	Total
Public sector, quasi-government bonds . . . . .	2,949	1,834	—	4,783
Financial institution bonds . . . . .	19,502	898	—	20,400
Corporate bonds . . . . .	4	—	161	165
Total . . . . .	<u>22,455</u>	<u>2,732</u>	<u>161</u>	<u>25,348</u>
	As at 31 December 2008			
	Available-for-sale financial assets	Held-to-maturity investments	Debt securities classified as receivables	Total
Public sector, quasi-government bonds . . . . .	1,811	1,536	—	3,347
Financial institution bonds . . . . .	12,993	907	—	13,900
Corporate bonds . . . . .	—	20	91	111
Total . . . . .	<u>14,804</u>	<u>2,463</u>	<u>91</u>	<u>17,358</u>
	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 . . . . .	<u>7,291</u>	<u>1,790</u>	<u>92</u>	<u>9,173</u>



## A. FINANCIAL INFORMATION (continued)

(Amounts in millions of Renminbi, unless otherwise stated)

## VII. FINANCIAL RISK MANAGEMENT (continued)

## 3. Credit risk (continued)

## 3.5 Debt securities (continued)

(2) Debt securities analysed by credit rating and credit risk characteristic

*Group and Bank*

	As at 31 December 2007					Total
	Unrated	AAA	AA	A	Lower than A	
Government bonds . . . . .	644,869	51	75	1,005	—	646,000
Public sector and quasi-government bonds . . . . .	323,535	24,908	465	1,002	174	350,084
Financial institution bonds . . . . .	1,389	40,765	16,718	7,164	322	66,358
Corporate bonds . . . . .	1,151	2,363	737	14,789	770	19,810
Special government bond . . . . .	93,300	—	—	—	—	93,300
Certificate treasury bonds . . . . .	29,979	—	—	—	—	29,979
PBOC's designated bills . . . . .	99,988	—	—	—	—	99,988
PBOC's special bills . . . . .	112	—	—	—	—	112
Credit notes issued by trust companies . . . . .	2,210	—	—	—	—	2,210
Total . . . . .	<u>1,196,533</u>	<u>68,087</u>	<u>17,995</u>	<u>23,960</u>	<u>1,266</u>	<u>1,307,841</u>

*Group*

	As at 31 December 2008					Total
	Unrated	AAA	AA	A	Lower than A	
Government bonds . . . . .	923,498	13,922	74	937	—	938,431
Public sector and quasi-government bonds . . . . .	371,023	16,315	99	1,755	179	389,371
Financial institution bonds . . . . .	1,386	29,268	13,137	7,291	2,438	53,520
Corporate bonds . . . . .	985	20,347	131	11,370	1,308	34,141
Receivable from the MOF . . . . .	665,093	—	—	—	—	665,093
Special government bond . . . . .	93,300	—	—	—	—	93,300
Certificate treasury bonds . . . . .	26,849	—	—	—	—	26,849
PBOC's designated bills . . . . .	99,992	—	—	—	—	99,992
PBOC's special bills . . . . .	112	—	—	—	—	112
Credit notes issued by trust companies . . . . .	7,664	—	—	—	—	7,664
Total . . . . .	<u>2,189,902</u>	<u>79,852</u>	<u>13,441</u>	<u>21,353</u>	<u>3,925</u>	<u>2,308,473</u>

**A. FINANCIAL INFORMATION (continued)**

(Amounts in millions of Renminbi, unless otherwise stated)

**VII. FINANCIAL RISK MANAGEMENT (continued)****3. Credit risk (continued)**

## 3.5 Debt securities (continued)

(2) Debt securities analysed by credit rating and credit risk characteristic (continued)

**Bank**

	As at 31 December 2008					Total
	Unrated	AAA	AA	A	Lower than A	
Government bonds .....	923,498	13,922	74	937	—	938,431
Public sector and quasi-government bonds .....	371,023	16,315	99	1,755	179	389,371
Financial institution bonds .....	1,386	29,268	13,137	7,226	2,438	53,455
Corporate bonds .....	985	20,347	131	11,370	1,308	34,141
Receivable from the MOF .....	665,093	—	—	—	—	665,093
Special government bond .....	93,300	—	—	—	—	93,300
Certificate treasury bonds .....	26,849	—	—	—	—	26,849
PBOC's designated bills .....	99,992	—	—	—	—	99,992
PBOC's special bills .....	112	—	—	—	—	112
Credit notes issued by trust companies .....	7,664	—	—	—	—	7,664
Total .....	<u>2,189,902</u>	<u>79,852</u>	<u>13,441</u>	<u>21,288</u>	<u>3,925</u>	<u>2,308,408</u>

**Group and Bank**

	As at 31 December 2009					Total
	Unrated	AAA	AA	A	Lower than A	
Government bonds .....	1,028,407	2,537	77	634	—	1,031,655
Public sector and quasi-government bonds .....	409,644	35,817	707	2,307	190	448,665
Financial institution bonds .....	2,723	58,820	8,483	9,885	1,138	81,049
Corporate bonds .....	1,764	72,238	8,146	34,872	2,783	119,803
Receivable from the MOF .....	635,539	—	—	—	—	635,539
Special government bond .....	93,300	—	—	—	—	93,300
Certificate treasury bonds .....	22,092	—	—	—	—	22,092
Savings treasury bonds .....	10,101	—	—	—	—	10,101
PBOC's designated bills .....	119,744	—	—	—	—	119,744
PBOC's special bills .....	112	—	—	—	—	112
Credit notes issued by trust companies .....	53,784	—	—	—	—	53,784
Total .....	<u>2,377,210</u>	<u>169,412</u>	<u>17,413</u>	<u>47,698</u>	<u>4,111</u>	<u>2,615,844</u>

**A. FINANCIAL INFORMATION (continued)**

(Amounts in millions of Renminbi, unless otherwise stated)

**VII. FINANCIAL RISK MANAGEMENT (continued)****4. Liquidity risk**

Liquidity risk is the risk that funds will not be available to meet liabilities as they fall due. This may arise from cash flows or maturity mismatches of assets and liabilities.

The Group's Assets and Liabilities Management Department manages its liquidity risk via:

- Optimising assets and liabilities structure;
- Maintaining stability of deposit base;
- Making advance projection on future cash flows and evaluating the appropriate current assets position; and
- Maintaining an efficient internal fund transfer mechanism within the Group.

**A. FINANCIAL INFORMATION (continued)****(Amounts in millions of Renminbi, unless otherwise stated)****VII. FINANCIAL RISK MANAGEMENT (continued)****4. Liquidity risk (continued)**

(1) Analysis of the remaining maturity of the financial assets and liabilities

The tables below summarise the maturity analysis of financial assets and liabilities by remaining contractual maturities at the end of each reporting period.

*Group*

	As at 31 December 2007							Total
	Past due/ Undated	On demand	Up to 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	
Cash and balances with central banks	802,838	134,176	—	—	—	—	—	937,014
Deposits with banks and other financial institutions	—	12,457	16	2,321	1,638	—	—	16,432
Placements with banks and other financial institutions	—	—	27,870	16,650	7,223	755	—	52,498
Financial assets held for trading	—	—	150	701	3,469	2,037	1,983	8,340
Financial assets designated as at fair value through profit or loss	—	—	891	679	2,282	3,483	1,530	8,865
Derivative financial assets	—	—	252	456	6,030	472	2,997	10,207
Financial assets held under resale agreements	—	—	115,283	19,820	9,745	—	—	144,848
Loans and advances to customers	54,743	—	140,030	302,325	986,714	617,303	608,077	2,709,192
Available-for-sale financial assets	4	—	73,094	75,671	48,432	162,990	169,152	529,343
Held-to-maturity investments	—	—	130	30,295	107,476	266,662	128,253	532,816
Debt securities classified as receivables	612	—	1,584	5,600	21,050	105,451	95,446	229,743
Other financial assets	1,804	4,194	3,691	7,984	9,865	—	—	27,538
<b>Total financial assets</b>	<b>860,001</b>	<b>150,827</b>	<b>362,991</b>	<b>462,502</b>	<b>1,203,924</b>	<b>1,159,153</b>	<b>1,007,438</b>	<b>5,206,836</b>
Borrowings from central bank	—	—	(115)	(150,602)	(122)	(28)	—	(150,867)
Deposits from banks and other financial institutions	—	(241,442)	(8,032)	(3,071)	(12,846)	(17,658)	(13,569)	(296,618)
Placements from banks and other financial institutions	—	—	(24,590)	(4,856)	(601)	(145)	(183)	(30,375)
Derivative financial liabilities	—	—	(544)	(503)	(1,836)	(1,454)	(2,957)	(7,294)
Financial liabilities designated as at fair value through profit or loss	—	—	(442)	(539)	(2,799)	(3,353)	(3,355)	(10,488)
Financial assets sold under repurchase agreements	—	—	(69,075)	(2,182)	(2,134)	—	—	(73,391)
Due to customers	—	(3,083,863)	(355,895)	(414,180)	(1,063,698)	(366,335)	(3,223)	(5,287,194)
Debt securities issued	—	—	(8)	(197)	(1,966)	(1,983)	—	(4,154)
Other financial liabilities	—	(29,476)	(9,141)	(8,400)	(16,454)	(12,668)	(43)	(76,182)
<b>Total financial liabilities</b>	<b>—</b>	<b>(3,354,781)</b>	<b>(467,842)</b>	<b>(584,530)</b>	<b>(1,102,456)</b>	<b>(403,624)</b>	<b>(23,330)</b>	<b>(5,936,563)</b>
<b>Net position</b>	<b>860,001</b>	<b>(3,203,954)</b>	<b>(104,851)</b>	<b>(122,028)</b>	<b>101,468</b>	<b>755,529</b>	<b>984,108</b>	<b>(729,727)</b>

**A. FINANCIAL INFORMATION (continued)****(Amounts in millions of Renminbi, unless otherwise stated)****VII. FINANCIAL RISK MANAGEMENT (continued)****4. Liquidity risk (continued)**

(1) Analysis of the remaining maturity of the financial assets and liabilities (continued)

**Group (continued)**

	As at 31 December 2008							Total
	Past due/ Undated	On demand	Up to 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	
Cash and balances with central banks	981,585	164,299	—	—	—	—	—	1,145,884
Deposits with banks and other financial institutions	—	55,161	2,077	750	4,680	—	—	62,668
Placements with banks and other financial institutions	—	—	18,418	20,112	4,063	1,886	—	44,479
Financial assets held for trading	—	—	—	726	5,627	10,071	3,264	19,688
Financial assets designated as at fair value through profit or loss	—	—	2,008	2,492	9,008	6,198	623	20,329
Derivative financial assets	—	—	268	470	1,162	989	4,262	7,151
Financial assets held under resale agreements	—	—	186,387	50,891	9,092	—	—	246,370
Loans and advances to customers	21,400	—	130,212	314,869	1,198,698	652,129	697,676	3,014,984
Available-for-sale financial assets	3	—	107,052	87,284	176,371	270,739	158,756	800,205
Held-to-maturity investments	—	—	2,676	5,649	59,454	350,556	157,988	576,323
Debt securities classified as receivables	6	—	2,837	7,007	15,429	105,360	761,893	892,532
Other financial assets	692	3,688	3,790	11,214	13,551	1	—	32,936
<b>Total financial assets</b>	<b>1,003,686</b>	<b>223,148</b>	<b>455,725</b>	<b>501,464</b>	<b>1,497,135</b>	<b>1,397,929</b>	<b>1,784,462</b>	<b>6,863,549</b>
Borrowings from central bank	—	—	(35)	(251)	—	(28)	—	(314)
Deposits from banks and other financial institutions	—	(184,067)	(13,600)	(15,557)	(30,581)	(45,967)	—	(289,772)
Placements from banks and other financial institutions	—	—	(23,785)	(8,115)	(1,937)	(136)	(158)	(34,131)
Financial liabilities designated as at fair value through profit or loss	—	—	(6,469)	(3,457)	(4,466)	(6,194)	(2,091)	(22,677)
Financial assets sold under repurchase agreements	—	—	(28,708)	(3,120)	(3,262)	—	—	(35,090)
Derivative financial liabilities	—	—	(551)	(2,691)	(1,209)	(1,733)	(5,350)	(11,534)
Due to customers	—	(3,348,589)	(397,990)	(525,213)	(1,372,789)	(447,400)	(5,447)	(6,097,428)
Debt securities issued	—	—	(7)	(972)	(2,827)	(1,344)	—	(5,150)
Other financial liabilities	—	(60,352)	(10,236)	(14,294)	(24,714)	(17,940)	(77)	(127,613)
<b>Total financial liabilities</b>	<b>—</b>	<b>(3,593,008)</b>	<b>(481,381)</b>	<b>(573,670)</b>	<b>(1,441,785)</b>	<b>(520,742)</b>	<b>(13,123)</b>	<b>(6,623,709)</b>
<b>Net position</b>	<b>1,003,686</b>	<b>(3,369,860)</b>	<b>(25,656)</b>	<b>(72,206)</b>	<b>55,350</b>	<b>877,187</b>	<b>1,771,339</b>	<b>239,840</b>

## A. FINANCIAL INFORMATION (continued)

(Amounts in millions of Renminbi, unless otherwise stated)

## VII. FINANCIAL RISK MANAGEMENT (continued)

## 4. Liquidity risk (continued)

(1) Analysis of the remaining maturity of the financial assets and liabilities (continued)

*Group (continued)*

	As at 31 December 2009							Total
	Past due/ Undated	On demand	Up to 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	
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
<b>Total financial assets</b>	<b>1,229,392</b>	<b>198,013</b>	<b>522,374</b>	<b>911,916</b>	<b>1,825,948</b>	<b>1,894,914</b>	<b>2,135,936</b>	<b>8,718,493</b>
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)
<b>Total financial liabilities</b>	<b>—</b>	<b>(4,808,975)</b>	<b>(510,877)</b>	<b>(724,619)</b>	<b>(1,735,613)</b>	<b>(682,589)</b>	<b>(32,560)</b>	<b>(8,495,233)</b>
<b>Net position</b>	<b>1,229,392</b>	<b>(4,610,962)</b>	<b>11,497</b>	<b>187,297</b>	<b>90,335</b>	<b>1,212,325</b>	<b>2,103,376</b>	<b>223,260</b>

## A. FINANCIAL INFORMATION (continued)

(Amounts in millions of Renminbi, unless otherwise stated)

## VII. FINANCIAL RISK MANAGEMENT (continued)

## 4. Liquidity risk (continued)

(1) Analysis of the remaining maturity of the financial assets and liabilities (continued)

*Bank*

	As at 31 December 2007							
	Past due/ Undated	On demand	Up to 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Total
Cash and balances with central banks	802,838	134,083	—	—	—	—	—	936,921
Deposits with banks and other financial institutions	—	12,204	16	2,274	1,604	—	—	16,098
Placements with banks and other financial institutions	—	—	27,870	16,650	7,223	755	—	52,498
Financial assets held for trading	—	—	150	701	3,469	2,037	1,983	8,340
Financial assets designated as at fair value through profit or loss	—	—	891	679	2,282	3,483	1,530	8,865
Financial assets held under resale agreements	—	—	115,283	19,820	9,745	—	—	144,848
Derivative financial assets	—	—	252	456	6,030	472	2,997	10,207
Loans and advances to customers	54,743	—	140,030	302,325	986,714	617,303	608,077	2,709,192
Available-for-sale financial assets	4	—	73,094	75,671	48,432	162,990	169,152	529,343
Held-to-maturity investments	—	—	130	30,295	107,476	266,662	128,253	532,816
Debt securities classified as receivables	612	—	1,584	5,600	21,050	105,451	95,446	229,743
Other financial assets	1,805	4,141	3,691	7,984	9,864	—	—	27,485
<b>Total financial assets</b>	<b>860,002</b>	<b>150,428</b>	<b>362,991</b>	<b>462,455</b>	<b>1,203,889</b>	<b>1,159,153</b>	<b>1,007,438</b>	<b>5,206,356</b>
Borrowings from central bank	—	—	(115)	(150,602)	(122)	(28)	—	(150,867)
Deposits from banks and other financial institutions	—	(241,442)	(8,032)	(3,071)	(12,847)	(17,658)	(13,569)	(296,619)
Placements from banks and other financial institutions	—	—	(24,590)	(4,856)	(601)	(145)	(183)	(30,375)
Financial liabilities designated as at fair value through profit or loss	—	—	(442)	(539)	(2,799)	(3,353)	(3,355)	(10,488)
Financial assets sold under repurchase agreements	—	—	(69,075)	(2,182)	(2,134)	—	—	(73,391)
Derivative financial liabilities	—	—	(544)	(503)	(1,836)	(1,454)	(2,957)	(7,294)
Due to customers	—	(3,083,863)	(355,895)	(414,180)	(1,063,698)	(366,335)	(3,223)	(5,287,194)
Debt securities issued	—	—	(8)	(197)	(1,966)	(1,983)	—	(4,154)
Other financial liabilities	—	(28,932)	(9,142)	(8,400)	(16,454)	(12,667)	(43)	(75,638)
<b>Total financial liabilities</b>	<b>—</b>	<b>(3,354,237)</b>	<b>(467,843)</b>	<b>(584,530)</b>	<b>(1,102,457)</b>	<b>(403,623)</b>	<b>(23,330)</b>	<b>(5,936,020)</b>
<b>Net position</b>	<b>860,002</b>	<b>(3,203,809)</b>	<b>(104,852)</b>	<b>(122,075)</b>	<b>101,432</b>	<b>755,530</b>	<b>984,108</b>	<b>(729,664)</b>

**A. FINANCIAL INFORMATION (continued)****(Amounts in millions of Renminbi, unless otherwise stated)****VII. FINANCIAL RISK MANAGEMENT (continued)****4. Liquidity risk (continued)**

(1) Analysis of the remaining maturity of the financial assets and liabilities (continued)

*Bank (continued)*

	As at 31 December 2008							
	Past due/ Undated	On demand	Up to 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Total
Cash and balances with central banks	981,585	164,141	—	—	—	—	—	1,145,726
Deposit with banks and other financial institutions	—	54,444	2,050	741	4,618	—	—	61,853
Placements with banks and other financial institutions	—	—	18,418	20,112	4,284	1,886	—	44,700
Financial assets held for trading	—	—	—	726	5,627	10,071	3,264	19,688
Financial assets designated as at fair value through profit or loss	—	—	1,943	2,492	9,008	6,198	623	20,264
Derivative financial assets	—	—	268	470	1,162	989	4,262	7,151
Financial assets held under resale agreements	—	—	186,387	50,891	9,092	—	—	246,370
Loans and advances to customers	21,400	—	130,212	314,869	1,198,665	652,129	697,676	3,014,951
Available-for-sale financial assets	3	—	107,052	87,284	176,371	270,739	158,756	800,205
Held-to-maturity investments	—	—	2,676	5,649	59,454	350,556	157,988	576,323
Debt securities classified as receivables	6	—	2,837	7,007	15,429	105,360	761,893	892,532
Other financial assets	692	3,626	3,790	11,214	13,551	1	—	32,874
<b>Total financial assets</b>	<b>1,003,686</b>	<b>222,211</b>	<b>455,633</b>	<b>501,455</b>	<b>1,497,261</b>	<b>1,397,929</b>	<b>1,784,462</b>	<b>6,862,637</b>
Borrowings from central bank	—	—	(35)	(251)	—	(28)	—	(314)
Deposits from banks and other financial institutions	—	(184,067)	(13,600)	(15,557)	(30,581)	(45,967)	—	(289,772)
Placements from banks and other financial institutions	—	—	(23,785)	(8,115)	(1,937)	(136)	(158)	(34,131)
Financial liabilities designated as at fair value through profit or loss	—	—	(6,469)	(3,457)	(4,466)	(6,194)	(2,091)	(22,677)
Financial assets sold under repurchase agreement	—	—	(28,708)	(3,120)	(3,262)	—	—	(35,090)
Derivative financial liabilities	—	—	(551)	(2,691)	(1,209)	(1,733)	(5,350)	(11,534)
Due to customers	—	(3,348,589)	(397,987)	(525,213)	(1,372,737)	(447,400)	(5,447)	(6,097,373)
Debt securities issued	—	—	(7)	(972)	(2,827)	(1,344)	—	(5,150)
Other financial liabilities	—	(60,033)	(10,236)	(14,294)	(24,713)	(17,940)	(77)	(127,293)
<b>Total financial liabilities</b>	<b>—</b>	<b>(3,592,689)</b>	<b>(481,378)</b>	<b>(573,670)</b>	<b>(1,441,732)</b>	<b>(520,742)</b>	<b>(13,123)</b>	<b>(6,623,334)</b>
<b>Net position</b>	<b>1,003,686</b>	<b>(3,370,478)</b>	<b>(25,745)</b>	<b>(72,215)</b>	<b>55,529</b>	<b>877,187</b>	<b>1,771,339</b>	<b>239,303</b>



## A. FINANCIAL INFORMATION (continued)

(Amounts in millions of Renminbi, unless otherwise stated)

## VII. FINANCIAL RISK MANAGEMENT (continued)

## 4. Liquidity risk (continued)

(1) Analysis of the remaining maturity of the financial assets and liabilities (continued)

*Bank (continued)*

	As at 31 December 2009							Total
	Past due/ Undated	On demand	Up to 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	
Cash and balances with central banks	1,210,974	152,788	—	—	—	154,000	—	1,517,762
Deposit with banks and other financial institutions	—	42,390	5,100	9,435	4,360	—	—	61,285
Placements with banks and other financial institutions	—	—	35,572	3,942	9,439	482	—	49,435
Financial assets held for trading	—	—	1,230	2,062	5,086	5,565	1,403	15,346
Financial assets designated as at fair value through profit or loss	—	41	1,105	6,959	35,772	38,488	14,465	96,830
Derivative financial assets	—	—	190	156	677	566	3,089	4,678
Financial assets held under resale agreements	—	—	147,267	229,380	44,446	—	—	421,093
Loans and advances to customers	17,146	—	200,279	453,547	1,297,356	997,473	1,045,585	4,011,386
Available-for-sale financial assets	487	—	103,357	78,280	156,748	259,684	131,826	730,382
Held-to-maturity investments	—	—	22,328	92,358	149,928	416,376	202,925	883,915
Debt securities classified as receivables	7	—	—	22,967	108,411	22,171	736,643	890,199
Other financial assets	697	2,385	5,926	12,820	13,616	107	—	35,551
<b>Total financial assets</b>	<b>1,229,311</b>	<b>197,604</b>	<b>522,354</b>	<b>911,906</b>	<b>1,825,839</b>	<b>1,894,912</b>	<b>2,135,936</b>	<b>8,717,862</b>
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)
<b>Total financial liabilities</b>	<b>—</b>	<b>(4,809,299)</b>	<b>(510,877)</b>	<b>(724,619)</b>	<b>(1,735,565)</b>	<b>(682,586)</b>	<b>(32,560)</b>	<b>(8,495,506)</b>
<b>Net position</b>	<b>1,229,311</b>	<b>(4,611,695)</b>	<b>11,477</b>	<b>187,287</b>	<b>90,274</b>	<b>1,212,326</b>	<b>2,103,376</b>	<b>222,356</b>

## A. FINANCIAL INFORMATION (continued)

(Amounts in millions of Renminbi, unless otherwise stated)

## VII. FINANCIAL RISK MANAGEMENT (continued)

## 4. Liquidity risk (continued)

## (2) Analysis of the undiscounted contractual cash flows

The tables below present the cash flows of non-derivative financial assets and financial liabilities by remaining contractual maturities at the end of each reporting period. The amounts disclosed in the tables are the undiscounted contractual cash flows.

*Group*

	As at 31 December 2007							Total
	Past due/ Undated	On demand	Up to 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	
<b>Non-derivative financial assets</b>								
Cash and balances with central banks	802,838	134,615	—	—	—	—	—	937,453
Deposits with banks and other financial institutions	—	12,457	16	2,366	1,683	—	—	16,522
Placements with banks and other financial institutions	—	—	27,990	16,927	7,359	755	—	53,031
Financial assets held for trading	—	—	186	695	3,641	2,568	2,368	9,458
Financial assets designated as at fair value through profit or loss	—	—	897	765	2,387	4,009	1,665	9,723
Financial assets held under resale agreements	—	—	115,926	20,330	10,042	—	—	146,298
Loans and advances to customers	747,656	—	147,224	323,154	1,071,954	789,132	992,340	4,071,460
Available-for-sale financial assets	4	—	74,863	77,345	58,536	209,537	229,377	649,662
Held-to-maturity investments	—	—	2,480	34,252	128,264	317,788	173,883	656,667
Debt securities classified as receivables	612	—	1,592	6,329	25,663	112,674	95,864	242,734
Other financial assets	—	3,755	—	—	—	—	—	3,755
Total non-derivative financial assets	1,551,110	150,827	371,174	482,163	1,309,529	1,436,463	1,495,497	6,796,763
<b>Non-derivative financial liabilities</b>								
Borrowings from central bank	—	—	(115)	(150,602)	(122)	(28)	—	(150,867)
Deposits from banks and other financial institutions	—	(241,448)	(8,216)	(3,413)	(14,483)	(21,187)	(17,021)	(305,768)
Placements from banks and other financial institutions	—	—	(24,598)	(4,857)	(609)	(155)	(196)	(30,415)
Financial liabilities designated as at fair value through profit or loss	—	—	(441)	(566)	(2,849)	(3,866)	(5,237)	(12,959)
Financial assets sold under repurchase agreements	—	—	(69,306)	(2,300)	(2,616)	—	—	(74,222)
Due to customers	—	(3,086,778)	(364,159)	(432,770)	(1,120,371)	(425,174)	(3,252)	(5,432,504)
Debt securities issued	—	—	(8)	(211)	(2,026)	(2,119)	—	(4,364)
Other financial liabilities	—	(26,555)	(4,940)	—	—	—	—	(31,495)
Total non-derivative financial liabilities	—	(3,354,781)	(471,783)	(594,719)	(1,143,076)	(452,529)	(25,706)	(6,042,594)
Net position	1,551,110	(3,203,954)	(100,609)	(112,556)	166,453	983,934	1,469,791	754,169

**A. FINANCIAL INFORMATION (continued)**

(Amounts in millions of Renminbi, unless otherwise stated)

**VII. FINANCIAL RISK MANAGEMENT (continued)****4. Liquidity risk (continued)**

(2) Analysis of the undiscounted contractual cash flows (continued)

*Group (continued)*

	As at 31 December 2008							Total
	Past due/ Undated	On demand	Up to 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	
<b>Non-derivative financial assets</b>								
Cash and balances with central banks .....	981,585	164,305	—	566	—	—	—	1,146,456
Deposits with banks and other financial institutions .....	—	55,330	2,079	765	4,782	—	—	62,956
Placements with banks and other financial institutions .....	—	—	18,551	20,324	4,400	1,951	—	45,226
Financial assets held for trading ..	—	—	1	759	5,904	10,964	3,550	21,178
Financial assets designated as at fair value through profit or loss .....	—	—	2,015	2,639	9,347	6,743	814	21,558
Financial assets held under resale agreements .....	—	—	186,880	51,209	9,224	—	—	247,313
Loans and advances to customers .....	42,901	—	137,219	333,334	1,285,932	835,170	1,172,755	3,807,311
Available-for-sale financial assets .....	3	—	107,559	89,751	189,565	305,341	179,131	871,350
Held-to-maturity investments .....	—	—	3,594	10,525	77,098	408,009	184,258	683,484
Debt securities classified as receivables .....	6	—	2,852	7,742	43,739	205,394	991,701	1,251,434
Other financial assets .....	—	2,986	—	—	—	—	—	2,986
<b>Total non-derivative financial assets .....</b>	<b>1,024,495</b>	<b>222,621</b>	<b>460,750</b>	<b>517,614</b>	<b>1,629,991</b>	<b>1,773,572</b>	<b>2,532,209</b>	<b>8,161,252</b>
<b>Non-derivative financial liabilities</b>								
Borrowings from central bank ...	—	—	(35)	(252)	—	(28)	—	(315)
Deposits from banks and other financial institutions .....	—	(184,497)	(13,700)	(15,985)	(32,391)	(50,262)	(23)	(296,858)
Placements from banks and other financial institutions .....	—	—	(23,788)	(8,128)	(1,980)	(151)	(171)	(34,218)
Financial liabilities designated as at fair value through profit or loss .....	—	—	(6,422)	(3,704)	(5,240)	(6,667)	(1,560)	(23,593)
Financial assets sold under repurchase agreements .....	—	—	(28,791)	(3,194)	(3,434)	—	—	(35,419)
Due to customers .....	—	(3,350,271)	(412,961)	(556,425)	(1,451,842)	(531,128)	(5,572)	(6,308,199)
Debt securities issued .....	—	—	(7)	(991)	(2,863)	(1,363)	—	(5,224)
Other financial liabilities .....	—	(58,241)	(2,860)	—	—	—	—	(61,101)
<b>Total non-derivative financial liabilities .....</b>	<b>—</b>	<b>(3,593,009)</b>	<b>(488,564)</b>	<b>(588,679)</b>	<b>(1,497,750)</b>	<b>(589,599)</b>	<b>(7,326)</b>	<b>(6,764,927)</b>
<b>Net position .....</b>	<b>1,024,495</b>	<b>(3,370,388)</b>	<b>(27,814)</b>	<b>(71,065)</b>	<b>132,241</b>	<b>1,183,973</b>	<b>2,524,883</b>	<b>1,396,325</b>

**A. FINANCIAL INFORMATION (continued)****(Amounts in millions of Renminbi, unless otherwise stated)****VII. FINANCIAL RISK MANAGEMENT (continued)****4. Liquidity risk (continued)**

(2) Analysis of the undiscounted contractual cash flows (continued)

**Group (continued)**

	As at 31 December 2009							Total
	Past due/ Undated	On demand	Up to 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	
<b>Non-derivative financial assets</b>								
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
<b>Total non-derivative financial assets</b>	<b>1,261,794</b>	<b>198,014</b>	<b>529,864</b>	<b>933,143</b>	<b>1,995,170</b>	<b>2,354,649</b>	<b>3,065,619</b>	<b>10,338,253</b>
<b>Non-derivative financial liabilities</b>								
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)
<b>Total non-derivative financial liabilities</b>	<b>—</b>	<b>(4,808,975)</b>	<b>(511,231)</b>	<b>(727,240)</b>	<b>(1,762,738)</b>	<b>(739,645)</b>	<b>(32,002)</b>	<b>(8,581,831)</b>
<b>Net position</b>	<b>1,261,794</b>	<b>(4,610,961)</b>	<b>18,633</b>	<b>205,903</b>	<b>232,432</b>	<b>1,615,004</b>	<b>3,033,617</b>	<b>1,756,422</b>

**A. FINANCIAL INFORMATION (continued)**

(Amounts in millions of Renminbi, unless otherwise stated)

**VII. FINANCIAL RISK MANAGEMENT (continued)****4. Liquidity risk (continued)**

(2) Analysis of the undiscounted contractual cash flows (continued)

**Bank**

	As at 31 December 2007							Total
	Past due/ Undated	On demand	Up to 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	
<b>Non-derivative financial assets</b>								
Cash and balances with central banks	802,838	134,522	—	—	—	—	—	937,360
Deposits with banks and other financial institutions	—	12,204	16	2,319	1,649	—	—	16,188
Placements with banks and other financial institutions	—	—	27,990	16,927	7,359	755	—	53,031
Financial assets held for trading	—	—	186	695	3,641	2,568	2,368	9,458
Financial assets designated as at fair value through profit or loss	—	—	897	765	2,387	4,009	1,665	9,723
Financial assets held under resale agreements	—	—	115,926	20,330	10,042	—	—	146,298
Loans and advances to customers	747,656	—	147,224	323,154	1,071,954	789,132	992,340	4,071,460
Available-for-sale financial assets	4	—	74,863	77,345	58,536	209,537	229,377	649,662
Held-to-maturity investments	—	—	2,480	34,252	128,264	317,788	173,883	656,667
Debt securities classified as receivables	612	—	1,592	6,329	25,663	112,674	95,864	242,734
Other financial assets	—	3,702	—	—	—	—	—	3,702
<b>Total non-derivative financial assets</b>	<b>1,551,110</b>	<b>150,428</b>	<b>371,174</b>	<b>482,116</b>	<b>1,309,495</b>	<b>1,436,463</b>	<b>1,495,497</b>	<b>6,796,283</b>
<b>Non-derivative financial liabilities</b>								
Borrowings from central bank	—	—	(115)	(150,602)	(122)	(28)	—	(150,867)
Deposits from banks and other financial institutions	—	(241,448)	(8,216)	(3,413)	(14,483)	(21,187)	(17,021)	(305,768)
Placements from banks and other financial institutions	—	—	(24,598)	(4,857)	(609)	(155)	(196)	(30,415)
Financial liabilities designated as at fair value through profit or loss	—	—	(441)	(566)	(2,849)	(3,866)	(5,237)	(12,959)
Financial assets sold under repurchase agreements	—	—	(69,306)	(2,300)	(2,616)	—	—	(74,222)
Due to customers	—	(3,086,779)	(364,159)	(432,770)	(1,120,371)	(425,175)	(3,251)	(5,432,505)
Debt securities issued	—	—	(8)	(211)	(2,026)	(2,119)	—	(4,364)
Other financial liabilities	—	(26,010)	(4,940)	—	—	—	—	(30,950)
<b>Total non-derivative financial liabilities</b>	<b>—</b>	<b>(3,354,237)</b>	<b>(471,783)</b>	<b>(594,719)</b>	<b>(1,143,076)</b>	<b>(452,530)</b>	<b>(25,705)</b>	<b>(6,042,050)</b>
<b>Net position</b>	<b>1,551,110</b>	<b>(3,203,809)</b>	<b>(100,609)</b>	<b>(112,603)</b>	<b>166,419</b>	<b>983,933</b>	<b>1,469,792</b>	<b>754,233</b>

**A. FINANCIAL INFORMATION (continued)**

(Amounts in millions of Renminbi, unless otherwise stated)

**VII. FINANCIAL RISK MANAGEMENT (continued)****4. Liquidity risk (continued)**

(2) Analysis of the undiscounted contractual cash flows (continued)

**Bank (continued)**

	As at 31 December 2008							
	Past due/ Undated	On demand	Up to 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Total
<b>Non-derivative financial assets</b>								
Cash and balances with central banks	981,585	164,147	—	566	—	—	—	1,146,298
Deposit with banks and other financial institutions	—	54,613	2,052	756	4,720	—	—	62,141
Placements with banks and other financial institutions	—	—	18,551	20,324	4,621	1,951	—	45,447
Financial assets held for trading	—	—	1	759	5,904	10,964	3,550	21,178
Financial assets designated as at fair value through profit or loss	—	—	1,950	2,639	9,347	6,743	814	21,493
Financial assets held under resale agreements	—	—	186,880	51,209	9,224	—	—	247,313
Loans and advances to customers	42,901	—	137,219	333,334	1,285,899	835,170	1,172,755	3,807,278
Available-for-sale financial assets	3	—	107,559	89,751	189,565	305,341	179,131	871,350
Held-to-maturity investments	—	—	3,594	10,525	77,098	408,009	184,258	683,484
Debt securities classified as receivables	6	—	2,852	7,742	43,739	205,394	991,701	1,251,434
Other financial assets	—	2,924	—	—	—	—	—	2,924
<b>Total non-derivative financial assets</b>	<b>1,024,495</b>	<b>221,684</b>	<b>460,658</b>	<b>517,605</b>	<b>1,630,117</b>	<b>1,773,572</b>	<b>2,532,209</b>	<b>8,160,340</b>
<b>Non-derivative financial liabilities</b>								
Borrowings from central bank	—	—	(35)	(252)	—	(28)	—	(315)
Deposits from banks and other financial institutions	—	(184,497)	(13,700)	(15,985)	(32,391)	(50,262)	(23)	(296,858)
Placements from banks and other financial institutions	—	—	(23,788)	(8,128)	(1,980)	(151)	(171)	(34,218)
Financial liabilities designated as at fair value through profit or loss	—	—	(6,422)	(3,704)	(5,240)	(6,667)	(1,560)	(23,593)
Financial assets sold under repurchase agreement	—	—	(28,791)	(3,194)	(3,434)	—	—	(35,419)
Due to customers	—	(3,350,275)	(412,958)	(556,425)	(1,451,789)	(531,105)	(5,594)	(6,308,146)
Debt securities issued	—	—	(7)	(991)	(2,863)	(1,363)	—	(5,224)
Other financial liabilities	—	(57,918)	(2,860)	—	—	—	—	(60,778)
<b>Total non-derivative financial liabilities</b>	<b>—</b>	<b>(3,592,690)</b>	<b>(488,561)</b>	<b>(588,679)</b>	<b>(1,497,697)</b>	<b>(589,576)</b>	<b>(7,348)</b>	<b>(6,764,551)</b>
<b>Net position</b>	<b>1,024,495</b>	<b>(3,371,006)</b>	<b>(27,903)</b>	<b>(71,074)</b>	<b>132,420</b>	<b>1,183,996</b>	<b>2,524,861</b>	<b>1,395,789</b>

**A. FINANCIAL INFORMATION (continued)**

(Amounts in millions of Renminbi, unless otherwise stated)

**VII. FINANCIAL RISK MANAGEMENT (continued)****4. Liquidity risk (continued)**

(2) Analysis of the undiscounted contractual cash flows (continued)

**Bank (continued)**

	As at 31 December 2009							Total
	Past due/ Undated	On demand	Up to 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	
<b>Non-derivative financial assets</b>								
Cash and balances with central banks . . . . .	1,210,974	152,788	—	596	2,733	161,214	—	1,528,305
Deposit with banks and other financial institutions . . . . .	—	42,393	5,115	9,526	4,472	—	—	61,506
Placements with banks and other financial institutions . . . . .	—	—	35,580	3,972	9,666	493	—	49,711
Financial assets held for trading . . . . .	—	—	1,251	3,925	3,557	6,138	1,507	16,378
Financial assets designated as at fair value through profit or loss . . . . .	—	41	1,237	5,484	39,620	43,508	18,482	108,372
Financial assets held under resale agreements . . . . .	—	—	147,650	230,349	45,058	—	—	423,057
Loans and advances to customers . . . . .	50,206	—	210,802	477,443	1,395,310	1,263,197	1,719,442	5,116,400
Available-for-sale financial assets . . . . .	487	—	103,964	80,858	190,060	293,868	152,744	821,981
Held-to-maturity investments . . . . .	—	—	23,248	97,363	170,737	477,848	238,834	1,008,030
Debt securities classified as receivables . . . . .	7	—	—	23,616	133,842	108,381	934,610	1,200,456
Other financial assets . . . . .	39	2,383	997	1	5	—	—	3,425
<b>Total non-derivative financial assets . . . . .</b>	<b>1,261,713</b>	<b>197,605</b>	<b>529,844</b>	<b>933,133</b>	<b>1,995,060</b>	<b>2,354,647</b>	<b>3,065,619</b>	<b>10,337,621</b>
<b>Non-derivative financial liabilities</b>								
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)
<b>Total non-derivative financial liabilities . . . . .</b>	<b>—</b>	<b>(4,809,299)</b>	<b>(511,231)</b>	<b>(727,240)</b>	<b>(1,762,689)</b>	<b>(739,642)</b>	<b>(32,002)</b>	<b>(8,582,103)</b>
<b>Net position . . . . .</b>	<b>1,261,713</b>	<b>(4,611,694)</b>	<b>18,613</b>	<b>205,893</b>	<b>232,371</b>	<b>1,615,005</b>	<b>3,033,617</b>	<b>1,755,518</b>

**A. FINANCIAL INFORMATION (continued)****(Amounts in millions of Renminbi, unless otherwise stated)****VII. FINANCIAL RISK MANAGEMENT (continued)****4. Liquidity risk (continued)****(2) Analysis of the undiscounted contractual cash flows (continued)**

Assets available to meet all of the liabilities and outstanding loan commitments include cash, deposits with central banks, deposits with banks and other financial institutions, placements with banks and other financial institutions, financial assets designated as at fair value through profit or loss, and financial assets held for trading. In the normal course of business, the majority of customer deposits repayable on demand are expected to be revolved. In addition the Group is able to sell the available-for-sale financial assets to repay the matured liabilities if necessary.

**(3) Derivative cash flows****(i) Derivatives settled on a net basis**

Derivatives that will be settled on a net basis are mainly interest rate related. The tables below set forth the Group's net derivative financial instruments positions by remaining contractual maturities at the end of each reporting period. The amounts disclosed in the table are the undiscounted contractual cash flows.

***Group and Bank***

	As at 31 December 2007					
	Less than 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Total
Interest rate derivatives .....	(94)	14	(48)	(108)	(92)	(328)

  

	As at 31 December 2008					
	Less than 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Total
Interest rate derivatives .....	(34)	(82)	(307)	(1,237)	(665)	(2,325)

  

	As at 31 December 2009					
	Less than 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Total
Interest rate derivatives .....	2	(66)	(175)	(583)	(180)	(1,002)

**(ii) Derivatives settled on a gross basis**

The Group's derivatives that will be settled on a gross basis refer to exchange rate derivatives. The tables below set forth the Group's positions by remaining contractual maturities at the end of each reporting period. The amounts disclosed in the tables are the undiscounted contractual cash flows.



## A. FINANCIAL INFORMATION (continued)

(Amounts in millions of Renminbi, unless otherwise stated)

## VII. FINANCIAL RISK MANAGEMENT (continued)

## 4. Liquidity risk (continued)

(3) Derivative cash flows (continued)

(ii) Derivatives settled on a gross basis (continued)

*Group and Bank*

	As at 31 December 2007					Total
	Up to 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	
Exchange rate derivatives						
—Inflow	61,509	26,562	143,528	17,575	1,291	250,465
—Outflow	(61,711)	(26,674)	(139,210)	(18,386)	(1,291)	(247,272)
Total	(202)	(112)	4,318	(811)	—	3,193
	As at 31 December 2008					Total
	Up to 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Total
Exchange rate derivatives						
—Inflow	22,596	21,428	111,998	34,985	1,359	192,366
—Outflow	(22,640)	(21,395)	(110,967)	(36,050)	(3,854)	(194,906)
Total	(44)	33	1,031	(1,065)	(2,495)	(2,540)
	As at 31 December 2009					Total
	Up to 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Total
Exchange rate derivatives						
—Inflow	50,357	29,702	103,004	6,340	1,556	190,959
—Outflow	(50,340)	(29,830)	(103,060)	(7,260)	(2,829)	(193,319)
Total	17	(128)	(56)	(920)	(1,273)	(2,360)

(4) Off-balance sheet items

The Group's off-balance sheet items mainly include loan commitments, letters of credit, letters of guarantee and bank acceptances. The tables below set forth the amounts of the off-balance sheet items by remaining maturity.

*Group and Bank*

	As at 31 December 2007			Total
	Up to 1 year	1-5 years	Over 5 years	
Loan commitments	221,931	32,531	83,821	338,283
Letters of credit	48,721	3,262	—	51,983
Letters of guarantee	21,354	36,448	71,412	129,214
Acceptances	204,695	—	—	204,695
Total	496,701	72,241	155,233	724,175

**A. FINANCIAL INFORMATION (continued)**

(Amounts in millions of Renminbi, unless otherwise stated)

**VII. FINANCIAL RISK MANAGEMENT (continued)****4. Liquidity risk (continued)**

(4) Off-balance sheet items (continued)

**Group and Bank (continued)**

	As at 31 December 2008			
	Up to 1 year	1-5 years	Over 5 years	Total
Loan commitments . . . . .	289,586	43,493	70,760	403,839
Letters of credit . . . . .	34,872	2,361	1,547	38,780
Letters of guarantee . . . . .	37,007	40,011	72,819	149,837
Acceptances . . . . .	189,126	—	—	189,126
Total . . . . .	<u>550,591</u>	<u>85,865</u>	<u>145,126</u>	<u>781,582</u>
	As at 31 December 2009			
	Up to 1 year	1-5 years	Over 5 years	Total
Loan commitments . . . . .	564,128	31,404	148,992	744,524
Letters of credit . . . . .	51,630	2,294	9	53,933
Letters of guarantee . . . . .	41,099	37,073	73,183	151,355
Acceptances . . . . .	271,871	—	—	271,871
Total . . . . .	<u>928,728</u>	<u>70,771</u>	<u>222,184</u>	<u>1,221,683</u>

**5. Market risk**

Market risk is the risk of loss, in respect of the Group's on and off-balance sheet activities, arising from movements in market rates including interest rates, foreign exchange rates, and stock prices. Market risk arises from both the Group's proprietary and customer driven business.

The Group is primarily exposed to interest rate risk arising from corporate and personal banking and other price risk arising from treasury operations. Interest rate risk is inherent in many of its businesses and largely arises from mismatches between the re-pricing dates of interest-generating assets and interest-bearing liabilities.

The Group's foreign currency risk is the risk of loss in respect of its foreign currency exposures, arising from transactions taken on foreign currency denominated assets and liabilities, which results from movements in foreign currency exchange rates.

The Group considers the market risk arising from commodity and equity prices in respect of its trading and investment portfolios are immaterial.

**(1) Foreign currency risk**

The Group conducts its businesses mainly in RMB, with certain transactions denominated in USD, HKD and, to a lesser extent other currencies. Transactions in foreign currencies mainly arise from the Group's treasury exposures and foreign operations.

**A. FINANCIAL INFORMATION (continued)**

(Amounts in millions of Renminbi, unless otherwise stated)

**VII. FINANCIAL RISK MANAGEMENT (continued)****5. Market risk (continued)**

## (1) Foreign currency risk (continued)

The exchange rate of RMB to USD is under a managed floating exchange rate system. The exchange rate of RMB to USD has gradually risen over the past two years. The HKD exchange rate has been pegged to the USD and therefore the exchange rate of RMB to HKD has fluctuated in line with the changes in the exchange rate of RMB to USD.

A breakdown of all financial assets and liabilities analysed by currency is as follows:

*Group*

	As at 31 December 2007				
	RMB	USD RMB equivalent	HKD RMB equivalent	Other currencies RMB equivalent	Total
Cash and balances with central banks . . . .	929,814	5,477	1,206	517	937,014
Deposits with banks and other financial institutions . . . . .	7,776	4,696	511	3,449	16,432
Placements with banks and other financial institutions . . . . .	13,586	38,536	201	175	52,498
Financial assets held for trading . . . . .	8,340	—	—	—	8,340
Financial assets designated as at fair value through profit or loss . . . . .	2,318	3,812	2,366	369	8,865
Derivative financial assets . . . . .	2,881	5,261	466	1,599	10,207
Financial assets under resale agreements . . . . .	140,574	4,274	—	—	144,848
Loans and advances to customers . . . . .	2,624,138	67,557	11,844	5,653	2,709,192
Available-for-sale financial assets . . . . .	451,434	74,329	1,577	2,003	529,343
Held-to-maturity investments . . . . .	518,980	12,496	515	825	532,816
Debt securities classified as receivables . . .	229,585	151	—	7	229,743
Other financial assets . . . . .	25,913	1,159	411	55	27,538
<b>Total financial assets . . . . .</b>	<b>4,955,339</b>	<b>217,748</b>	<b>19,097</b>	<b>14,652</b>	<b>5,206,836</b>
Borrowings from central bank . . . . .	(150,867)	—	—	—	(150,867)
Deposits from banks and other financial institutions . . . . .	(286,262)	(8,672)	(1,628)	(56)	(296,618)
Placements from banks and other financial institutions . . . . .	(8,850)	(11,160)	(8,700)	(1,665)	(30,375)
Financial liabilities designated as at fair value through profit or loss . . . . .	(3,570)	(6,307)	(611)	—	(10,488)
Derivative financial liabilities . . . . .	(3,832)	(1,462)	(372)	(1,628)	(7,294)
Financial assets sold under repurchase agreements . . . . .	(41,820)	(31,239)	(80)	(252)	(73,391)
Due to customers . . . . .	(5,212,853)	(55,114)	(9,834)	(9,393)	(5,287,194)
Debt securities issued . . . . .	—	(1,096)	(3,058)	—	(4,154)
Other financial liabilities . . . . .	(74,147)	(1,203)	(776)	(56)	(76,182)
<b>Total financial liabilities . . . . .</b>	<b>(5,782,201)</b>	<b>(116,253)</b>	<b>(25,059)</b>	<b>(13,050)</b>	<b>(5,936,563)</b>
<b>Net balance sheet position . . . . .</b>	<b>(826,862)</b>	<b>101,495</b>	<b>(5,962)</b>	<b>1,602</b>	<b>(729,727)</b>

## A. FINANCIAL INFORMATION (continued)

(Amounts in millions of Renminbi, unless otherwise stated)

## VII. FINANCIAL RISK MANAGEMENT (continued)

## 5. Market risk (continued)

(1) Foreign currency risk (continued)

*Group (continued)*

	As at 31 December 2008				
	RMB	USD RMB equivalent	HKD RMB equivalent	Other currencies RMB equivalent	Total
Cash and balances with central banks . . . .	1,139,807	4,535	943	599	1,145,884
Deposits with banks and other financial institutions . . . . .	6,130	52,973	1,255	2,310	62,668
Placements with banks and other financial institutions . . . . .	20,042	21,842	994	1,601	44,479
Financial assets held for trading . . . . .	19,688	—	—	—	19,688
Financial assets designated as at fair value through profit or loss . . . . .	16,062	2,722	1,178	367	20,329
Derivative financial assets . . . . .	1,394	3,954	258	1,545	7,151
Financial assets held under resale agreements . . . . .	246,370	—	—	—	246,370
Loans and advances to customers . . . . .	2,937,685	59,911	11,898	5,490	3,014,984
Available-for-sale financial assets . . . . .	692,196	104,550	1,252	2,207	800,205
Held-to-maturity investments . . . . .	553,729	20,987	451	1,156	576,323
Debt securities classified as receivables . . .	892,526	—	—	6	892,532
Other financial assets . . . . .	31,845	940	55	96	32,936
<b>Total financial assets . . . . .</b>	<b>6,557,474</b>	<b>272,414</b>	<b>18,284</b>	<b>15,377</b>	<b>6,863,549</b>
Borrowings from central bank . . . . .	(314)	—	—	—	(314)
Deposits from banks and other financial institutions . . . . .	(273,457)	(14,358)	(1,554)	(403)	(289,772)
Placements from banks and other financial institutions . . . . .	(15,210)	(15,382)	(2,488)	(1,051)	(34,131)
Financial liabilities designated as at fair value through profit or loss . . . . .	(16,754)	(5,470)	(453)	—	(22,677)
Derivative financial liabilities . . . . .	(769)	(7,346)	(266)	(3,153)	(11,534)
Financial assets sold under repurchase agreements . . . . .	(28,045)	(6,531)	(15)	(499)	(35,090)
Due to customers . . . . .	(6,028,548)	(47,627)	(12,835)	(8,418)	(6,097,428)
Debt securities issued . . . . .	—	(1,246)	(3,904)	—	(5,150)
Other financial liabilities . . . . .	(121,222)	(5,665)	(514)	(212)	(127,613)
<b>Total financial liabilities . . . . .</b>	<b>(6,484,319)</b>	<b>(103,625)</b>	<b>(22,029)</b>	<b>(13,736)</b>	<b>(6,623,709)</b>
<b>Net balance sheet position . . . . .</b>	<b>73,155</b>	<b>168,789</b>	<b>(3,745)</b>	<b>1,641</b>	<b>239,840</b>

## A. FINANCIAL INFORMATION (continued)

(Amounts in millions of Renminbi, unless otherwise stated)

## VII. FINANCIAL RISK MANAGEMENT (continued)

## 5. Market risk (continued)

(1) Foreign currency risk (continued)

*Group (continued)*

	As at 31 December 2009				Total
	RMB	USD RMB equivalent	HKD RMB equivalent	Other currencies RMB equivalent	
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
<b>Total financial assets . . . . .</b>	<b>8,398,313</b>	<b>274,477</b>	<b>29,157</b>	<b>16,546</b>	<b>8,718,493</b>
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)
<b>Total financial liabilities . . . . .</b>	<b>(8,205,215)</b>	<b>(246,552)</b>	<b>(27,222)</b>	<b>(16,244)</b>	<b>(8,495,233)</b>
<b>Net balance sheet position . . . . .</b>	<b>193,098</b>	<b>27,925</b>	<b>1,935</b>	<b>302</b>	<b>223,260</b>

## A. FINANCIAL INFORMATION (continued)

(Amounts in millions of Renminbi, unless otherwise stated)

## VII. FINANCIAL RISK MANAGEMENT (continued)

## 5. Market risk (continued)

(1) Foreign currency risk (continued)

*Bank*

	As at 31 December 2007				
	RMB	USD RMB equivalent	HKD RMB equivalent	Other currencies RMB equivalent	Total
Cash and balances with central banks . . . .	929,721	5,477	1,206	517	936,921
Deposits with banks and other financial institutions . . . . .	7,776	4,696	177	3,449	16,098
Placements with banks and other financial institutions . . . . .	13,586	38,536	201	175	52,498
Financial assets held for trading . . . . .	8,340	—	—	—	8,340
Financial assets designated as at fair value through profit or loss . . . . .	2,318	3,812	2,366	369	8,865
Derivative financial assets . . . . .	2,881	5,261	466	1,599	10,207
Financial assets held under resale agreements . . . . .	140,574	4,274	—	—	144,848
Loans and advances to customers . . . . .	2,624,138	67,557	11,844	5,653	2,709,192
Available-for-sale financial assets . . . . .	451,434	74,329	1,577	2,003	529,343
Held-to-maturity investments . . . . .	518,980	12,496	515	825	532,816
Debt securities classified as receivables . . .	229,585	151	—	7	229,743
Other financial assets . . . . .	25,860	1,159	411	55	27,485
Total financial assets . . . . .	<u>4,955,193</u>	<u>217,748</u>	<u>18,763</u>	<u>14,652</u>	<u>5,206,356</u>
Borrowings from central bank . . . . .	(150,867)	—	—	—	(150,867)
Deposits from banks and other financial institutions . . . . .	(286,263)	(8,672)	(1,628)	(56)	(296,619)
Placements from banks and other financial institutions . . . . .	(8,850)	(11,160)	(8,700)	(1,665)	(30,375)
Financial liabilities designated as at fair value through profit or loss . . . . .	(3,570)	(6,307)	(611)	—	(10,488)
Derivative financial liabilities . . . . .	(3,832)	(1,462)	(372)	(1,628)	(7,294)
Financial assets sold under repurchase agreements . . . . .	(41,820)	(31,239)	(80)	(252)	(73,391)
Due to customers . . . . .	(5,212,853)	(55,114)	(9,834)	(9,393)	(5,287,194)
Debt securities issued . . . . .	—	(1,096)	(3,058)	—	(4,154)
Other financial liabilities . . . . .	(74,051)	(1,230)	(301)	(56)	(75,638)
Total financial liabilities . . . . .	<u>(5,782,106)</u>	<u>(116,280)</u>	<u>(24,584)</u>	<u>(13,050)</u>	<u>(5,936,020)</u>
Net balance sheet position . . . . .	<u>(826,913)</u>	<u>101,468</u>	<u>(5,821)</u>	<u>1,602</u>	<u>(729,664)</u>

## A. FINANCIAL INFORMATION (continued)

(Amounts in millions of Renminbi, unless otherwise stated)

## VII. FINANCIAL RISK MANAGEMENT (continued)

## 5. Market risk (continued)

(1) Foreign currency risk (continued)

*Bank (continued)*

	As at 31 December 2008				
	RMB	USD RMB equivalent	HKD RMB equivalent	Other currencies RMB equivalent	Total
Cash and balances with central banks . . . . .	1,139,649	4,535	943	599	1,145,726
Deposit with banks and other financial institutions . . . . .	6,053	52,973	517	2,310	61,853
Placements with banks and other financial institutions . . . . .	20,042	21,842	1,215	1,601	44,700
Financial assets held for trading . . . . .	19,688	—	—	—	19,688
Financial assets designated as at fair value through profit or loss . . . . .	15,997	2,722	1,178	367	20,264
Derivative financial assets . . . . .	1,394	3,954	258	1,545	7,151
Financial assets held under resale agreements . . . . .	246,370	—	—	—	246,370
Loans and advances to customers . . . . .	2,937,652	59,911	11,898	5,490	3,014,951
Available-for-sale financial assets . . . . .	692,196	104,550	1,252	2,207	800,205
Held-to-maturity investments . . . . .	553,729	20,987	451	1,156	576,323
Debt securities classified as receivables . . . . .	892,526	—	—	6	892,532
Other financial assets . . . . .	31,783	940	55	96	32,874
<b>Total financial assets . . . . .</b>	<b>6,557,079</b>	<b>272,414</b>	<b>17,767</b>	<b>15,377</b>	<b>6,862,637</b>
Borrowings from central bank . . . . .	(314)	—	—	—	(314)
Deposits from banks and other financial institutions . . . . .	(273,457)	(14,358)	(1,554)	(403)	(289,772)
Placements from banks and other financial institutions . . . . .	(15,210)	(15,382)	(2,488)	(1,051)	(34,131)
Financial liabilities designated as at fair value through profit or loss . . . . .	(16,754)	(5,470)	(453)	—	(22,677)
Derivative financial liabilities . . . . .	(769)	(7,346)	(266)	(3,153)	(11,534)
Financial assets sold under repurchase agreements . . . . .	(28,045)	(6,531)	(15)	(499)	(35,090)
Due to customers . . . . .	(6,028,493)	(47,627)	(12,835)	(8,418)	(6,097,373)
Debt securities issued . . . . .	—	(1,246)	(3,904)	—	(5,150)
Other financial liabilities . . . . .	(121,129)	(5,665)	(288)	(211)	(127,293)
<b>Total financial liabilities . . . . .</b>	<b>(6,484,171)</b>	<b>(103,625)</b>	<b>(21,803)</b>	<b>(13,735)</b>	<b>(6,623,334)</b>
<b>Net balance sheet position . . . . .</b>	<b>72,908</b>	<b>168,789</b>	<b>(4,036)</b>	<b>1,642</b>	<b>239,303</b>

## A. FINANCIAL INFORMATION (continued)

(Amounts in millions of Renminbi, unless otherwise stated)

## VII. FINANCIAL RISK MANAGEMENT (continued)

## 5. Market risk (continued)

(1) Foreign currency risk (continued)

*Bank (continued)*

	As at 31 December 2009				
	RMB	USD RMB equivalent	HKD RMB equivalent	Other currencies RMB equivalent	Total
Cash and balances with central banks . . . . .	1,510,799	5,154	1,088	721	1,517,762
Deposit with banks and other financial institutions . . . . .	19,710	37,272	545	3,758	61,285
Placements with banks and other financial institutions . . . . .	19,591	29,522	87	235	49,435
Financial assets held for trading . . . . .	15,346	—	—	—	15,346
Financial assets designated as at fair value through profit or loss . . . . .	87,963	5,768	2,793	306	96,830
Derivative financial assets . . . . .	1,421	1,281	178	1,798	4,678
Financial assets held under resale agreements . . . . .	420,922	171	—	—	421,093
Loans and advances to customers . . . . .	3,860,127	122,874	22,842	5,543	4,011,386
Available-for-sale financial assets . . . . .	679,883	46,116	949	3,434	730,382
Held-to-maturity investments . . . . .	858,168	24,682	393	672	883,915
Debt securities classified as receivables . . . . .	890,193	—	—	6	890,199
Other financial assets . . . . .	33,798	1,637	43	73	35,551
<b>Total financial assets . . . . .</b>	<b>8,397,921</b>	<b>274,477</b>	<b>28,918</b>	<b>16,546</b>	<b>8,717,862</b>
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)
<b>Total financial liabilities . . . . .</b>	<b>(8,205,121)</b>	<b>(246,552)</b>	<b>(27,589)</b>	<b>(16,244)</b>	<b>(8,495,506)</b>
<b>Net balance sheet position . . . . .</b>	<b>192,800</b>	<b>27,925</b>	<b>1,329</b>	<b>302</b>	<b>222,356</b>



**A. FINANCIAL INFORMATION (continued)**

(Amounts in millions of Renminbi, unless otherwise stated)

**VII. FINANCIAL RISK MANAGEMENT (continued)****5. Market risk (continued)**

## (1) Foreign currency risk (continued)

The table below indicates the potential effect of an appreciation or depreciation of RMB spot and forward exchange rate against all other currencies by 5% on the profit before tax.

**Group**

	<u>2007</u>	<u>2008</u>	<u>2009</u>
	<u>Profit before tax</u>	<u>Profit before tax</u>	<u>Profit before tax</u>
5% appreciation .....	(4,557)	(8,120)	(1,335)
5% depreciation .....	<u>4,557</u>	<u>8,120</u>	<u>1,335</u>

**Bank**

	<u>2007</u>	<u>2008</u>	<u>2009</u>
	<u>Profit before tax</u>	<u>Profit before tax</u>	<u>Profit before tax</u>
5% appreciation .....	(4,562)	(8,105)	(1,305)
5% depreciation .....	<u>4,562</u>	<u>8,105</u>	<u>1,305</u>

The impact on the profit before tax arises from the effects of movement in RMB exchange rate on the net positions of foreign monetary assets and liabilities and currency derivative instruments.

The effect on the profit before tax is based on the assumption that the Group's net foreign currency and currency derivative instruments positions at the end of each reporting period remain unchanged. The Group mitigates its foreign currency risk through active management of its foreign currency exposures and appropriate use of derivative instruments, based on the management expectation of future foreign currency movements, and therefore the above sensitivity analysis may differ to the actual situation.

## (2) Interest rate risk

The Group's interest rate risk arises from the mis-matches between contractual maturities and re-pricing of interest-generating assets and interest-bearing liabilities. The Group's interest-generating assets and interest-bearing liabilities are mainly denominated in RMB. The PBOC establishes RMB benchmark interest rates which include a cap for RMB deposit rates and a floor for RMB loan rates.

The Group manages its interest rate risk by:

- Regularly monitoring the macro economic factors that may impact on the PBOC benchmark interest rates;
- Minimising the mis-matches between contractual maturities and repricing of interest-generating assets and interest-bearing liabilities; and
- Enhancing the interest rate margin on interest-generating assets and interest-bearing liabilities with reference to the prevailing PBOC benchmark interest rates.

**A. FINANCIAL INFORMATION (continued)****(Amounts in millions of Renminbi, unless otherwise stated)****VII. FINANCIAL RISK MANAGEMENT (continued)****5. Market risk (continued)****(2) Interest rate risk (continued)**

The tables below summarise the contractual repricing or maturity date, whichever is earlier, of the Group's financial assets and liabilities.

*Group*

	As at 31 December 2007						Total
	Up to 1 month	Between 1 to 3 months	Between 3 to 12 months	Between 1 to 5 years	Over 5 years	Non- interest bearing	
Cash and balances with central banks . . . . .	848,936	—	—	—	—	88,078	937,014
Deposits with banks and other financial institutions . . . . .	10,314	2,320	1,638	—	—	2,160	16,432
Placements with banks and other financial institutions . . . . .	28,317	16,736	7,445	—	—	—	52,498
Financial assets held for trading . . . . .	356	1,605	3,748	1,377	1,254	—	8,340
Financial assets designated as at fair value through profit or loss . . . . .	1,474	3,008	2,826	1,252	296	9	8,865
Derivative financial assets . . . . .	—	—	—	—	—	10,207	10,207
Financial assets held under resale agreements . . . . .	115,283	19,820	9,745	—	—	—	144,848
Loans and advances to customers . . . . .	1,081,410	567,112	1,059,805	398	467	—	2,709,192
Available-for-sale financial assets . . . . .	104,540	89,550	70,601	143,421	119,970	1,261	529,343
Held-to-maturity investments . . . . .	18,628	52,318	191,285	195,568	75,017	—	532,816
Debt securities classified as receivables . . . . .	746	1,612	6,214	125,859	95,300	12	229,743
Other financial assets . . . . .	—	—	—	—	—	27,538	27,538
<b>Total assets . . . . .</b>	<b>2,210,004</b>	<b>754,081</b>	<b>1,353,307</b>	<b>467,875</b>	<b>292,304</b>	<b>129,265</b>	<b>5,206,836</b>
Borrowings from central bank . . . . .	—	(49)	—	—	—	(150,818)	(150,867)
Deposits from banks and other financial institutions . . . . .	(257,907)	(2,522)	(35,835)	(354)	—	—	(296,618)
Placements from banks and other financial institutions . . . . .	(24,248)	(4,822)	(1,092)	(7)	(206)	—	(30,375)
Financial liabilities designated as at fair value through profit or loss . . . . .	(4,464)	(1,017)	(3,446)	(240)	(325)	(996)	(10,488)
Derivative financial liabilities . . . . .	—	—	—	—	—	(7,294)	(7,294)
Financial assets sold under repurchase agreements . . . . .	(69,224)	(2,033)	(2,134)	—	—	—	(73,391)
Due to customers . . . . .	(3,365,948)	(414,181)	(1,063,698)	(366,334)	(3,222)	(73,811)	(5,287,194)
Debt securities issued . . . . .	(644)	(2,426)	(824)	(260)	—	—	(4,154)
Other financial liabilities . . . . .	—	—	—	—	—	(76,182)	(76,182)
<b>Total liabilities . . . . .</b>	<b>(3,722,435)</b>	<b>(427,050)</b>	<b>(1,107,029)</b>	<b>(367,195)</b>	<b>(3,753)</b>	<b>(309,101)</b>	<b>(5,936,563)</b>
<b>Interest rate gap . . . . .</b>	<b>(1,512,431)</b>	<b>327,031</b>	<b>246,278</b>	<b>100,680</b>	<b>288,551</b>	<b>(179,836)</b>	<b>(729,727)</b>

## A. FINANCIAL INFORMATION (continued)

(Amounts in millions of Renminbi, unless otherwise stated)

## VII. FINANCIAL RISK MANAGEMENT (continued)

## 5. Market risk (continued)

(2) Interest rate risk (continued)

*Group (continued)*

	As at 31 December 2008						Total
	Up to 1 month	1 to 3 months	3 to 12 months	1 to 5 years	Over 5 years	Non-interest bearing	
Cash and balances with central banks . . . . .	1,053,751	—	—	—	—	92,133	1,145,884
Deposits with banks and other financial institutions . . . . .	54,008	750	4,659	—	—	3,251	62,668
Placements with banks and other financial institutions . . . . .	18,763	20,319	5,397	—	—	—	44,479
Financial assets held for trading . . . . .	—	1,509	5,779	9,578	2,822	—	19,688
Financial assets designated as at fair value through profit or loss . . . . .	2,790	3,950	9,371	3,973	199	46	20,329
Derivative financial assets . . . . .	—	—	—	—	—	7,151	7,151
Financial assets held under resale agreements . . . . .	186,387	50,891	9,092	—	—	—	246,370
Loans and advances to customers . . . . .	1,168,670	631,159	1,211,979	925	2,251	—	3,014,984
Available-for-sale financial assets . . . . .	125,489	98,320	211,561	237,575	126,699	561	800,205
Held-to-maturity investments . . . . .	20,627	40,637	135,693	256,313	123,053	—	576,323
Debt securities classified as receivables . . . . .	—	2,844	7,221	120,568	761,893	6	892,532
Other financial assets . . . . .	—	—	—	—	—	32,936	32,936
<b>Total financial assets . . . . .</b>	<b>2,630,485</b>	<b>850,379</b>	<b>1,600,752</b>	<b>628,932</b>	<b>1,016,917</b>	<b>136,084</b>	<b>6,863,549</b>
Borrowings from central bank . . . . .	—	(49)	—	—	—	(265)	(314)
Deposits from banks and other financial institutions . . . . .	(187,988)	(28,566)	(32,251)	(40,967)	—	—	(289,772)
Placements from banks and other financial institutions . . . . .	(29,700)	(2,722)	(1,466)	(3)	(240)	—	(34,131)
Financial liabilities designated as at fair value through profit or loss . . . . .	(9,589)	(3,699)	(3,219)	(3,248)	(170)	(2,752)	(22,677)
Derivative financial liabilities . . . . .	—	—	—	—	—	(11,534)	(11,534)
Financial assets sold under repurchase agreements . . . . .	(28,708)	(3,120)	(3,262)	—	—	—	(35,090)
Due to customers . . . . .	(3,666,787)	(525,113)	(1,372,789)	(447,491)	(5,447)	(79,801)	(6,097,428)
Debt securities issued . . . . .	(473)	(2,469)	(2,208)	—	—	—	(5,150)
Other financial liabilities . . . . .	—	—	—	—	—	(127,613)	(127,613)
<b>Total financial liabilities . . . . .</b>	<b>(3,923,245)</b>	<b>(565,738)</b>	<b>(1,415,195)</b>	<b>(491,709)</b>	<b>(5,857)</b>	<b>(221,965)</b>	<b>(6,623,709)</b>
<b>Interest rate gap . . . . .</b>	<b>(1,292,760)</b>	<b>284,641</b>	<b>185,557</b>	<b>137,223</b>	<b>1,011,060</b>	<b>(85,881)</b>	<b>239,840</b>

**A. FINANCIAL INFORMATION (continued)**

(Amounts in millions of Renminbi, unless otherwise stated)

**VII. FINANCIAL RISK MANAGEMENT (continued)****5. Market risk (continued)**

(2) Interest rate risk (continued)

**Group (continued)**

	As at 31 December 2009						
	Up to 1 month	1 to 3 months	3 to 12 months	1 to 5 years	Over 5 years	Non-interest bearing	Total
Cash and balances with central banks	1,241,274	—	—	154,000	—	122,532	1,517,806
Deposits with banks and other financial institutions	45,728	9,435	4,360	—	—	2,170	61,693
Placements with banks and other financial institutions	36,031	4,983	8,421	—	—	—	49,435
Financial assets held for trading	1,541	2,805	4,666	5,231	1,103	—	15,346
Financial assets designated as at fair value through profit or loss	1,710	8,844	34,761	37,115	14,379	21	96,830
Derivative financial assets	—	—	—	—	—	4,678	4,678
Financial assets held under resale agreements	147,267	229,551	44,275	—	—	—	421,093
Loans and advances to customers	1,490,928	1,051,095	1,466,940	2,274	258	—	4,011,495
Available-for-sale financial assets	114,824	92,144	154,616	246,819	121,492	487	730,382
Held-to-maturity investments	43,602	134,106	218,857	315,713	171,637	—	883,915
Debt securities classified as receivables	—	22,967	108,411	22,171	736,644	6	890,199
Other financial assets	—	—	—	—	—	35,621	35,621
<b>Total financial assets</b>	<b>3,122,905</b>	<b>1,555,930</b>	<b>2,045,307</b>	<b>783,323</b>	<b>1,045,513</b>	<b>165,515</b>	<b>8,718,493</b>
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)
<b>Total financial liabilities</b>	<b>(5,283,518)</b>	<b>(713,823)</b>	<b>(1,732,595)</b>	<b>(516,543)</b>	<b>(26,919)</b>	<b>(221,835)</b>	<b>(8,495,233)</b>
Interest rate gap	(2,160,613)	842,107	312,712	266,780	1,018,594	(56,320)	223,260

**A. FINANCIAL INFORMATION (continued)**

(Amounts in millions of Renminbi, unless otherwise stated)

**VII. FINANCIAL RISK MANAGEMENT (continued)****5. Market risk (continued)**

(2) Interest rate risk (continued)

**Bank**

	As at 31 December 2007						Total
	Up to 1 month	Between 1 to 3 months	Between 3 to 12 months	Between 1 to 5 years	Over 5 years	Non-interest bearing	
Cash and balances with central banks . . . . .	848,843	—	—	—	—	88,078	936,921
Deposits with banks and other financial institutions . . . . .	10,104	2,274	1,604	—	—	2,116	16,098
Placements with banks and other financial institutions . . . . .	28,317	16,736	7,445	—	—	—	52,498
Financial assets held for trading . . . . .	356	1,605	3,748	1,377	1,254	—	8,340
Financial assets designated as at fair value through profit or loss . . . . .	1,474	3,008	2,826	1,252	296	9	8,865
Derivative financial assets . . . . .	—	—	—	—	—	10,207	10,207
Financial assets held under resale agreements . . . . .	115,283	19,820	9,745	—	—	—	144,848
Loans and advances to customers . . . . .	1,081,410	567,112	1,059,805	398	467	—	2,709,192
Available-for-sale financial assets . . . . .	104,540	89,550	70,601	143,421	119,970	1,261	529,343
Held-to-maturity investments . . . . .	18,628	52,318	191,285	195,568	75,017	—	532,816
Debt securities classified as receivables . . . . .	746	1,612	6,214	125,859	95,300	12	229,743
Other financial assets . . . . .	—	—	—	—	—	27,485	27,485
<b>Total assets . . . . .</b>	<b>2,209,701</b>	<b>754,035</b>	<b>1,353,273</b>	<b>467,875</b>	<b>292,304</b>	<b>129,168</b>	<b>5,206,356</b>
Borrowings from central bank . . . . .	—	(49)	—	—	—	(150,818)	(150,867)
Deposits from banks and other financial institutions . . . . .	(257,908)	(2,522)	(35,835)	(354)	—	—	(296,619)
Placements from banks and other financial institutions . . . . .	(24,248)	(4,822)	(1,092)	(7)	(206)	—	(30,375)
Financial liabilities designated as at fair value through profit or loss . . . . .	(4,464)	(1,017)	(3,446)	(240)	(325)	(996)	(10,488)
Derivative financial liabilities . . . . .	—	—	—	—	—	(7,294)	(7,294)
Financial assets sold under repurchase agreements . . . . .	(69,224)	(2,033)	(2,134)	—	—	—	(73,391)
Due to customers . . . . .	(3,365,948)	(414,181)	(1,063,698)	(366,334)	(3,222)	(73,811)	(5,287,194)
Debt securities issued . . . . .	(644)	(2,426)	(824)	(260)	—	—	(4,154)
Other financial liabilities . . . . .	—	—	—	—	—	(75,638)	(75,638)
<b>Total liabilities . . . . .</b>	<b>(3,722,436)</b>	<b>(427,050)</b>	<b>(1,107,029)</b>	<b>(367,195)</b>	<b>(3,753)</b>	<b>(308,557)</b>	<b>(5,936,020)</b>
<b>Interest rate gap . . . . .</b>	<b>(1,512,735)</b>	<b>326,985</b>	<b>246,244</b>	<b>100,680</b>	<b>288,551</b>	<b>(179,389)</b>	<b>(729,664)</b>

## A. FINANCIAL INFORMATION (continued)

(Amounts in millions of Renminbi, unless otherwise stated)

## VII. FINANCIAL RISK MANAGEMENT (continued)

## 5. Market risk (continued)

(2) Interest rate risk (continued)

*Bank (continued)*

	As at 31 December 2008						Total
	Up to 1 month	Between 1 to 3 months	Between 3 to 12 months	Between 1 to 5 years	Over 5 years	Non-interest bearing	
Cash and balances with central banks . . . . .	1,053,593	—	—	—	—	92,133	1,145,726
Deposits with banks and other financial institutions . . . . .	53,305	740	4,599	—	—	3,209	61,853
Placements with banks and other financial institutions . . . . .	18,763	20,319	5,618	—	—	—	44,700
Financial assets held for trading . . . . .	—	1,509	5,779	9,578	2,822	—	19,688
Financial assets designated as at fair value through profit or loss . . . . .	2,790	3,950	9,306	3,973	199	46	20,264
Derivative financial assets . . . . .	—	—	—	—	—	7,151	7,151
Financial assets held under resale agreements . . . . .	186,387	50,891	9,092	—	—	—	246,370
Loans and advances to customers . . . . .	1,168,670	631,159	1,211,946	925	2,251	—	3,014,951
Available-for-sale financial assets . . . . .	125,489	98,320	211,561	237,575	126,699	561	800,205
Held-to-maturity investments . . . . .	20,627	40,637	135,693	256,313	123,053	—	576,323
Debt securities classified as receivables . . . . .	—	2,844	7,221	120,568	761,893	6	892,532
Other financial assets . . . . .	—	—	—	—	—	32,874	32,874
<b>Total assets . . . . .</b>	<b>2,629,624</b>	<b>850,369</b>	<b>1,600,815</b>	<b>628,932</b>	<b>1,016,917</b>	<b>135,980</b>	<b>6,862,637</b>
Borrowings from central bank . . . . .	—	(49)	—	—	—	(265)	(314)
Deposits from banks and other financial institutions . . . . .	(187,988)	(28,566)	(32,251)	(40,967)	—	—	(289,772)
Placements from banks and other financial institutions . . . . .	(29,700)	(2,722)	(1,466)	(3)	(240)	—	(34,131)
Financial liabilities designated as at fair value through profit or loss . . . . .	(9,589)	(3,699)	(3,219)	(3,248)	(170)	(2,752)	(22,677)
Derivative financial liabilities . . . . .	—	—	—	—	—	(11,534)	(11,534)
Financial assets sold under repurchase agreements . . . . .	(28,708)	(3,120)	(3,262)	—	—	—	(35,090)
Due to customers . . . . .	(3,666,787)	(525,113)	(1,372,737)	(447,491)	(5,447)	(79,798)	(6,097,373)
Debt securities issued . . . . .	(473)	(2,469)	(2,208)	—	—	—	(5,150)
Other financial liabilities . . . . .	—	—	—	—	—	(127,293)	(127,293)
<b>Total liabilities . . . . .</b>	<b>(3,923,245)</b>	<b>(565,738)</b>	<b>(1,415,143)</b>	<b>(491,709)</b>	<b>(5,857)</b>	<b>(221,642)</b>	<b>(6,623,334)</b>
<b>Interest rate gap . . . . .</b>	<b>(1,293,621)</b>	<b>284,631</b>	<b>185,672</b>	<b>137,223</b>	<b>1,011,060</b>	<b>(85,662)</b>	<b>239,303</b>

## A. FINANCIAL INFORMATION (continued)

(Amounts in millions of Renminbi, unless otherwise stated)

## VII. FINANCIAL RISK MANAGEMENT (continued)

## 5. Market risk (continued)

(2) Interest rate risk (continued)

*Bank (continued)*

	As at 31 December 2009						Total
	Up to 1 month	Between 1 to 3 months	Between 3 to 12 months	Between 1 to 5 years	Over 5 years	Non-interest bearing	
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
<b>Total assets</b>	<b>3,122,497</b>	<b>1,555,930</b>	<b>2,045,198</b>	<b>783,323</b>	<b>1,045,513</b>	<b>165,401</b>	<b>8,717,862</b>
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)
<b>Total liabilities</b>	<b>(5,284,236)</b>	<b>(713,823)</b>	<b>(1,732,546)</b>	<b>(516,543)</b>	<b>(26,919)</b>	<b>(221,439)</b>	<b>(8,495,506)</b>
Interest rate gap	(2,161,739)	842,107	312,652	266,780	1,018,594	(56,038)	222,356

**A. FINANCIAL INFORMATION (continued)**

(Amounts in millions of Renminbi, unless otherwise stated)

**VII. FINANCIAL RISK MANAGEMENT (continued)****5. Market risk (continued)**

## (2) Interest rate risk (continued)

The following table illustrates the potential impact of a parallel upward or downward shift of 100 basis points in all currencies' yield curves on the Group's net interest income and equity, based on the Group's positions of interest-bearing assets and liabilities at the end of each reporting period.

**Group**

	31 December 2007		31 December 2008		31 December 2009	
	Net interest income	Equity	Net interest income	Equity	Net interest income	Equity
+100 basis points . . . . .	(10,842)	(12,764)	(9,315)	(17,431)	(12,516)	(14,826)
- 100 basis points . . . . .	10,842	13,743	9,315	18,714	12,516	15,851

**Bank**

	31 December 2007		31 December 2008		31 December 2009	
	Net interest income	Equity	Net interest income	Equity	Net interest income	Equity
+100 basis points . . . . .	(10,846)	(12,764)	(9,323)	(17,431)	(12,527)	(14,826)
- 100 basis points . . . . .	10,846	13,743	9,323	18,714	12,527	15,851

The sensitivity analysis on net interest income is based on reasonably possible changes in interest rates with the assumption that the structure of financial assets and financial liabilities held at year end remains unchanged.

The sensitivity analysis on equity is the effect on changes of fixed rate available-for-sale financial assets at the year end after adjusting in accordance with the reasonably possible changes in interest rates.

**6. Capital management**

The Group's objectives on capital management are to:

- safeguard the Group's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders;
- support the Group's stability and growth;
- allocate capital in an efficient and risk based approach to optimise risk adjusted return to the shareholders; and
- maintain an adequate capital base to support the development of its business.

The CBRC requires that the capital adequacy ratio and core capital adequacy ratio for commercial banks shall not fall below 8% and 4% respectively. For commercial banks, supplementary capital shall not exceed 100% of core capital while long-term subordinated liabilities included in the



## A. FINANCIAL INFORMATION (continued)

(Amounts in millions of Renminbi, unless otherwise stated)

## VII. FINANCIAL RISK MANAGEMENT (continued)

## 6. Capital management (continued)

supplementary capital should not exceed 50% of the core capital. When total positions of trading accounts exceed 10% of the on and off balance sheet total assets, or RMB8.5 billion, commercial banks must provide for market risk capital. At present, the Group is fully compliant with legal and regulatory requirements.

The on-balance sheet risk-weighted assets are measured according to the nature of, and are reflecting an estimate of credit, market and other risks associated with, each asset and counterparty, taking into account any eligible collateral or guarantees. A similar treatment is adopted for off-balance sheet exposure, with adjustments made to reflect the more contingent nature of any potential losses. Market risk capital adjustment is calculated using the standardised approach.

The Group computes the capital adequacy ratio in accordance with *Decision of China Banking Regulatory Commission on Revising the Measures for the Management of Capital Adequacy Ratios of Commercial Banks*, *Notice from China Banking Regulatory Commission on the Relevant Issues on Calculating the Capital Adequacy Ratio After Banks and Financial Institutions Implementing <Accounting Standards for Business Enterprises>* and other related regulations promulgated by the CBRC.

	As at 31 December 2008		As at 31 December 2009	
	Group	Bank	Group	Bank
Core capital adequacy ratio . . . . . (1)	8.04%	8.00%	7.74%	7.69%
Capital adequacy ratio . . . . . (2)	9.41%	9.36%	10.07%	10.01%
Components of capital base				
Core capital:				
Share capital . . . . .	260,000	260,000	260,000	260,000
Surplus reserve and general and regulatory reserves . . . . .	1,251	1,247	18,448	18,431
Unappropriated profit . . . . .	12,022	10,677	59,817	58,385
Minority interest . . . . .	96	—	106	—
	<u>273,369</u>	<u>271,924</u>	<u>338,371</u>	<u>336,816</u>
Supplementary capital:				
General allowance of impairment loans . . . . .	37,815	37,815	66,057	66,056
Reserve of fair value changes of available-for-sale financial assets . . . . . (3)	8,646	8,646	2,312	2,312
Long-term subordinated bonds . . . . .	—	—	50,000	50,000
	<u>46,461</u>	<u>46,461</u>	<u>118,369</u>	<u>118,368</u>
Total capital base before deductions . . . . .	319,830	318,385	456,740	455,184
Deductions:				
Equity investments which are not consolidated . . . . .	(347)	(779)	(197)	(1,333)
Other deductible item . . . . .	—	—	(16,194)	(16,194)
Total capital base after deductions . . . . .	<u>319,483</u>	<u>317,606</u>	<u>440,349</u>	<u>437,657</u>
Risk-weighted assets and market risk capital adjustment . . (4)	<u>3,396,301</u>	<u>3,394,217</u>	<u>4,373,006</u>	<u>4,370,842</u>

**A. FINANCIAL INFORMATION (continued)****(Amounts in millions of Renminbi, unless otherwise stated)****VII. FINANCIAL RISK MANAGEMENT (continued)****6. Capital management (continued)**

- (1) Core capital adequacy ratio is calculated by dividing the net amount of core capital, which is after deductions of 50% unconsolidated equity investments, by risk-weighted assets and market risk capital adjustment.
- (2) Capital adequacy ratio is calculated by dividing total capital base after deductions by risk-weighted assets and market risk capital adjustment.
- (3) The reserve arising from the cumulative net positive changes in the fair value of available-for-sale financial assets is excluded from the core capital and 50% of the balance is included in the supplementary capital.
- (4) The amount of market risk capital adjustment equals 12.5 times of the market risk capital.

**VIII. FAIR VALUE OF FINANCIAL INSTRUMENTS**

The fair value of financial assets and financial liabilities are determined as follows:

- the fair value of financial assets and financial liabilities with standard terms and conditions and traded in active liquid markets are determined with reference to quoted market bid prices and ask prices respectively;
- the fair value of other financial assets and financial liabilities (excluding derivative instruments) is determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions and dealer quotes for similar instruments;
- the fair value of derivative instruments is calculated using quoted prices. Where such prices are not available, use is made of discounted cash flow analysis using the applicable yield curve for the duration of the instruments for non-optional derivatives, and option pricing models for optional derivatives; and
- the fair value of financial guarantee contracts is determined using option pricing models where the main assumptions are the probability of default by the specified counterparty extrapolated from market-based credit information and the amount of loss, given the default.

## A. FINANCIAL INFORMATION (continued)

(Amounts in millions of Renminbi, unless otherwise stated)

## VIII. FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

The tables below summarise the carrying amounts and fair values of those financial assets and liabilities not presented on the statements of financial position at their fair value. Financial assets and liabilities for which the carrying amounts approximates fair value, such as deposits with central banks, deposits with banks and other financial institutions, placements with banks and other financial institutions, financial assets held under resale agreements, borrowings from central bank, placements from banks and other financial institutions, financial assets sold under repurchase agreements and certificates of deposit issued are not included in the tables below.

*Group*

	31 December 2007		31 December 2008		31 December 2009	
	Carrying amount	Fair value	Carrying amount	Fair value	Carrying amount	Fair value
<i>Financial assets</i>						
Loans and advances to customers .....	2,709,192	2,709,113	3,014,984	3,015,029	4,011,495	4,011,504
Held-to-maturity investments .....	532,816	543,994	576,323	608,739	883,915	894,861
Debt securities classified as receivables .....	229,743	226,929	892,532	896,889	890,199	891,458
	<u>3,471,751</u>	<u>3,480,036</u>	<u>4,483,839</u>	<u>4,520,657</u>	<u>5,785,609</u>	<u>5,797,823</u>
<i>Financial liabilities</i>						
Deposits from banks and other financial institutions .....	296,618	296,585	289,772	289,859	573,949	574,025
Due to customers .....	5,287,194	5,281,482	6,097,428	6,114,989	7,497,618	7,507,370
Subordinated bonds issued . . .	—	—	—	—	49,955	47,155
	<u>5,583,812</u>	<u>5,578,067</u>	<u>6,387,200</u>	<u>6,404,848</u>	<u>8,121,522</u>	<u>8,128,550</u>

*Bank*

	31 December 2007		31 December 2008		31 December 2009	
	Carrying amount	Fair value	Carrying amount	Fair value	Carrying amount	Fair value
<i>Financial assets</i>						
Loans and advances to customers .....	2,709,192	2,709,113	3,014,951	3,014,996	4,011,386	4,011,395
Held-to-maturity investments .....	532,816	543,994	576,323	608,739	883,915	894,861
Debt securities classified as receivables .....	229,743	226,929	892,532	896,889	890,199	891,458
	<u>3,471,751</u>	<u>3,480,036</u>	<u>4,483,806</u>	<u>4,520,624</u>	<u>5,785,500</u>	<u>5,797,714</u>

## A. FINANCIAL INFORMATION (continued)

(Amounts in millions of Renminbi, unless otherwise stated)

## VIII. FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

*Bank (continued)*

	31 December 2007		31 December 2008		31 December 2009	
	Carrying amount	Fair value	Carrying amount	Fair value	Carrying amount	Fair value
<i>Financial liabilities</i>						
Deposits from banks and other financial institutions . . . . .	296,619	296,585	289,772	289,859	574,794	574,870
Due to customers . . . . .	5,287,194	5,281,482	6,097,373	6,114,934	7,497,442	7,507,194
Subordinated bonds issued . . .	—	—	—	—	49,955	47,155
	<u>5,583,813</u>	<u>5,578,067</u>	<u>6,387,145</u>	<u>6,404,793</u>	<u>8,122,191</u>	<u>8,129,219</u>

Fair value measurements recognised in the statements of financial position.

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable.

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active market for identical assets or liabilities.
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

*Group and Bank*

	As at 31 December 2007			
	Level 1	Level 2	Level 3	Total
Financial assets held for trading . . . . .	—	8,340	—	8,340
Financial assets designated as at fair value through profit or loss . . . . .	831	4,914	3,120	8,865
Available-for-sale financial assets . . . . .	12,863	494,400	21,940	529,203
Derivative financial assets . . . . .	—	7,010	3,197	10,207
Total assets . . . . .	<u>13,694</u>	<u>514,664</u>	<u>28,257</u>	<u>556,615</u>
Financial liabilities designated as at fair value through profit or loss . . . . .	—	—	(10,488)	(10,488)
Derivative financial liabilities . . . . .	—	(3,801)	(3,493)	(7,294)
Total liabilities . . . . .	<u>—</u>	<u>(3,801)</u>	<u>(13,981)</u>	<u>(17,782)</u>

## A. FINANCIAL INFORMATION (continued)

(Amounts in millions of Renminbi, unless otherwise stated)

## VIII. FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

*Group*

	As at 31 December 2008			
	Level 1	Level 2	Level 3	Total
Financial assets held for trading	—	19,688	—	19,688
Financial assets designated as at fair value through profit or loss	750	11,233	8,346	20,329
Available-for-sale financial assets	83,905	706,451	9,657	800,013
Derivative financial assets	—	2,494	4,657	7,151
Total assets	<u>84,655</u>	<u>739,866</u>	<u>22,660</u>	<u>847,181</u>
Financial liabilities designated as at fair value through profit or loss	—	—	(22,677)	(22,677)
Derivative financial liabilities	—	(2,907)	(8,627)	(11,534)
Total liabilities	<u>—</u>	<u>(2,907)</u>	<u>(31,304)</u>	<u>(34,211)</u>

*Bank*

	As at 31 December 2008			
	Level 1	Level 2	Level 3	Total
Financial assets held for trading	—	19,688	—	19,688
Financial assets designated as at fair value through profit or loss	750	11,168	8,346	20,264
Available-for-sale financial assets	83,905	706,451	9,657	800,013
Derivative financial assets	—	2,494	4,657	7,151
Total assets	<u>84,655</u>	<u>739,801</u>	<u>22,660</u>	<u>847,116</u>
Financial liabilities designated as at fair value through profit or loss	—	—	(22,677)	(22,677)
Derivative financial liabilities	—	(2,907)	(8,627)	(11,534)
Total liabilities	<u>—</u>	<u>(2,907)</u>	<u>(31,304)</u>	<u>(34,211)</u>

*Group and Bank*

	As at 31 December 2009			
	Level 1	Level 2	Level 3	Total
Financial assets held for trading	—	15,346	—	15,346
Financial assets designated as at fair value through profit or loss	2,040	39,133	55,657	96,830
Available-for-sale financial assets	39,599	688,950	1,631	730,180
Derivative financial assets	—	1,193	3,485	4,678
Total assets	<u>41,639</u>	<u>744,622</u>	<u>60,773</u>	<u>847,034</u>
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	<u>(56)</u>	<u>(3,250)</u>	<u>(118,283)</u>	<u>(121,589)</u>

**A. FINANCIAL INFORMATION (continued)**

(Amounts in millions of Renminbi, unless otherwise stated)

**VIII. FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)**

There were no transfers between Level 1 and 2 in the current year.

Reconciliation of Level 3 fair value measurements of financial assets and liabilities is as follows:

**Group and Bank**

	Financial assets designated as at fair value through profit or loss	Available -for-sale financial assets	Derivatives financial instruments, net	Financial liabilities designated as at fair value through profit or loss
As at 1 January 2007 .....	893	26,713	(281)	(15,275)
Recognised in .....	9	(6,925)	(533)	(643)
—Profit/(loss) .....	9	2,663	(533)	(643)
—Other comprehensive income .....	—	(9,588)	—	—
Purchases .....	2,226	4,774	—	—
Issues .....	—	—	—	(4,432)
Settlements .....	(8)	(2,622)	518	9,862
Transfers into/(out of) Level 3 .....	—	—	—	—
As at 31 December 2007 .....	<u>3,120</u>	<u>21,940</u>	<u>(296)</u>	<u>(10,488)</u>
Total gain or loss for the year included in the profit or loss for assets/liabilities held as at 31 December 2007 .....	<u>2</u>	<u>(6,926)</u>	<u>808</u>	<u>(700)</u>

**Group and Bank**

	Financial assets designated as at fair value through profit or loss	Available -for-sale financial assets	Derivatives financial instruments, net	Financial liabilities designated as at fair value through profit or loss
As at 1 January 2008 .....	3,120	21,940	(296)	(10,488)
Recognised in .....	(200)	(9,809)	(3,327)	(3,016)
—(Loss)/profit .....	(200)	(1,593)	(3,327)	(3,016)
—Other comprehensive income .....	—	(8,216)	—	—
Purchases .....	7,460	168	—	—
Issues .....	—	—	—	(16,537)
Settlements .....	(2,034)	(2,642)	(347)	7,364
Transfers into/(out of) Level 3 .....	—	—	—	—
As at 31 December 2008 .....	<u>8,346</u>	<u>9,657</u>	<u>(3,970)</u>	<u>(22,677)</u>
Total loss for the year included in the profit or loss for assets/liabilities held as at 31 December 2008 .....	<u>(204)</u>	<u>(9,808)</u>	<u>(3,389)</u>	<u>(2,434)</u>

**A. FINANCIAL INFORMATION (continued)**

(Amounts in millions of Renminbi, unless otherwise stated)

**VIII. FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)***Group and Bank*

	Financial assets designated as at fair value through profit or loss	Available -for-sale financial assets	Derivatives financial instruments, net	Financial liabilities designated as at fair value through profit or loss
As at 1 January 2009 .....	8,346	9,657	(3,970)	(22,677)
Recognised in .....	448	3,750	901	1,468
—Profit .....	448	3,554	901	1,468
—Other comprehensive income .....	—	196	—	—
Purchases .....	51,537	1,560	—	1
Issues .....	—	—	—	(106,499)
Settlements .....	(4,435)	(12,760)	92	15,886
Transfers out of Level 3 .....	(239)	(576)	—	—
As at 31 December 2009 .....	<u>55,657</u>	<u>1,631</u>	<u>(2,977)</u>	<u>(111,821)</u>
Total gain for the year included in the profit or loss for assets/liabilities held as at 31 December 2009 .....	<u>303</u>	<u>21</u>	<u>630</u>	<u>1,517</u>

**B. EVENTS AFTER THE REPORTING PERIOD**

(1) According to “Agricultural Bank of China Limited’s Share Subscription Agreement” signed on 21 April 2010 by the MOF, Huijin, the Bank, and the National Council for Social Security Fund (the “NCSSF”), the NCSSF subscribed for 10 billion share capital of the Bank, par value of RMB1 per share. After the subscription, the NCSSF held 3.70% of total share capital of the Bank.

(2) In the resolutions of the extraordinary shareholders’ meeting on 21 April 2010, the profit appropriation for 2009 was set out as follows:

- (i) An appropriation of RMB6,489 million to the statutory surplus reserve based on the unconsolidated profit for the year 2009 of the Bank in an amount of RMB64,892 million;
- (ii) An appropriation of RMB38,386 million to the general reserve; and
- (iii) A cash dividend of RMB20 billion to the MOF and Huijin.

The above item (i) relating to appropriation to the statutory surplus reserve had been included in the surplus reserve of the Bank’s and the Group’s financial statements as at 31 December 2009 and disclosed in Note VI. 39 of section A above.

The above item (iii) was disclosed in Note VI. 45 of section A above.

As the result of the above profit appropriations, the balances brought forward from 31 December 2009 included in the retained earnings of the Bank and the Group have been reduced to approximately RMB nil billion and RMB1.4 billion, respectively.

(3) On 18 June 2010, 11 corporate investors have entered into cornerstone investment agreements with the Bank to subscribe H shares in the Bank at the offer price for an aggregate amount of USD5.45 billion. Details are set out in “summary of material contracts” in Appendix IX to the Prospectus.

**C. SUBSEQUENT FINANCIAL STATEMENTS**

No audited financial statements of the Group, the Bank or any of its subsidiaries have been prepared in respect of any period subsequent to 31 December 2009.

Yours faithfully

Deloitte Touche Tohmatsu  
Certified Public Accountants  
Hong Kong