OUR HISTORY

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

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

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

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

FINANCIAL RESTRUCTURING

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

Disposal of Non-performing Loans and Other Impaired Assets

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

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

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

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

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

Capital Contribution

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

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

ESTABLISHMENT OF OUR BANK AS A JOINT STOCK LIMITED COMPANY

On January 13, 2009, the CBRC approved our restructuring and our conversion into a joint stock limited company. The CBRC also issued to us a new financial institution permit on January 13,

2009. On January 15, 2009, we were incorporated as a joint stock limited company and received a new business license from the SAIC. Our registered capital was RMB260 billion upon our incorporation, with the MOF and Huijin, as our promoters, each owning 50% of our shares.

ISSUANCE OF SUBORDINATED BONDS

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

INVESTMENT BY THE SSF

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

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

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

Exit right

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

Information right

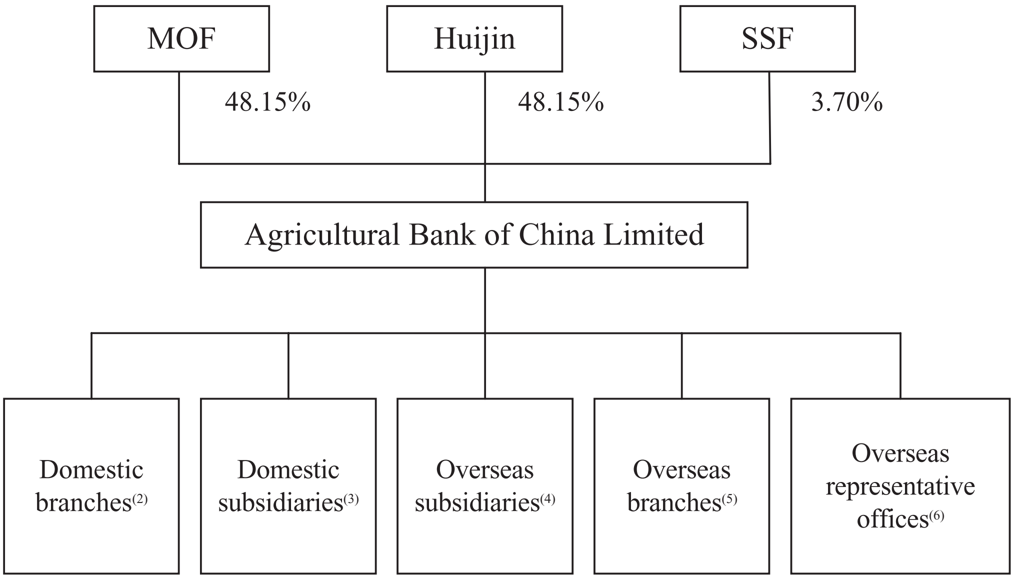
We are required to provide the SSF with various periodic financial statements as well as all financial and operational data and other information which are provided to our shareholders and Board of Directors in accordance with PRC laws as long as the SSF holds no less than 50% of the Purchased Shares.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

Anti-dilution right

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

OUR SHAREHOLDING AND GROUP STRUCTURE

The following chart sets forth our shareholding and group structure[1].



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

OPERATIONAL REFORM

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

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

Initiating organizational reform and reengineering operational processes

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

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

Accelerating business transformation

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

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

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

In product innovation, we have established a centralized product development mechanism and adopted a project management system to improve the efficiency of our product development processes. We share research and development information through a centralized database. We also regularly conduct assessment and evaluations in respect of product development and provide incentives to enhance the quality and the profitability of our products. We have also focused on rolling out new products to our County Area customers. We have introduced a tailored product portfolio consisting of a wide range of lending and deposit products and fee- and commission-based products to cater to the diversified customer demand in the County Areas.

Reforming and developing our County Area Banking Business

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

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

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

(iv) *risk management*. We have implemented differentiated risk management policies for our County Area Banking Business under our risk management system.

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

Establishing comprehensive risk management and internal control systems

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

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

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

Implementing a comprehensive reform of capital and financial management

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

- establishing a new financial management system and undertaking budgeting process reforms in the departments in our head office and our branches;
- introducing approval and authorization policies and procedures in order to establish an effective and clearly delineated financial decision-making system;
- streamlining and centralizing financial management of our sub-branches by their respective tier-2 branches;
- implementing a performance evaluation system based on economic value added (EVA) and risk-adjusted return on economic capital (RAROC) to improve resource allocation;
- establishing a financial reporting platform to reflect the results of operations by business line and product through the Financial Management Information System (FMIS), the Performance Value Management System (PVMS) and the reporting system by business line; and
- reforming capital management through centralized treasury operations to centrally manage and allocate our funds based on an internal funds transfer pricing (FTP) system. Currently the treasury operations for our Renminbi-denominated funds at all of our tier-1 branches have been centralized.

Enhancing utilization of information technology to support our business

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

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

Promoting human resources development

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