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中国农业银行

AGRICULTURAL BANK OF CHINA

AGRICULTURAL BANK OF CHINA LIMITED

中國農業銀行股份有限公司

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

Stock Code: 1288

Interim Results Announcement for the six months ended 30 June 2010

Agricultural Bank of China Limited (the “**Bank**”) is pleased to announce the interim results of the Bank and its subsidiaries (together the “**Group**”) for the six months ended 30 June 2010. This announcement contained the interim report of the Bank for the six months ended 30 June 2010 and the contents were prepared in accordance with the relevant disclosure requirements of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the “**Listing Rules**”). The financial statements of the Group for the six months ended 30 June 2010 have been audited by Deloitte Touche Tohmatsu who has issued an unqualified auditors’ report in this regard. The interim results have also been reviewed by the Audit Committee of the Bank (the “**Audit Committee**”). This interim results announcement is also published on the websites of the Bank (www.abchina.com) and the Stock Exchange (www.hkexnews.com.hk). The interim report of the Bank for the six months ended 30 June 2010 will be dispatched to shareholders and will also be available at the abovementioned websites in due course.

By order of the board of
Agricultural Bank of China Limited
Xiang Junbo
Chairman

Beijing, PRC, 27 August 2010

As at the date of this announcement, our executive directors are Mr. XIANG Junbo, Mr. ZHANG Yun, Mr. YANG Kun and Mr. PAN Gongsheng; our non-executive directors are Mr. LIN Damao, Mr. ZHANG Guoming, Ms. XIN Baorong, Mr. SHEN Bingxi, Mr. YUAN Linjiang and Mr. CHENG Fengchao, and our independent non-executive directors are Mr. Anthony WU Ting-yuk and Mr. QIU Dong.

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1 Basic Corporate Information

Legal name in Chinese and abbreviation	中國農業銀行股份有限公司 中國農業銀行
Legal name in English and abbreviation	AGRICULTURAL BANK OF CHINA LIMITED AGRICULTURAL BANK OF CHINA (ABC)
Legal representative	XIANG Junbo
Authorized representative	ZHANG Yun
Board Secretary and Company Secretary	LI Zhenjiang LI Zhenjiang Address: No. 69, Jianguomen Nei Avenue, Dongcheng District, Beijing, 100005, PRC Tel: 86-10-85109619 Fax: 86-10-85108557 E-mail: ir@abchina.com
Registered office address	No. 69 Jianguomen Nei Avenue, Dongcheng District, Beijing, 100005, PRC
Internet website	www.abchina.com
Principal place of business in Hong Kong	23/F, Tower I, Admiralty Center No. 18 Harcourt Road, Hong Kong
Selected newspaper for information disclosure	China Securities Journal, Shanghai Securities News, Securities Times, Securities Daily, and Financial News
Website of Shanghai Stock Exchange publishing the interim report (A share)	www.sse.com.cn
Website of The Stock Exchange of Hong Kong Limited publishing the interim report (H share)	www.hkex.com.hk
Location where copies of this interim report are kept	Office of the Board of Directors, Agricultural Bank of China Limited
Listing exchange of A shares	Shanghai Stock Exchange
Stock name	農業銀行
Stock code	601288
Share registrar	China Securities Depository and Clearing Corporation Limited, Shanghai Branch (Address: 36/F, China Insurance Building, No. 166 Lujiazui Dong Road, Pudong New Area, Shanghai, PRC)
Listing exchange of H shares	The Stock Exchange of Hong Kong Limited
Stock name	ABC
Stock code	1288
Share registrar	Computershare Hong Kong Investor Services Limited (Address: Room 1712–1716, 17 Floor, Hopewell Center, 183 Queen's Road East, Wanchai, Hong Kong)

Date of registration	29 April 2010
modification and registration authority	State Administration for Industry and Commerce, PRC
Corporate business license registration No.	1000000000005472
Organization code	10000547-4
Financial license registration No.	B0002H111000001
Tax registration certificate No.	Jing Shui Zheng Zi 110108100005474
Name and address of domestic legal advisor	King & Wood Law Firm 40th Floor, Office Tower A, Beijing Fortune Plaza, 7 Dongsanhuan Zhonglu, Chaoyang District, Beijing 100020, China
Name and address of Hong Kong legal advisor	Freshfields Bruckhaus Deringer 11th Floor, Two Exchange Square, Central, Hong Kong
Name and address of domestic auditor	Deloitte Touche Tohmatsu CPA Ltd 30/F, No. 222, Yan An Dong Lu, Shanghai
Name and address of international auditor	Deloitte Touche Tohmatsu 35/F One Pacific Place, 88 Queensway Hong Kong

2 Financial Highlights

(Unless specifically stated, financial data and indicators recorded in this Interim Report are prepared in accordance with International Financial Reporting Standards and denominated in Renminbi (RMB)).

The consolidated financial information of our Bank for the six months ended 30 June 2010 is as follows:

2.1 Major Financial Data

	30 June 2010	31 December 2009	31 December 2008
ASSETS AND LIABILITIES (in RMB millions)			
Total assets	9,695,967	8,882,588	7,014,351
Loans and advances to customers, net	4,478,230	4,011,495	3,014,984
Investment securities and other financial assets, net	2,597,857	2,616,672	2,309,077
Total liabilities	9,341,550	8,539,663	6,723,810
Deposits	8,348,820	7,497,618	6,097,428
Equity attributable to equity holders of the parent company	354,263	342,819	290,445

	Six months ended 30 June 2010	Six months ended 30 June 2009	Year ended 31 December 2009
PROFIT AND LOSS (in RMB millions)			
Net interest income	111,708	83,896	181,639
Net fee and commission income	22,459	17,017	35,640
Operating expenses	58,468	44,146	109,567
Impairment losses on assets	19,623	17,545	40,142
Net profit	45,863	32,720	65,002
Net profit attributable to equity holders of the parent company	45,840	32,714	64,992

2.2 Financial Indicators

	Six months ended 30 June 2010	Six months ended 30 June 2009	Year ended 31 December 2009
PROFITABILITY (%)			
Return on average total assets ¹	0.99*	0.84*	0.82
Return on weighted average net assets ²	25.10*	21.60*	20.53
Return on weighted average net assets after deducting extraordinary profit and loss ³	24.88*	21.26*	19.05
Net interest spread ⁴	2.41*	2.13*	2.20
Ratio of net fee and commission income to operating income	16.50	16.29	15.94
Cost-to-income ratio ⁵	37.45	36.46	43.37
DATA PER SHARE (RMB)			
Basic earnings per share ²	0.17	0.13	0.25

	30 June 2010	31 December 2009	31 December 2008
ASSET QUALITY (%)			
Non-performing loan (“NPL”) ratio ⁶	2.32	2.91	4.32
Allowance to NPLs ⁷	136.11	105.37	63.53
Allowance to total loans ⁸	3.15	3.06	2.75
CAPITAL ADEQUACY (%)			
Core capital adequacy ratio ⁹	6.72	7.74	8.04
Capital adequacy ratio ⁹	8.31	10.07	9.41
Total equity to total assets ratio	3.66	3.86	4.14
Risk-weighted assets to total assets ratio	53.34	49.23	48.42
DATA PER SHARE (RMB)			
Net assets per share attributable to equity holders of the parent company	1.31	1.32	1.12

- Notes:*
1. Calculated by dividing net profit by the average amount of total assets at the beginning and end of the year.
 2. Calculated in accordance with the “Rules for the Compilation and Submission of Information Disclosure by Companies that Offer Securities to the Public No. 9 — Computation and Disclosure of Return on Net Assets and Earnings per Share” (Revision in 2010) issued by CSRC.
 3. Calculated by dividing net interest income by average balance of interest-earning assets.
 4. Calculated by the spread between yield on average balance of interest-earning assets and average cost on interest-bearing liabilities.
 5. Calculated by dividing operating (excluding business tax and surcharges) expenses by operating income.
 6. Calculated by dividing the balance of NPL by total amount of loans and advances to customers.
 7. Calculated by dividing allowance for impairment losses on loans by total balance of NPL.
 8. Calculated by dividing allowance for impairment losses on loans by total amount of loans and advances to customers.
 9. Calculated in accordance with the relevant regulations of CBRC.
- * indicates the annualised data.

2.3 Regulatory Indicators

		Regulatory Standard	30 June 2010	31 December 2009	31 December 2008
Liquidity ratio (%) ¹	RMB	≥25	40.77	40.99	44.79
	Foreign Currency	≥25	185.37	122.54	205.54
Loan-to-deposit ratio (%) ²	RMB and Foreign Currency	≤75	55.38	55.19	50.84
Percentage of loans to the largest single customer ³ (%)		≤10	4.02	4.41	6.04
Percentage of loans to top ten customers ⁴ (%)			24.12	22.47	33.96
Loan migration ratio ⁵	Normal		1.63	5.00	12.67
	Special mention		1.99	6.51	14.46
	Substandard		12.77	39.33	55.58
	Doubtful		2.74	5.83	15.93

Notes: 1. Calculated by dividing current assets by current liabilities in accordance with the relevant regulations of CBRC.

2. Calculated by dividing the balance of loans and advances to customers by the balance of deposits taken.

3. Calculated by dividing loans to the single largest customer by net capital base.

4. Calculated by dividing loans to top ten customers by net capital base.

5. Calculated in accordance with the relevant provisions of CBRC and are domestic data.

3 Message from the Chairman

Becoming a large listed bank by implementing joint-stock reform is a route we must take for the Bank to develop into an internationally leading commercial bank. We formally embarked on our IPO project on 15 April 2010, and our shares were listed in Shanghai and Hong Kong on 15 and 16 July 2010 respectively, making the largest public offering in the global capital market in the history amid the complicated market environment. Our investment value has been widely recognized by the capital market due to our unique market positioning for both urban and rural areas, nationwide channel and network, vast and diversified customer base, continuously enhanced risk control system and leading IT platform.

In the first half of 2010, with a focus on enhancement of corporate value, we continuously advanced system and mechanism reform, improved corporate governance system, expedited business transformation, and reinforced County Area Banking Business. Our operating results were improved remarkably, and risk indicators kept optimizing. In the first half of this year, we achieved a net profit of RMB45,863 million, representing a year-on-year increase of 40.2%; return on average total assets and return on weighted average net assets reached 0.99% and 25.1%, up by 0.15 and 3.5 percentage points, respectively. As at 30 June 2010, the balance of NPLs decreased by RMB13,155 million from the end of 2009; NPL ratio dropped by 0.59 percentage point to 2.32%, and the ratio of allowance to NPLs increased by 30.74 percentage points to 136.11%.

We continuously improved the modern commercial bank corporate governance system according to the benchmark requirements on sound corporate governance. We amended and formulated a series of basic regulations, including Articles of Association, Internal Audit Charter, Basic Regulations on Internal Control and Basic Standards for Connected Transactions Management, which further clarified and standardized governance procedures. We expedited the banking process upgrading, optimized the organizational framework and core process of operation and management, and established an operational framework with optimized process and platform featuring timely response and efficient operation. We pushed forward the New Basel Capital Accord implementation, made efforts to improve risk control environment, optimized risk management policy and regulations, and conducted compliance inspection and case risk screening throughout the whole bank. As a result, our risk management and control ability was further enhanced.

Aiming at optimization of operational structure and enhancement of comprehensive competitiveness, we sped up the implementation of development strategy and transformation of business operation. We actively implemented China's macro-control policy, reasonably controlled the pace of credit granting, and made efforts to optimize customer structure, product structure, industrial structure and regional structure. We strengthened the market and customer segmentation, intensified efforts on product and service innovation and marketing, and promoted balanced development of asset, liability and fee-based business. We implemented the strategy of giving priority to the development of key urban branches, broke down the traditional tier-based branch management mode by reform of authorization and credit granting system, resource allocation mode and performance evaluation mechanism, improved the front office-centered marketing system, and further enhanced the operational vitality and profitability of urban branches.

We continued to promote the reform in the County Area Banking Business Division, and further consolidated our leading position in the County Area financial market. We drew up a long and medium-term development plan for County Area Banking Business, and further improved the organizational framework, accounting system and operational mechanism of County Area Banking Business Division. We sped up the reform of county sub-branches, whereby, we decentralized operation, innovated service mode, improved evaluation mechanism and enhanced our ability in serving customers in County Areas and our market competitiveness. We continued to widen the coverage of Huinong Cards, actively penetrated into the business fields such as new rural cooperative medical insurance and new rural pension insurance schemes, energetically exploited County Area corporate banking market, actively

marketed to high-quality retail customers in County Area, and developed new business and sources of profit growth. As at 30 June 2010, County Area Banking Business loans amounted to RMB1,407,079 million, up 17.9% over the end of 2009, 6.2 percentage points higher than the average loan growth of our Bank; we achieved a pre-tax profit of RMB14,519 million in the first half of 2010, a year-on-year increase of 81.9%.

Successfully getting listed on the capital market indicates that we have successfully accomplished our three-year development target, and made a historic leap forward from a state wholly-owned commercial bank, to a joint-stock commercial bank, and to a listed bank. These achievements are attributable to the sustained care and help of the public in all walks of life, great support of our customers, as well as painstaking efforts and selfless contributions of our employees. I would like to, on behalf of the Board of Directors of ABC, express the most heartfelt gratitude to them.

For the next step, with the goal to become a leading listed bank, we will strive to achieve a new leap from the new start point, and develop our Bank into a modern commercial bank with strong profitability and good public image, by virtue of our unique competitive edges and outstanding talent team and with the safeguard of our effective corporate governance and risk control system.

Chairman: XIANG Junbo
27 August 2010

4 Message from the President

In the first half of 2010, the Management earnestly implemented China's macro-control policy, actively fulfilled the resolutions of the General Meeting of Shareholders and the strategic decisions of the Board of Directors, and firmly pushed forward various reforms and development measures. Thanks to our efforts, we achieved good operating results and overfulfilled major business operation targets.

Development mechanism was further improved. In the first half of the year, while steadily advancing IPO work, we continued to press ahead with the internal reform and mechanism development, and formulated a series of comprehensive reform measures. Specifically, we steadily pushed forward the pilot reform in the County Area Banking Division and gradually established Sannong credit system. We formulated and issued the appraisal measures for 50 key urban branches and 110 key county-level sub-branches, while giving priority to the development of key urban branches and key county-level sub-branches. We also implemented comprehensive human resources reform step by step. At the same time, we continuously deepened the reform of treasury and finance, rolled out new accounting and reporting system, and improved the quality of financial and accounting information remarkably. In addition, we have achieved a significant progress in construction of back office centers and preliminarily established a uniform centralized processing platform.

Development momentum was further consolidated. In the first half of 2010, our deposits increased by RMB851,202 million or 11.4% over the end of 2009. Through active implementation of China's macro-control policy, we achieved steady growth in loans, with an increase of RMB485,796 million or 11.7% in gross loans. Net fee and commission income reached RMB22,459 million, a year-on-year increase of RMB5,442 million or 32.0%. Net profit increased by RMB13,143 million or 40.2% to RMB45,863 million.

Development characteristics were further manifested. In line with our unique positioning, we continued to sharpen our competitive edge in both urban and rural markets. In the first half of 2010, the effect of giving priority to the development of urban branches was further brought into play. The deposits and loans of 50 key urban branches increased rapidly, making greater contributions to our business growth. County Area banking business further developed, with the growth of County Area Banking Business loans 6.2 percentage points higher than the average growth of our total loans. In the first half of 2010, a total of 13.34 million Huinong Cards were issued. We actively penetrated into the new rural cooperative medical insurance and new rural pension insurance business, and continuously tapped new financial service fields in County Areas. Among the first batch of 320 pilot county-level sub-branches for the new rural pension insurance scheme designated by the country, 117 county-level sub-branches of our Bank entered the list; among the pilot county-level sub-branches for the new rural pension insurance scheme designated by provincial governments, 89 county-level sub-branches of our Bank were selected.

Development structure was further optimized. In the first half of 2010, we reviewed the list of three-tier core customers of the Head Office and branches. The customer structure and business structure kept improving and the proportion of high-quality customers continuously increased. Retail loans rose by RMB231,074 million from the end of 2009, 17.6 percentage points higher than the growth of our total loans. Our private banking department started trial operation, becoming the second licensed private banking operation institution in China. The number of electronic banking customers exceeded 100 million, with ATM terminals reaching 47,000, and the number of transactions conducted through electronic channels accounted for 53.9% of the total number of our transactions, up 4.1 percentage points over last year. Following the operation of Chengdu and Shanghai customer service centers, an integrated customer service center system has taken shape. In addition, our investment structure kept improving, and our total underwriting amount of debt financing instruments maintained a leading position in the market.

Development quality was further increased. In the first half of 2010, we carried out comprehensive credit inspection, assessed the risks arising from government financing platforms, real estate and retail loans, launched large-scale activities to promote compliance culture, and organized compliance inspections to head off potential risks in time. The balance and ratio of NPLs continued to decline, and allowance to NPLs reached 136.11%; loans recovered upon maturity accounted for 99.27% of total loans; we reduced the loans to customers with potential risks by RMB16 billion. Moreover, we actively supported the earthquake relief and post-disaster reconstruction of Yushu, Qinghai and the drought defying in five provinces in Southwestern China, and made remarkable achievements in providing financial services for Shanghai 2010 Expo, thereby our public image has been greatly enhanced.

In the first half of 2010, we progressed significantly in operational management, paving the way for IPO. On 15 and 16 July 2010, we successfully made an IPO of A shares and H shares, opening a new chapter for our reform and development. Looking forward, we will continue to promote internal reform, strengthen comprehensive risk management, expedite transformation of development modes, continuously improve operating results and strive toward our target of becoming an outstanding leading listed bank.

President: ZHANG Yun
27 August 2010

5 Discussion and Analysis

5.1 Economic and Financial Environment

In the first half of 2010, major developed economies gradually came out of recession and were on the track of recovery, and the world economy also witnessed evident improvement. According to IMF, the world economy is expected to grow by 4.6% this year, compared with -0.6% in 2009 and 3% in 2008, which obviously outperforms the previous years' figures. With the economic recovery outlook becoming clearer, discontinuing the economic stimulus policy that was pursued in response to the financial crisis has been placed on the agenda of the government and the central bank of each country. However, the European sovereign debt crisis has posed certain adverse impact on the world's economic recovery, as evidenced by a slowdown in the economic recovery of the US. Currently, each government is striving to seek a balance between financial prudence, inflation management and economic recovery by implementing such economic reform measures as fiscal budget and financial supervision. Recently, the US Congress adopted a new financial supervision act, which imposed stricter regulatory requirements on derivative trading, consumer financial services and management of the capital and liquidity of financial institutions, and may play an exemplary role in the international financial regulatory reform.

The European sovereign debt crisis led to an influx of risk-averse funds into the US. At the end of June, the USD index closed at 86.05, representing an increase of 10.4% over the end of 2009, and US dollar also appreciated by 16.6% against Euro over the end of 2009. The interest risk premium of major financial markets went up slightly, with a 0.28 percentage point increase in the three-month LIBOR to 0.5339% as compare to the end of 2009. Driven by risk hedging demands, the yield of treasury bonds of major economies first went up and then down, and at the end of June, the yield of the 10-year treasury bonds once dropped to the lowest level since April 2009. MSCI closed at 268.25, representing a decrease of 10.4% as compare to the end of last year. The total market capitalization of the global stock market reached USD41.49 trillion, down 9.7% as compare to the end of 2009.

In the first half of 2010, Chinese government continued to pursue a proactive fiscal policy and moderately loose monetary policy that was launched last year. Meanwhile, centering on real estate control, local financing platform management and restriction and elimination of backward production capacity, the government further improved and enhanced macro-control policy to promote economic restructuring and development transformation. In the first half of 2010, China's nominal gross domestic product reached RMB17,284 billion, representing a year-on-year increase of 11.1%. Due to the influence of the macro-control measures and the base number effect, the economic growth rate decreased by 0.8 percentage point in the second quarter from the previous quarter. In the first half of 2010, total investments in fixed assets stood at RMB11.4 trillion, up 25%, and was 0.5 percentage point down from the growth recorded a year earlier; total retail sales of consumer goods totalled RMB7.3 trillion, up 18.2%, and was 2.7 percentage points higher than the growth recorded a year earlier; foreign trade rebound strongly in the first half of 2010, with a growth of 35.2% and 52.7% in exports and imports, respectively, and a decline of 42.5% in trade surplus. CPI and PPI increased by 2.6% and 6.0% respectively in the first half of this year.

In order to control the market liquidity within a reasonable level, PBOC raised the mandatory deposit reserve ratio of financial institutions three times in the first half of 2010 with a 0.5 percentage point increase each, such that the ratio for large financial institutions increased to 17%, a relatively high historical level. On June 19 2010, PBOC announced a plan to resume RMB exchange rate system reform. At the end of June, the mean exchange rate of RMB to USD was 6.7909 to 1, slightly appreciating 0.55% during the first half of the year.

Financial market was stable as a whole, and interest rates for the funds in the market increased from the previous year. As at the end of June, broad money supply (M2) reached RMB56.89 trillion, an increase of 18.5% over a year earlier but down 9.2 percentage points from the end of 2009; narrow money supply (M1) stood at RMB24.06 trillion, an increase of 24.6% over a year earlier but down 7.8 percentage points from the end of 2009. In the first half of 2010, RMB deposits and RMB loans reached RMB7.6 trillion and RMB4.6 trillion respectively, representing a decrease of RMB2.4 trillion and RMB2.7 trillion respectively. The accumulated transaction value of inter-bank lending market increased by 40.5% year on year to RMB11.1 trillion; the transaction value of pledged bond repos rose by 7.9% to RMB36.8 trillion; the transaction value of buyout repos in relation to bonds grew by 4.0% to RMB1.6 trillion. The average interest rates were 1.58%, 1.63% and 1.53%, representing an increase of 0.5, 0.56 and 0.46 percentage point respectively over the previous year.

5.2 Financial Statements Analysis

5.2.1 Income Statement Analysis

In the first half of 2010, we generated a net profit of RMB45,863 million, representing a year-on-year increase of RMB13,143 million or 40.2%. This was primarily due to: (1) the rebound of net interest margin and continuous business expansion, with a year-on-year increase of 33.2% in net interest income; and (2) a year-on-year rise of 32.0% in the net fee and commission income which was however partly offset by the increase in operating expenses and income tax expense.

Changes of key Income Statements Items

In RMB millions, except for percentages

Item	Six months ended 30 June 2010	Six months ended 30 June 2009	Increase/ (Decrease)	Growth rate (%)
Net interest income	111,708	83,896	27,812	33.2
Net fee and commission income	22,459	17,017	5,442	32.0
Other non-interest income	1,951	3,523	-1,572	-44.6
Operating income	136,118	104,436	31,682	30.3
Less: Operating expenses	58,468	44,146	14,322	32.4
Provision for impairment losses	19,623	17,545	2,078	11.8
Profit before tax	58,027	42,745	15,282	35.8
Less: Income tax	12,164	10,025	2,139	21.3
Net profit	45,863	32,720	13,143	40.2
Attributable to: Equity holders of the parent company	45,840	32,714	13,126	40.1
Minority interests	23	6	17	283.3

Net Interest Income

Net interest income is the major component of our operating income, accounting for 82.1% of total operating income in the first half of 2010. During the period, we reaped a net interest income of RMB111,708 million, representing an increase of 33.2% over the same period last year, of which, the increase of RMB7,332 million in the net interest income was contributed by the change in interest rate and RMB20,480 million contributed by business expansion.

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

In RMB millions, except for percentages

Item	Six months ended 30 June 2010			Six months ended 30 June 2009		
	Average balance	Interest income/expenses	Average yield/cost (%)	Average balance	Interest income/expenses	Average yield/cost (%)
Assets						
Loans and advances to customers	4,394,824	113,335	5.16	3,440,287	93,552	5.44
Bonds investment ¹	2,555,138	38,319	3.00	2,382,571	37,132	3.12
Non-restructuring-related debt securities	1,845,724	27,095	2.94	1,634,108	25,272	3.09
Restructuring-related debt securities ²	709,414	11,224	3.16	748,463	11,860	3.17
Balances with central banks	1,580,827	12,193	1.54	1,230,888	8,959	1.46
Deposits and placements with banks ³	503,936	4,433	1.76	535,416	2,600	0.97
Total interest-earning assets	9,034,725	168,280	3.73	7,589,162	142,243	3.75
Provisions for impairment losses ⁴	(136,425)			(94,385)		
Non-interest-earning assets ⁴	424,912			302,784		
Total assets	9,395,431			7,797,561		
Liabilities						
Deposits from customers	7,865,436	50,335	1.28	6,629,790	53,562	1.62
Deposits and placements from banks ⁵	623,967	5,304	1.70	556,093	4,492	1.62
Other interest-bearing liabilities ⁶	57,185	933	3.26	16,653	293	3.52
Total interest-bearing liabilities	8,546,588	56,572	1.32	7,202,536	58,347	1.62
Non-interest-bearing liabilities ⁴	350,955			275,115		
Total liabilities	8,897,543			7,477,651		
Net interest income		111,708			83,896	
Net interest spread			2.41			2.13
Net interest margin			2.47			2.21

Notes:

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

The table below sets out the changes in net interest income brought by changes in volume and interest rate.

In RMB millions

	Increase/(decrease) due to		Net increase/ (decrease)
	Volume	Interest rate	
Assets			
Loans and advances to customers	24,616	(4,833)	19,783
Bonds investment	2,588	(1,401)	1,187
Balances with central banks	2,699	535	3,234
Deposits and placements with banks	(277)	2,110	1,833
Changes in interest income	29,626	(3,589)	26,037
Liabilities			
Deposits from customers	7,908	(11,135)	(3,227)
Deposits and placements from banks	577	263	840
Other interest-bearing liabilities	661	(49)	612
Changes in interest expenses	9,146	(10,921)	(1,775)
Change in net interest income	20,480	7,332	27,812

Note: Changes resulted from the combination of volume and interest rate have been allocated to the changes resulted from volume.

Net Interest Margin and Net Interest Spread

In the first half of 2010, the net interest margin increased by 26 basis points to 2.47%; and the net interest spread rose by 28 basis points to 2.41%. Reasons for the increase in net interest margin and net interest spread include: (1) most deposits and loans were re-priced at lower interest rates due to the PBOC's cuts of the benchmark interest rate in the second half of 2008, but the decrease of average yield on loans was lower than that of average cost of deposits, leading to a wider interest spread; (2) we continuously adjusted credit asset structure, increasing the proportion of loans to entities with higher yields; and (3) in the first half of 2010, the interest rates on the money market edged up and the average yield on deposits and placements with banks increased.

Interest Income

We achieved an interest income of RMB168,280 million in the first half of 2010, representing a year-on-year increase of RMB26,037 million or 18.3%. The increase of interest income was principally due to the increase in the average balance of interest-earning assets and was partly offset by the decline in the yield on the average interest-earning assets. The decrease in the average yield was primarily because of the decrease in the average yield on loans and was partly offset by the increase of the average yield of deposits and placements with banks and adjustment of the structure of interest-earning assets.

Interest Income from Loans and Advances to Customers

Interest income from loans and advances to customers increased by RMB19,783 million or 21.1% over the same period of last year to RMB113,335 million. The increase of interest income was primarily due to the increase of average balance from RMB3,440,287 million in the first half of 2009 to RMB4,394,824 million in the first half of 2010 and was partly offset by the decrease in the average yield. The increase in average balance was mainly due to the steady increase in our loan exposure to customers since 2009. The decrease in average balance was primarily due to the influence from the cut of benchmark loan rate by PBOC in the second half of 2008 such that some of our loans were re-priced at lower interest rates after the first half of 2009. During the reporting period, we adjusted and optimized credit structure, enhanced loan pricing capability, effectively mitigated the impact of the cut of benchmark loan rate, and achieved a quarter-on-quarter increase in the average yield on loans.

The table below sets out the average balance, interest income and average yield on loans and advances to customers by business line.

In RMB millions, except for percentages

Item	Six months ended 30 June 2010			Six months ended 30 June 2009		
	Average balance	Interest income	Average yield (%)	Average balance	Interest income	Average yield (%)
Corporate loans	3,249,899	86,485	5.32	2,503,538	75,193	6.01
Short-term corporate loans	1,334,172	33,868	5.08	1,176,876	34,295	5.83
Medium- and long-term corporate loans	1,915,727	52,617	5.49	1,326,662	40,898	6.17
Discounted bills	199,376	3,151	3.16	414,035	4,593	2.22
Retail loans	915,751	23,346	5.10	506,395	13,526	5.34
Overseas and others	29,798	353	2.37	16,319	240	2.94
Total loans and advances to customers	4,394,824	113,335	5.16	3,440,287	93,552	5.44

Interest income from corporate loans increased by RMB11,292 million or 15.0% to RMB86,485 million. The increase was primarily due to the increase in the average balance from RMB2,503,538 million in the first half of 2009 to RMB3,249,899 million in the first half of 2010 and was partly offset by the decrease in the average yield. The increase in average balance was principally because of the increase in our credits to key projects and key projects. The decrease in average yield was mainly attributed to the influence of the PBOC's consecutive cuts of benchmark interest rate in the second half of 2008.

Interest income from discounted bills decreased by RMB1,442 million or 31.4% to RMB3,151 million. The decrease was primarily due to the decrease of average balance from RMB414,035 million in the first half of 2009 to RMB199,376 million in the first half of 2010 and was partly offset by the increase in the average yield. The decrease in average balance was principally because we actively adjusted the structure of loan products, and reduced the scale of discounted bills with a lower yield in order to meet the credit demands of key projects and leading enterprises. The increase in average yield was mainly because the market liquidity was relatively tight in the first half of 2010, and the interest rate of discounted bills rebounded markedly from the beginning of this year.

Interest income from retail loans increased by RMB9,820 million or 72.6% to RMB23,346 million. The increase was primarily due to the increase in the average balance from RMB506,395 million in the first half of 2009 to RMB915,751 million in the first half of 2010 and was partly offset by the decrease in the average yield. The increase in the average balance was mainly because since 2009, we increased the extension of residential mortgage loans, loans to private businesses and loans to rural households, leading to a rapid growth of retail loans. The decrease in the average yield was principally attributed to the cumulative influence of the cut of the benchmark interest rate by PBOC in the second half of 2008.

Interest income from overseas and other loans increased by RMB113 million or 47.1% to RMB353 million. The increase was mainly due to an increase of 82.6% in the average balance and was partly offset by the decrease in the average yield. The increase in the average balance was mainly because we made great efforts to develop overseas bulk commodity trade financing and syndicated loans, leading to a rapid expansion of overseas business. The decrease in the average yield was mainly due to the influence of consecutive cuts of LIBOR.

Interest Income from Debt Securities Investment

Interest income from debt securities investment was the second largest component of our interest income. In the first half of 2010, the interest income from debt securities investment increased by RMB1,187 million year on year to RMB38,319 million.

Interest income from restructuring-related debt securities investment amounted to RMB11,224 million, representing a year-on-year decrease of RMB636 million. The decrease was mainly because since the second half of 2009, MOF successively repaid a part of the receivables due from MOF to our bank, and the average balance of restructuring-related debt securities decreased.

Interest income from non-restructuring-related debt securities investment increased by RMB1,823 million to RMB27,095 million. The increase was primarily due to the year-on-year increase of RMB211,616 million in the average balance and the decrease in the average yield from 3.09% in the first half of 2009 to 2.94% in the first half of 2010, which partly offset the influence of the increase in the average balance. The increase in the average balance was mainly because we appropriately enlarged the scale of investment in debt securities issued by policy banks and enterprises. The decrease in the average yield was mainly because the interest rate on the debt securities market continued to maintain at a low level since 2009, original debt securities were re-priced after becoming due, and the yield of newly purchased debt securities was declined.

Interest Income from Balances with Central Banks

Interest income from balances with central banks increased by RMB3,234 million to RMB12,193 million mainly due to the increase in both average balance and average yield. The increase in the average balance was primarily due to the continuous expansion of deposit base and the increase of statutory deposit reserve ratio by PBOC three times in the first half of 2010. The average yield increased from 1.46% in the first half of 2009 to 1.48% in the first half of 2010, mainly because of a decrease in the proportion of excess reserves with a lower yield.

Interest Income from Amounts Due from Banks

Interest income from amounts due from banks increased by RMB1,833 million year on year to RMB4,433 million. The increase was primarily due to the growth of the average yield and was partly offset by the decline in the average balance. The average yield increased from 0.97% in the first half of 2009 to 1.76% in the first half of 2010, mainly due to the relatively tight market liquidity and the hike of interest rates on the money market in the first half of 2010.

Interest Expenses

Interest expenses decreased by RMB1,775 million year on year to RMB56,572 million. The decrease was mainly because of the decrease in the average cost of interest-bearing liabilities from 1.62% in the first half of 2009 to 1.32% in the first half 2010 and was partly offset by the increase in the average balance.

Interest Expenses on Deposits from Customers

Interest expenses on deposits from customers decreased by RMB3,227 million year on year to RMB50,335 million. The decrease was primarily due to the drop of the average cost from 1.62% in the first half of 2009 to 1.28% in the first half of 2010 and was partly offset by the increase in the average balance. The decrease in the average cost was mainly because: (1) time deposits were subsequently re-priced and a lower interest rate was applied after PBOC cut benchmark deposit rate in the first half of 2008; and (2) the proportion of demand deposits increased slightly.

Analysis of Average Cost of Deposits by Product Type

In RMB millions, except for percentages

Item	Six months ended 30 June 2010			Six months ended 30 June 2009		
	Average balance	Interest expense	Average cost (%)	Average balance	Interest expense	Average cost (%)
Corporate deposits						
Time	932,292	10,939	2.35	752,651	10,364	2.75
Demand	<u>2,314,626</u>	<u>6,553</u>	<u>0.57</u>	<u>1,812,893</u>	<u>5,127</u>	<u>0.57</u>
Sub-total	<u>3,246,918</u>	<u>17,492</u>	<u>1.08</u>	<u>2,565,544</u>	<u>15,491</u>	<u>1.21</u>
Retail deposits						
Time	2,491,648	28,970	2.33	2,307,295	34,865	3.02
Demand	<u>2,126,870</u>	<u>3,873</u>	<u>0.36</u>	<u>1,756,951</u>	<u>3,206</u>	<u>0.36</u>
Sub-total	<u>4,618,518</u>	<u>32,843</u>	<u>1.42</u>	<u>4,064,246</u>	<u>38,071</u>	<u>1.87</u>
Total deposits from customers	<u><u>7,865,436</u></u>	<u><u>50,335</u></u>	<u><u>1.28</u></u>	<u><u>6,629,790</u></u>	<u><u>53,562</u></u>	<u><u>1.62</u></u>

Interest Expenses on Amount Due to Banks

Interest expenses on amounts due to banks increased by RMB812 million year on year to RMB5,304 million, mainly because: (1) our bank appropriately increased the sales of assets under repurchase agreement resulting in an increase in the average balance of the amount due to banks; (2) the average cost increased as a result of the liquidity squeeze in the market in the first half of 2010 and the consequent hike of interest rates in the money market.

Interest Expenses on Other Interest-Bearing Liabilities

Interest expenses on other interest-bearing liabilities increased by RMB640 million year on year to RMB933 million, mainly due to the issuance of the Subordinated Debentures (with a face value of RMB50 billion) in May 2009, which had an interest period of merely over one month in the first half of 2009, but had an interest period of six months in the first half of 2010.

Net Fee and Commission Income

In the first half of 2010, we achieved net fee and commission income of RMB22,459 million, representing a year-on-year increase of RMB5,442 million or 32.0%. The percentage of net fee and commission income to our operating income was 16.50%, representing an increase of 0.21 percentage point over the same period last year. The net fee and commission income increased 60.0% over the same period last year after the deduction of agency commission from the MOF for our disposal of non-performing assets.

Major Composition of Net Fee and Commission Income

In RMB millions, except for percentages

	Six months ended 30 June 2010	Six months ended 30 June 2009	Increase/ (decrease)	Growth rate (%)
Settlement and clearing fees	7,075	5,681	1,394	24.5
Agency commissions	5,593	6,244	-651	-10.4
Consultancy and advisory fee	5,424	2,232	3,192	143.0
Bank card fees	2,881	2,146	735	34.2
Electronic banking service fees	1,063	533	530	99.4
Credit Commitment fees	689	238	451	189.5
Custodian and other fiduciary service fees	401	266	135	50.8
Others	50	188	-138	-73.4
Fee and commission income	23,176	17,528	5,648	32.2
Less: Fee and commission expenses	717	511	206	40.3
Net fee and commission income	22,459	17,017	5,442	32.0

Income from settlement and clearing fees increased by RMB1,394 million or 24.5% to RMB7,075 million. This was mainly because we enhanced our traditional competitive business and continuously promoted innovation of settlement products, which resulted in an increase in the number of settlement customers and the volume of settlement transactions in a constant manner.

Income from agency commissions decreased by RMB651 million or 10.4% to RMB5,593 million. The decrease was primarily due to a drop in the fee income from disposal of non-performing assets on behalf of the Ministry of Finance and was partly offset by the increase in income from the agency sale of insurance and funds. In the first half of 2010, we further strengthened our cooperation with insurance and fund companies, and achieved income from the agency sale of insurance and funds of RMB2,667 million and RMB708 million, representing a year-on-year increase of 71.2% and 95.0% respectively.

Income from consultancy and advisory fees increased by RMB3,192 million or 143.0% to RMB5,424 million, mainly attributable to the rapid development of commercial banking and investment banking operations that were centered on financial advisory, asset management and financing planning business.

Income from bank card fees increased by RMB735 million or 34.2% to RMB2,881 million, mainly because we utilized our advantages in network and customer base, continuously improved our bank card functions and varieties, and achieved continuous growth in terms of the number of cards issued, the transaction volume and the consumption amount.

Income from electronic banking service fees increased by RMB530 million or 99.4% to RMB1,063 million, mainly because we achieved rapid growth in the number of electronic banking customers and the transaction volume by continuously improving electronic banking system, increasing input into the development of electronic banking channel and improving electronic banking services.

Income from credit commitment fees increased by RMB451 million or 189.5% to RMB689 million mainly because we expanded business scale and market share by setting specific and competitive commitment fee rates.

Income from custodian and other fiduciary service fees increased by RMB135 million or 50.8% to RMB401 million, mainly due to the rapid growth in our insurance and pension custody business.

Other Net Income

In the first half of 2010, other non-interest income amounted to RMB1,951 million, representing a year-year-year decrease of RMB1,572 million. This was primarily because we suffered a net loss on the financial instruments designated at fair value through profit or loss in the first half of 2010, compared with a net profit in the same period of the previous year.

Net loss on the financial instruments designated at fair value through profit or loss was RMB170 million, mainly because we suffered a net loss of RMB216 million due to decline in the fair value of financial guarantee contracts held by our bank. However, in the same period of last year, due to the recovery of international financial market, the fair value of financial guarantee contracts increased, contributing a net profit of RMB1,019 million to our bank.

Composition of Other Non-Interest Income

In RMB millions

Item	Six months ended 30 June 2010	Six months ended 30 June 2009
Net trading gain/(loss)	463	532
Net (loss)/gain on the financial instruments designated at fair value through profit or loss	(170)	973
Net gain/(loss) on securities investment	143	335
Net income/(expense) from other operations	1,515	1,683
Total	1,951	3,523

Operating Expenses

In the first half of 2010, our operating expenses increased by RMB14,322 million to RMB58,468 million, as compared to the same period last year; cost-to-income ratio (excluding business taxes and surcharges) rose by 0.99 percentage point to 37.45%, as compared to the same period last year.

Staff cost increased by RMB10,007 million to RMB32,599 million, as compared to the same period last year, mainly because this year we strengthened the balance of expenses, eased the fluctuation of personnel expenditures between quarters and ensured the synchronization of staff remuneration and business plan so as to truly reflect the staff cost of each period.

General operating and administrative expenses increased by RMB2,528 million to RMB12,888 million, as compared to the same period last year, mainly due to the fact that as we strengthened the balance of expenses, and coupled with the continuous and rapid development of business, expenses used to support various businesses were duly increased accordingly.

Depreciation and amortization increased by RMB206 million to RMB5,595 million, mainly due to the fact that we had strengthened the development of electronic service channel, pushed forward outlet transformation and increased input to fixed and tangible assets in recent years.

Major Composition of Operating Expenses

In RMB millions, except for percentages

Item	Six months ended 30 June 2010	Six months ended 30 June 2009	Increase/ (decrease)	Growth rate (%)
Staff cost	32,599	22,592	10,007	44.3
General operating and administrative expenses	12,888	10,360	2,528	24.4
Business taxes and surcharges	7,489	6,069	1,420	23.4
Depreciation and amortization	5,595	5,389	206	3.8
Others	(103)	(264)	161	-61.0
Total	58,468	44,146	14,322	32.4

Provisions for Impairment Losses

In the first half of 2010, our provisions for impairment losses increased by RMB2,078 million to RMB19,623 million.

The impairment loss on loans increased by RMB933 million to RMB19,728 million mainly because: (1) there was a continuous growth in credit extension; and (2) we continued to prudently make provisions for impairment loss on loans in response to macro-economic uncertainties.

Income Tax Expenses

In the first half of 2010, our income tax expense amounted to RMB12,164 million and the effective tax rate was 20.96%, lower than the 25% statutory tax rate, mainly because the interest income derived from the Chinese government bonds held by our Bank was exempt from the enterprise income tax.

Segment Information

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

Our major business activities include corporate banking, retail banking, treasury operations and others. The table below sets out our operating income by business segment.

In RMB millions, except for percentages

Item	Six months ended 30 June 2010		Six months ended 30 June 2009	
	Amount	Percentage (%)	Amount	Percentage (%)
Corporate banking business	76,982	56.5	59,215	56.7
Retail banking business	47,732	35.1	27,595	26.4
Treasury operation	10,742	7.9	17,248	16.5
Other business	662	0.5	378	0.4
Total operating income	136,118	100.0	104,436	100.0

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

In RMB millions, except for percentages

Item	Six months ended 30 June 2010		Six months ended 30 June 2009	
	Amount	Percentage (%)	Amount	Percentage (%)
Head Office	13,674	10.1	18,969	18.2
Yangtze River Delta	32,315	23.7	19,678	18.9
Pearl River Delta	19,189	14.1	13,381	12.8
Bohai Rim	20,532	15.1	14,661	14.0
Central China	16,674	12.2	12,574	12.0
Western China	29,110	21.4	21,205	20.3
Northeastern China	4,050	3.0	3,449	3.3
Overseas and others	574	0.4	519	0.5
Total operating income	136,118	100.0	104,436	100.0

Note: Please refer to “Note 9.1 to the Financial Statements: Geographical Segment Information” for definition of geographical segments.

The table below sets out our operating income in relation to the County Area Banking Business and urban area banking business.

In RMB millions, except for percentages

Item	Six months ended 30 June 2010		Six months ended 30 June 2009	
	Amount	Percentage (%)	Amount	Percentage (%)
County Area banking business	50,172	36.9	33,101	31.7
Urban Area banking business	85,946	63.1	71,335	68.3
Total operating income	136,118	100.0	104,436	100.0

5.2.2 Balance Sheet Analysis

As at 30 June 2010, our total assets amounted to RMB9,695,967 million, representing an increase of RMB813,379 million or 9.2% as compared to the end of 2009. Among the assets, net loans and advances to customers increased by RMB466,735 million or 11.6%; investment securities and other financial assets, net decreased by RMB18,813 million or 0.7%; cash and balances with central banks increased by RMB308,669 million or 20.3%; deposits and placements with banks increased by RMB26,201 million or 23.6%; and financial assets held under resale agreements increased by RMB10,214 million or 2.4%.

Key Items of Assets

In RMB millions, except for percentages

Item	30 June 2010		31 December 2009	
	Amount	Percentage (%)	Amount	Percentage (%)
Total loans and advances to customers	4,623,983	—	4,138,187	—
Less: Provisions for impairment losses on loans	145,753	—	126,692	—
Net loans and advances to customers	4,478,230	46.3	4,011,495	45.2
Investment securities and other financial assets, net	2,597,857	26.8	2,616,672	29.5
Cash and balances with central banks	1,826,475	18.8	1,517,806	17.1
Deposits and placements with banks	137,329	1.4	111,128	1.3
Financial assets held under resale agreement	431,307	4.4	421,093	4.7
Others	224,769	2.3	204,394	2.2
Total assets	9,695,967	100.0	8,882,588	100.0

Loans and Advances to Customers

In the first half of 2010, we proactively coped with changes in the economic and financial trend, earnestly implemented the national macro-control policy, reasonably controlled the total amount and the frequency in relation to the extension of loans, actively made adjustment to loans granted to our customers and the structure of such loan extension, and vigorously supported the credit demand in key areas of economic development. As at 30 June 2010, our total loans and advances to customers amounted to RMB4,623,983 million, representing an increase of RMB485,796 million or 11.7% over the end of the previous year.

Distribution of Loans and Advances to Customers by Business Line

In RMB millions, except for percentages

Item	30 June 2010		31 December 2009	
	Amount	Percentage (%)	Amount	Percentage (%)
Loans granted by domestic branches	4,577,843	99.0	4,110,263	99.3
Corporate loans	3,411,287	73.7	2,968,691	71.7
Discounted bills	146,140	3.2	352,230	8.5
Retail loans	1,020,416	22.1	789,342	19.1
Overseas and others	46,140	1.0	27,924	0.7
Total	4,623,983	100.0	4,138,187	100.0

Corporate loans increased by RMB442,596 million or 14.9% over end of the previous year to RMB3,411,287 million, primarily due to the continuation in this year of the demand for infrastructure loans arising from the national policy of boosting domestic demand in 2009, and the extension of loans to such major infrastructure construction projects and such major industry-oriented sectors as may be selected as the best of its kinds. Meanwhile, we also strengthened the credit structure adjustment and risk control, and focused on controlling the risks associated with loans to government financing vehicles, loans to the real estate industry and loans to industries experiencing over-capacity through imposing strict admission standard, improving credit admission and exit system and selecting quality customers.

Retail loans increased by RMB231,074 million or 29.3% over the end of the previous year to RMB1,020,416 million. They accounted for 22.1% of our total loans, representing an increase of 3.0 percentage points as compared to the end of 2009. The increase was mainly because we continued to enhance the innovation and marketing of retail loan products, effectively supported the various demands on residential mortgage loans, personal consumption loans and overdraft on personal bank cards, and at the same time expanded the extension of loans to rural households.

The discounted bills decreased by RMB206,090 million or 58.5% over the end of 2009 to RMB146,140 million, mainly because we properly adjusted the credit structure and compressed the size of some discounted bill to boost the proportion of loans to entities which were prime customers.

Distribution of Corporate Loans by Maturity

In RMB millions, except for percentages

Item	30 June 2010		31 December 2009	
	Amount	Percentage (%)	Amount	Percentage (%)
Short-term corporate loans	1,372,342	40.2	1,239,973	41.8
Medium- and long-term corporate loans	2,038,945	59.8	1,728,718	58.2
Total	<u>3,411,287</u>	<u>100.0</u>	<u>2,968,691</u>	<u>100.0</u>

Distribution of Corporate Loans by Industry

In RMB millions, except for percentages

Item	30 June 2010		31 December 2009	
	Amount	Percentage (%)	Amount	Percentage (%)
Manufacturing	1,011,443	29.7	886,729	29.9
Production and supply of electric power, gas and water	369,919	10.8	411,410	13.9
Real estate	536,381	15.7	427,253	14.4
Transportation, logistics and postal services	343,222	10.1	303,520	10.2
Retail and wholesale	272,616	8.0	227,546	7.7
Water, environment and public utilities management	205,737	6.0	155,365	5.2
Construction	135,784	4.0	99,700	3.4
Mining	102,826	3.0	93,340	3.1
Leasing and commercial services	198,615	5.8	144,755	4.9
Information transmission, computer services and software	22,116	0.6	28,199	0.9
Others	212,628	6.3	190,874	6.4
Total	<u>3,411,287</u>	<u>100.0</u>	<u>2,968,691</u>	<u>100.0</u>

As at 30 June 2010, the gross amount of loans to five major industries, namely the manufacturing industry, the industry of production and supply of electric power, gas and water, the real estate industry, and transportation, logistics and postal services industry, and the wholesale and retail industry, accounted for 74.3% of our total corporate loans.

During the reporting period, in combination with the national macro-economic policy and industry policy, we reinforced the guidance on industry credit policy, actively implemented the industrial quota and the customer list-based management, gave supported to “Sannong”, the construction of people’s livelihood areas, the revitalization of industries and key infrastructure construction as well, steadily developed real estate loans that are primarily extended to ordinary commercial housing development projects and low-income housing development projects supported by the State’s policies, and effectively reduced the loans granted to high energy consumption industry, high-pollution industry and those experiencing excess capacity, in order to continuously monitor the exposure to customers in these industries. Our loans to borrowers in the real estate, the leasing and commercial service, and the water, environment and public utilities management industries experienced the highest increases, as a percentage of our total loan portfolio, while loans to the industry of the production and supply of electric power, gas and water experienced the largest decrease, as a percentage of our total loan portfolio.

Distribution of Retail Loans by Product Type

In RMB millions, except for percentages

Item	30 June 2010		31 December 2009	
	Amount	Percentage (%)	Amount	Percentage (%)
Residential mortgage loans	641,667	62.9	497,946	63.1
Personal consumption loans	117,809	11.5	85,600	10.8
Loans to private business	118,901	11.7	105,953	13.4
Credit card balances	22,902	2.2	14,118	1.8
Loans to rural households	113,359	11.1	79,588	10.1
Others	5,778	0.6	6,137	0.8
Total	<u>1,020,416</u>	<u>100.0</u>	<u>789,342</u>	<u>100.0</u>

As at 30 June 2010, the residential mortgage loans increased by RMB143,721 million or 28.9% over the end of 2009 to RMB641,667 million, mainly due to the rapid growth in residential mortgages, as a result of major support to the loans for first residential housing by our Bank on the premise of insisting on the steady operation. The personal consumption loans increased by RMB32,209 million or 37.6% to RMB117,809 million, mainly because proactively marketed medium-to-high-end customers and satisfied their diversified demands on consumption and financing. The loans to rural households increased by RMB33,771 million or 42.4% to RMB113,359 million, mainly because we took advantage of Huinong Cards to mainly enhance the credits to high-quality rural households on the premise of risk control.

Distribution of Loans by Geographic Region

In RMB millions, except for percentages

Item	30 June 2010		31 December 2009	
	Amount	Percentage (%)	Amount	Percentage (%)
Head Office	80,317	1.7	121,899	2.9
Yangtze River Delta	1,295,185	28.1	1,147,735	27.8
Pearl River Delta	677,063	14.6	613,918	14.8
Bohai Rim	797,023	17.2	705,560	17.0
Central China	556,181	12.0	488,156	11.8
Northeastern China	156,040	3.4	131,358	3.2
Western China	1,016,034	22.0	901,637	21.8
Overseas and others	46,140	1.0	27,924	0.7
Total	4,623,983	100.0	4,138,187	100.0

Investment

As at 30 June 2010, investment securities and other financial assets, net decreased by RMB18,815 million or 0.7% to RMB2,597,857 million.

Distribution of Investment by Instruments

In RMB millions, except for percentages

Item	30 June 2010		31 December 2009	
	Amount	Percentage (%)	Amount	Percentage (%)
Non-restructuring-related debt securities	1,845,620	71.0	1,833,221	70.1
Restructuring-related debt securities	694,481	26.7	728,839	27.8
Equity instruments	452	0.1	487	—
Others ¹	57,304	2.2	54,125	2.1
Total	2,597,857	100.0	2,616,672	100.0

As at 30 June 2010, non-restructuring-related debt securities investment increased by RMB12,399 million or 0.7% to RMB1,845,620 million. The restructuring-related debt securities investment decreased by RMB34,358 million to RMB694,481 million, mainly because the MOF repaid part of its receivables to our Bank during the reporting period.

Distribution of Investments by Holding Purpose

In RMB millions, except for percentages

Item	30 June 2010		31 December 2009	
	Amount	Percentage (%)	Amount	Percentage (%)
Financial assets designated at fair value through profit or loss	97,187	3.8	112,176	4.3
Available-for-sale financial assets	606,677	23.3	730,382	27.9
Held-to-maturity Investments	1,082,844	41.7	883,915	33.8
Debt securities classified as receivables	811,149	31.2	890,199	34.0
Total	2,597,857	100.0	2,616,672	100.0

As at 30 June 2010, the financial assets at fair value through profit or loss for the current period decreased by RMB14,989 million over the end of 2009, representing a drop of 0.5 percentage point, mainly because we speeded up the transformation of wealth management products, and continued to optimize the structure of wealth management products, resulting in the decline of the size of principal guaranteed wealth management products. As at 30 June 2010, the available-for-sale financial assets decreased by RMB123,705 million over the end of 2009, representing a drop of 4.6 percentage points; the held-to-maturity investments increased by RMB198,929 million over the end of 2009, representing an increase of 7.9 percentage points, mainly because we proactively optimised the investment portfolio, appropriately cut the scale of available-for-sale financial assets and increased the proportion of held-to-maturity investments; and as at 30 June 2010, the debt securities classified as receivables decreased by RMB79,050 million over the end of 2009, representing a drop of 2.8 percentage points.

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

In RMB millions, except for percentages

Item	30 June 2010		31 December 2009	
	Amount	Percentage (%)	Amount	Percentage (%)
Government bonds	546,859	29.7	535,291	29.2
PBOC bills	583,556	31.6	648,413	35.4
Bonds issued by PRC policy banks	450,008	24.4	408,363	22.3
Bonds issued by other banks and financial institutions	81,926	4.4	81,049	4.4
Bonds issued by pubic sectors and quasi-governments	32,119	1.7	40,302	2.2
Corporate bonds	151,152	8.2	119,803	6.5
Total	1,845,620	100.0	1,833,221	100.0

In the first half of 2010, we further optimized the product structure, moderately increased the holding of bonds issued by PRC policy banks with relatively high interest rate and better investment value as well as credit bonds with a higher credit rating, to enhance the yield of investment portfolio. As at 30 June 2010, our holding of the bonds issued by PRC policy banks increased by RMB41,645 million over the end of the previous year, representing an increase of 2.1 percentage points. The investment in corporate bonds increased by RMB31,349 million over the end of the previous year, representing an increase of 1.7 percentage points.

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

In RMB millions, except for percentages

Remaining Maturity	30 June 2010		31 December 2009	
	Amount	Percentage (%)	Amount	Percentage (%)
Overdue	6	—	7	—
Less than 3 months	328,103	17.8	330,325	18.0
3–12 months	390,743	21.2	423,421	23.1
1–5 years	721,776	39.1	721,045	39.3
More than 5 years	404,992	21.9	358,423	19.6
Total	<u>1,845,620</u>	<u>100.0</u>	<u>1,833,221</u>	<u>100.0</u>

As at 30 June 2010, the proportion of our investment in bonds with a remaining maturity of less than 12 months decreased by 2.1 percentage points over the end of the previous year. This was mainly because we moderately increased the investment in medium- to long-term products with a higher coupon rate and better investment value and further optimized the maturity structure by closely following the bond market trend and the specific situation of our portfolio.

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

In RMB millions, except for percentages

Item	30 June 2010		31 December 2009	
	Amount	Percentage (%)	Amount	Percentage (%)
RMB	1,767,601	95.8	1,748,548	95.4
USD	70,111	3.8	76,120	4.1
Other foreign currencies	7,908	0.4	8,553	0.5
Total	<u>1,845,620</u>	<u>100.0</u>	<u>1,833,221</u>	<u>100.0</u>

As at 30 June 2010, our investment in foreign currency-denominated bonds decreased by RMB6,654 million to RMB78,019 million, mainly because: (1) we sold a portion of the investment in short-term debt securities as the domestic USD liquidity tended to be tightened; and (2) we reduced some of our debt securities denominated in foreign currencies when appropriate.

Holding of Financial Bonds

Financial bonds refer to the valuable securities issued by PRC policy banks, commercial banks and other financial institutions and the debt service of which shall be repaid as scheduled. As at 30 June 2010, the balance of our financial bonds was RMB531,934 million, which were mainly the financial bonds issued by PRC policy banks. The table below sets out the top ten financial bonds, in terms of nominal value, held by our Bank as at the dates indicated.

In RMB millions, except for percentages

Bond	Face Value	Annual Interest Rate	Maturity Date	Depreciation
2006 policy bank bonds	9,330	3.00%	2011-10-18	—
2008 policy bank bonds	7,660	4.83%	2015-03-04	—
2004 policy bank bonds	7,410	Interest rate for 1-year time deposits + interest spread 0.76%	2014-03-05	—
2010 policy bank bonds	7,410	3.21%	2017-06-02	—
2010 policy bank bonds	6,200	4.42%	2040-04-07	—
2007 policy bank bonds	6,120	4.13%	2017-08-20	—
2005 policy bank bonds	5,965	Interest rate for 1-year time deposits + interest spread 0.72%	2015-04-27	—
2002 policy bank bonds	5,755	2.85%	2012-04-19	—
2007 policy bank bonds	5,615	4.35%	2014-08-30	—
2004 policy bank bonds	5,570	Interest rate for 1-year time deposits + interest spread 1.53%	2011-06-01	—

Liabilities

As at 30 June 2010, our total liabilities increased by RMB801,887 million or 9.4% over the previous year to RMB9,341,550 million. Among which, deposits from customers increased by RMB851,202 million or 11.4%; deposits and placements from banks decreased by RMB54,389 million or 9.1%; and financial assets sold under repurchase agreements increased by RMB19,858 million or 19.7%.

Key Items of Liabilities

In RMB millions, except for percentages

Item	30 June 2010		31 December 2009	
	Amount	Percentage (%)	Amount	Percentage (%)
Deposits from customers	8,348,820	89.4	7,497,618	87.8
Deposits and placements from banks	545,872	5.8	600,261	7.0
Financial assets sold under repurchase agreements	120,670	1.3	100,812	1.2
Subordinated bonds issued	49,958	0.5	49,955	0.6
Other liabilities	276,230	3.0	291,017	3.4
Total liabilities	9,341,550	100.0	8,539,663	100.0

Deposits from Customers

In the first half of 2010, we further expanded our customer base, strived to enhance our outlet effectiveness, continuously improved electronic channel construction, further consolidated the customer services, and effectively promoted the continuous rapid growth of deposit business. As at 30 June 2010, deposits from customers increased by RMB851,202 million or 11.4% over the end of 2009 to RMB8,348,820 million.

Regarding the customer structure of deposits, both the corporate deposits and the retail deposits maintained relatively fast growth, and the corporate deposits increased by RMB392,614 million or 13.5% over the end of 2009; and the retail deposits increased by RMB437,878 million or 10.0%. Regarding the maturity of deposits, the proportion of demand deposits slightly increased by 0.3 percentage point over the end of 2009 to 55.8%.

Distribution of Deposits from Customers by Business Line

In RMB millions, except for percentages

Item	30 June 2010		31 December 2009	
	Amount	Percentage (%)	Amount	Percentage (%)
Domestic deposits	8,332,838	99.8	7,486,128	99.8
Corporate deposits	3,293,861	39.5	2,901,247	38.7
Time	858,867	10.3	733,303	9.8
Demand	2,434,994	29.2	2,167,944	28.9
Retail deposits	4,803,265	57.5	4,365,387	58.2
Time	2,586,551	30.9	2,373,111	31.6
Demand	2,216,714	26.6	1,992,276	26.6
Other deposits ¹	235,712	2.8	219,494	2.9
Overseas and others	15,982	0.2	11,490	0.2
Total	8,348,820	100.0	7,497,618	100.0

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

Distribution of Deposits from Customers by Geographic Region

In RMB millions, except for percentages

Item	30 June 2010		31 December 2009	
	Amount	Percentage (%)	Amount	Percentage (%)
Head Office	44,568	0.6	33,977	0.6
Yangtze River Delta	1,748,898	23.3	1,399,196	22.8
Pearl River Delta	1,078,898	14.4	922,585	15.1
Bohai Rim	1,348,333	18.0	1,027,459	16.9
Central China	1,214,938	16.2	1,028,567	16.9
Northeastern China	407,411	5.4	342,851	5.6
Western China	1,643,082	21.9	1,333,424	21.9
Overseas and others	11,490	0.2	9,369	0.2
Total	7,497,618	100.0	6,097,428	100.0

Distribution of Deposits from Customers by Remaining Maturity

In RMB millions, except for percentages

Item	30 June 2010		31 December 2009	
	Amount	Percentage (%)	Amount	Percentage (%)
Demand	5,045,294	60.4	4,492,349	59.9
Less than 3 months	903,983	10.8	921,804	12.3
3–12 months	1,916,665	23.0	1,602,159	21.4
1–5 years	481,076	5.8	479,593	6.4
More than 5 years	1,802	—	1,713	—
Total	8,348,820	100.0	7,497,618	100.0

Owner's Equity

As at 30 June 2010, the owner's equity increased by RMB11,492 million to RMB354,417 million. The unappropriated profit decreased by RMB58,396 million over the end of 2009, mainly because pursuant to the profit distribution plan for 2009 and the cumulative unappropriated profit distribution plan before listing, we set aside statutory surplus reserve and general risk reserve, and deducted cash dividend distributed and to be distributed of RMB52,077 million, but were partly offset by net profit RMB45,863 million realized in the first half year.

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

In RMB millions, except for percentages

Item	30 June 2010		31 December 2009	
	Amount	Percentage (%)	Amount	Percentage (%)
Share capital	270,000	76.1	260,000	75.8
Capital reserve	5,512	1.6	—	—
Surplus reserve	12,263	3.5	7,676	2.2
General reserve	58,344	16.5	10,772	3.2
Unappropriated profit	1,421	0.4	59,817	17.4
Currency translation reserve	(97)	—	(70)	—
Equity attributable to equity holders of the parent company	354,263	100.0	342,819	100.0
Minority interests	154	—	106	—
Total equity	354,417	100.0	342,925	100.0

Off-Balance-Sheet Items

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

Composition of Credit Commitments

In RMB millions, except for percentages

Item	30 June 2010		31 December 2009	
	Amount	Percentage (%)	Amount	Percentage (%)
Loan commitment	998,480	66.3	744,524	61.0
Acceptances	284,762	18.9	271,871	22.2
Letters of guarantee issued	168,644	11.2	151,355	12.4
Letters of credit issued	54,614	3.6	53,933	4.4
Total	<u>1,506,500</u>	<u>100.0</u>	<u>1,221,683</u>	<u>100.0</u>

5.2.3 Other Financial Information

Changes in accounting policies

There are no changes in the accounting policies during the reporting period.

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

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

5.3 Business Review

5.3.1 Corporate Banking

In the first half of 2010, we continued to push forward the transformation of corporate banking with accelerated development of branches in key cities as a breakthrough point. Since corporate deposits increased substantially, our market share was further enhanced. Corporate loans steadily grew and the regional and customer structure were further optimized. Our business and income structures continuously improved, investment banking and insurance agency business developed swiftly, RMB settlement, international settlement and asset custody businesses maintained a stable growth. As at 30 June 2010, we had around 2.6 million corporate customers, in which 67,891 corporate customers had outstanding loans.

Corporate Deposit and Loan Business

As at 30 June 2010, the balance of our corporate loans reached RMB3,411,287 million, representing an increase of RMB442,596 million or 14.9% over the end of the previous year. The increment of our corporate deposits was mainly extended to the more economically developed regions, such as the Yangtze River Delta, Pearl River Delta and Bohai Rim. New corporate loans to customers originated in these three regions represented 58.9% of total increment of our corporate loans. Top three industries that obtained the most new corporate loans were manufacturing, real estate, water, environment and public utilities management respectively, and the new corporate loans obtained by these industries represented 65.0% of total increment of our corporate loans. The loans to quality customers saw a bigger proportion and our customer structure continued to be improved. Our outstanding loans (including discounted bills) due from quality customers that were rated AA or above amounted to RMB3,215,141 million, representing 90.4% of outstanding loans of corporate customers of the whole bank. Among which, outstanding loans due from corporate customers in the real estate industry with a rating of AA or above accounted for 94.8% of total, representing an increase of 4.0 percentage points over the end of the previous year.

Our corporate deposits increased by a big margin and the market share further expanded through the provision of multi-level and all-around financial services to corporate customers including loans, settlement, cash management, consultancy and advisory services. As at 30 June 2010, the balance of corporate deposits totaled RMB3,293,861 million, representing an increase of RMB392,614 million or 13.5% over the end of the previous year.

Small Enterprise Business

We continued to enhance the professional operation and management of small enterprise business and improve the functions of specialized small enterprise financial service institutions. As at 30 June 2010, we had established 855 specialized institutions providing services to small enterprises, thus the specialized small enterprise service network further expanded. We stepped up the research and development of small enterprise featured

products, and improved the two knockout small enterprise products, i.e. “Easy Loans” and “Self-Service Revolving Credit Facilities”. As a result, the small enterprise loan business could be transacted more simply and rapidly. We committed to building the small enterprise service cooperation platform and converging the efforts of all walks of the society in serving the small and medium enterprises. As at 30 June 2010, our outstanding small enterprise loans (including discounted bills) reached RMB402,713 million, representing an increase of RMB26,137 million over the end of the previous year.

Institutional Banking

We exerted ourself to increase the number of institutional customers, accelerate financial innovation, and promote cooperation with other banks, securities firms, futures companies and governments intensively and extensively. As at 30 June 2010, we had provided third-party depository services to 94 securities firms in respect of settled funds for securities trading, accounting for 87.9% of all domestic securities firms. The number of our contracted customers reached 10,363,500, and the daily average balance of funds deposited from securities firms stood at RMB121,222 million. 14 new futures companies had established relationship with us, increasing the number of such futures companies to 127 on accumulative basis, accounting for 78.4% of the total number of futures companies throughout the PRC. We engaged in Commodity Market Express with 30 bulk commodity trading markets and vigorously promoted the bancassurance business. As at 30 June 2010, we had entered into cooperation agreements with 62 insurance companies, which covered most of the domestic insurance companies. In the first half of 2010, we collected new insurance premiums of RMB65,903 million, accounting for a market share of 34.0% among the top four commercial banks in China, and generated RMB2,667 million income from bancassurance business. We ranked number one among four large commercial banks in China in terms of both the new insurance premium and the income from our bancassurance business.

Settlement and Cash Management

Payment and Settlement

We provided customers with a full spectrum of convenient payment and settlement services via bank counters and various electronic channels, including terminals serving the bank and its corporate customers, Internet banking, phone banking, ATM and POS. In the first half of 2010, we researched, developed and launched the electronic commercial paper product, enriching the settlement and financing product line and also satisfying the demands of customers for an integrated service for convenient settlement and rapid financing. As at 30 June 2010, we had 3,161,400 RMB-denominated corporate settlement accounts with a settlement transaction volume of RMB150.84 trillion in the first half of 2010.

Cash Management

We continued to improve the cash management product line and provided customers with comprehensive and convenient cash management services. In the first half of 2010, based on consolidating the service to high-end group customers, we strengthened cash management service marketing towards County Area customers and small- and medium-sized customers and effectively expanded the coverage and service area of cash management. As at 30 June 2010, our cash management customers numbered 58,200, covering 55% of the top 100 Chinese enterprises and 35% of the top 500 Chinese enterprises. Our total transaction volume processed by cash management services reached RMB23.42 trillion in the first half of 2010.

Trade Finance and International Settlement

In active response to the changes in import and export and the financing needs of foreign trade customers, we further enriched international trade finance, international settlement and external guarantee products, and registered a steady growth in trade finance and international settlement. In the first half of 2010, domestic branches granted international trade finance of USD21.14 billion, representing a year-on-year increase of 92.3%. Commission income from international trade finance reached RMB420 million, representing a year-on-year increase of 400.7%. We recorded international settlement income of USD565 million, an increase of 51.4%. We issued letters of guarantee of USD2,697 million, representing a year-on-year increase of 270.1%.

As one of the pilot banks for cross-border trade settlement in RMB, we have innovatively released the “RMB Cross-Border Express” series products and launched cross-border trade settlement in RMB in all the 26 tier-1 branches in pilot areas. In the first half of 2010, our cross-border trade settlement volume in RMB rose to RMB4,821 million.

Investment Banking

In the first half of 2010, we endeavored to expand our investment and financing advisory services, corporate treasury advisory services, underwriting business on debt financing, merger and acquisition loans and syndicated loans, thus our investment banking business constantly kept on a rapid development. We made efforts to follow the culture of “energy conservation and emission reduction” and “low-carbon economy” and pushed forward the development of Clean Development Mechanism (CDM) advisory services. We improved the financing service to small- and medium-sized enterprises and strived to innovate collective bonds relating to small- and medium-sized enterprises engaging in the science and technology sector as well as other financing methods.

In the first half of 2010, we underwrote, in the capacity of a lead arranger, debt financing instruments issued by various non-financial enterprises of RMB65,553 million, representing a year-on-year increase of 35.0%. As at 30 June 2010, the balance of syndicated loans reached RMB205,246 million, representing an increase of 50.3% over the end of the previous year. We generated an income from our investment banking business of RMB5,688 million, representing a year-on-year increase of 58.1%. We were

awarded the “Best Innovative Investment Bank”, the “Best Investment Bank on Debt Underwriting” and the “Best Debt Underwriting Project” by the Securities Times in its 2010 investment banking excellence award in 2010.

Custody Services

As at 30 June 2010, our assets under custody stood at RMB1,400,354 million, of which RMB875,524 million was insurance assets under custody. We are the second largest custodian bank and the largest insurance assets custodian in China in terms of assets under custody. In the first half of 2010, 4 new securities investment funds and 8 new designated fund accounts were under our custody. Assets under our custody (deposit), including assets management products of securities firms, trust schemes, banking wealth management products and private equity investment funds, developed steadily. The daily deposits of custody products averaged to RMB69.669 million.

Pension Business

In the first half of 2010, we conducted the corporate annuity business on a comprehensive basis and successfully won the bids for numerous annuity fund custody projects relating to a number of major enterprises. In addition, we actively developed various social security fund businesses including pension funds for farmers. As at 30 June 2010, the scale of our pension funds operation reached RMB93,664 million, representing an increase of 27.1% over the end of the previous year.

Corporate Treasury Services

We placed 63 corporate treasury services products in the first half of 2010 with a total amount of RMB64.16 billion, including “Benlifeng Corporate Trust Treasury Services Product” and “An Xin De Li Corporate Series Products” together with other products with stable income and flexible maturity.

5.3.2 Retail Banking

In order to develop into a first-class retail bank in China, we continued to accelerate the transformation of our retail banking business. We continuously improved customer segmentation service and comprehensive marketing system, and promoted the coordinated marketing of retail banking products. We expedited the adjustment and restructuring of all physical outlets to enhance their service capability and level. We strengthened the integration of our existing products, enhanced the research and development of new products, launched or improved products and services such as automatic transfer service for retail customers, gold bars of 12 Chinese zodiac animals and “Liu Xue Bao (means “Easy Study Abroad”)", and speeded up the research and development of new products such as IC Cards, DIY Constellation Cards, Daily Wealth Management and Smart Wealth Management. We attached importance to team build-up, and cultivated an internal trainers' team composed of 3,500 staff to continuously provide onsite trainings and enhance the marketing capability of our retail banking team.

As at 30 June 2010, we had more than 7,680 domestic associate financial planners (AFP), more than 800 international certified financial planners (CFP) and more than 540 executive financial planners (EFP), maintaining a leading position in the sector. As at 30 June 2010, we had 338 million retail banking customers.

Retail Loans

In the first half of 2010, we strengthened credit support for retail loans, intensified the corporate and retail banking interactive marketing, deepened the integrated operation of retail loans, optimized the retail lending procedures, integrated middle and back office operations and enhanced the efficiency and level of customer service. We accelerated the roll-out of Credit Management System (CMS) Phase III to effectively improve the backup of information technology to business growth and risk management. As at 31 June 2010, the balance of retail loans of domestic branches reached RMB1,020,416 million, representing an increase of RMB231,074 million or 29.3% over the end of the previous year.

In order to thoroughly carrying out the State's macro-control policy on real estate, we adjusted the retail housing loan policy at the opportune time. We strengthened the management of the loans for purchasing the second or more residential houses and stringently controlled the down payment ratio and mortgage ratio while continuing to support the residents by granting loans to those who purchased residential houses for the first time. A significant portion of the newly extended residential mortgage loans was granted to customers located in the Western and Central China regions and other regions where housing prices were relatively stable. As at 30 June 2010, the balance of residential mortgage loans increased by RMB143,720 million or 28.9% over the end of the previous year.

Retail Deposits

In the first half of 2010, against the backdrop of implementing the appropriately loose monetary policy and the reform of the RMB exchange rate regime, we strengthened our active debt management, adopted practicable marketing strategy, expedited the research and development of new products and stepped up the interaction of retail deposits and wealth management products. As a result, retail deposits maintained to increase in a stable manner. The balance of domestic retail deposits reached RMB4,803,265 million as at 30 June 2010, representing an increase of RMB437,878 million or 10.0% over the end of the previous year.

Bank Cards

In the first half of 2010, our bank card business showed a good momentum with respect to management, marketing and risk control. As at 30 June 2010, the total number of bank cards issued reached 374 million, including 353 million debit cards and 21.42 million credit cards (including quasi credit cards). Bank card consumption reached RMB939,675

million and the total fees generated by our bank card consumption were RMB864 million in the first half of 2010. There were 67,000 new merchants, increasing the total number of merchants to 342,000.

We continued to promote our Kins card brand. When maintaining our traditional advantages in bank card products, we also actively promoted innovative products such as the Soldier Security Card, Kins C Card, Kins Taobao Card, DIY Constellation Card, Tennis Platinum Card and Taiwan Travel Card, and furthered the research and development and promotion of PBOC2.0 standard financial IC cards. In the meantime, we vigorously pushed forward the construction of Credit Card Call Centre and Chongqing Customer Service Centre in an effort to enhance the service quality of our credit cards.

Item	30 June 2010	31 December 2009	Growth Rate (%)
Number of debit cards issued (unit: 10,000)	35,308.66	34,746.81	1.6
Number of credit cards issued (unit: 10,000)	<u>1,859.39</u>	<u>1,542.75</u>	<u>20.5</u>
	Six months ended 30 June 2010	Six months ended 30 June 2009	Growth Rate (%)
Transaction volume for debit cards (RMB100 million)	8,424.59	5,259.64	60.2
Transaction volume for credit cards (RMB100 million)	<u>924.72</u>	<u>434.36</u>	<u>112.9</u>

Personal Wealth Management

In the first half of 2010, our retail wealth management products continued to adopt a short-term and sound style, attached importance to liquidity and safety and also gave attention to the yield of funds. Our “Golden Key – An Xin De Li” series products were issued in a weekly rolling manner. We launched open-ended product, namely “Golden Key – An Xin Kuai Xian” with a super short term of one or seven days. We completed the upgrading of the integrated sales system to simplify the subscription process of customers and realized the formation of contracts with customers and the conduct of risk assessment by electronic means. As at 30 June 2010, we issued 117 tranches of personal wealth management products of RMB253,026 million.

Distribution of Fund Products

We maintained a rapid development in distribution of fund products through raising our service level, innovating the marketing mode and popularizing wealth management

knowledge. We have entered into strategic cooperation agreements with a number of fund management companies. By intensifying our marketing efforts, various funds distributed by us set a record among the same type of products offered during the same period in terms of their issue size. In the first half of 2010, we distributed fund products with a total transaction volume of RMB53,450 million and received fees and commissions of RMB708 million, representing a year-on-year increase of 95.0%.

Agency Sales of PRC Government Bonds

In the first half of 2010, the adverse situation of diversified investment channels and low interest rates prevailed in the PRC government bond issue market. We made a steady growth in the PRC government bond business by innovating our working method and intensifying our marketing efforts. In the first half of 2010, we acted as an agent for the issuance of certificated PRC government bonds of RMB10.8 billion and the cashing of certificated PRC government bonds of RMB8,280 million. We also served as an agent for the sale of electronic PRC government bonds of RMB8,400 million.

5.3.3 Treasury Operations

In respect of treasury operations, we aim to seek a balance between security, liquidity and returns on investment portfolios in the light of financial market developments and macro-economic movements. Our treasury operations mainly cover money market activities, investment portfolios management, treasury transactions on behalf of customers, gold trading and other business lines.

In the first half of 2010, the economic situations were extremely complicated both at home and abroad and there was increasing uncertainty in our external operating environment. We responded to the changes in financial markets at home and abroad flexibly, adjusted our investment and trading strategies and achieved sound business development while ensuring liquidity demands and controllable risks.

Money Market Activities

In the first half of 2010, the PBOC raised the statutory deposit reserve ratio for three times. The RMB fund liquidity was relatively ample in the first quarter and became slightly tense in the second quarter. We enhanced market research and monitoring, and improved the efficiency of fund use on the premise of ensuring our bank-wide liquidity and security. In the first half of 2010, our domestic RMB financing transactions amounted to RMB5,422.2 billion, including lending of RMB3,740.9 billion and borrowing of RMB1,681.3 billion.

Under the impact of RMB appreciation, the domestic USD liquidity tightened and domestic USD inter-bank offered rates hiked. We seized this favorable opportunity to increase domestic USD inter-bank placement and received good gains.

Investment and Trading Activities

Trading Book Business

In the first half of 2010, we conducted an in-depth study into market developments and adjusted trading strategy dynamically. In the first half of 2010, inter-bank Renminbi's spot, swap and forward exchange sales amounted to USD276.8 billion, and RMB bond trading volume arrived at RMB1.34 trillion. We were named the “Most Outstanding Market Maker” by the National Association of Financial Market Institutional Investors for two consecutive quarters.

Banking Book Business

In the first half of 2010, the yield curve of bond market flattened. In response to the interest rate fluctuation risk in the future, we actively reduced the proportion of available-for-sale financial assets; and, following the recovery trend of domestic economy, increased our holdings of securities with relatively higher yields. As at 30 June 2010, the balance of our non-restructuring related bond investment reached RMB1,767,601 million, representing an increase of 1.1% over the end of the previous year.

We continued to pursue a prudent foreign currency bond investment strategy. In respect of maturity structure, our investments focused on fixed income products with a term of three years or below, and mitigated market risk by reducing the duration of investment portfolio; in respect of category structure, newly added investments mainly focused on sovereign bonds.

Treasury Transactions on Behalf of Customers

In the first half of 2010, the transaction volume of our RMB exchange settlement and sales on behalf of customers reached USD76.144 billion, and that of foreign exchange trading on behalf of customers (including Wai Hui Bao) stood at USD3.66 billion. We launched eleven “Hui Li Feng” wealth management products in three phases, and realized a sales volume of RMB940 million cumulatively.

Precious Metal Business

Leveraging on our advantages in proprietary precious metal business and outlet channels, we actively expanded the domestic and foreign gold trading as well as purchase and sales of physical gold. In the first half of 2010, we traded precious metals for our own account and on behalf of customers of 837 tons. To satisfy the demands of different categories of customers for risk aversion and investments, we introduced precious metal forward customer business, while actively researching and developing agency retail spot deferred trading system and gold passbook products. We built a bank-wide precious metal products, financing and service system targeting at retail, corporate and institutional customers.

5.3.4 Distribution Channels

Physical Outlets

As at 30 June 2010, we had 23,560 branch outlets. These branch outlets covered 100% of the provincial-level administrative region, 100% of the prefectural-level cities, and 99.5% of the county-level administrative regions. We were the only large commercial bank to have branch outlets covering all of medium-to-large cities and most of the counties in China.

We made more efforts to optimize outlet structure and layout, and allocated more resources to key regions for local outlet construction to effectively improve the customer service capability and operating efficiency of outlets. In the first half of 2010, we completed the removal of 454 outlets, which were made in the interest of strategic layout, and the standardization of 1,720 outlets. Outlets which had separate function areas for different functions increased by 409 over the end of the previous year to 6,226.

Electronic Banking

We have been devoted to continuously improving electronic service. By building the electronic banking service system, as represented by Internet banking, telephone banking, mobile banking, self-service banking and customer service centre, we provided customers with a full spectrum of quality online financial services. As at 30 June 2010, we had over 100 million electronic banking customers, and made 6,483 million electronic transactions in the first half of 2010, accounting for 53.9% of the bank-wide total and representing an increase of 4.1 percentage points over the end of the previous year.

Internet Banking

As at 30 June 2010, our Internet banking customers numbered 31.66 million, representing an increase of 40.4% over the end of the previous year, and the total transaction value of our Internet banking reached RMB29.84 trillion, representing a year-on-year increase of 118.4% . The new-version portal website continuously played an outstanding role in product marketing, information release and interaction with customers. In the first half of 2010, page views of our new portal website reached 820 million, representing a year-on-year increase of 15.8% and signifying a further enhancement of its social influence.

95599 Customer Service Centre

We offered round-the-clock phone banking services through the customer service number “95599”, which can be accessed throughout China. The service scope of the Customer Service Centre (Tianjin) has been extended to 19 branches. The County Area Customer Service Centre (Chengdu) and the Customer Service Centre (Shanghai) came into operation smoothly, As such, the system comprising the three major customer service centers basically took shape. As at 30 June 2010, we had 26.19 million phone banking customers, representing an increase of 51.2% over the end of the previous year.

Mobile Banking

As at 30 June 2010, the number of our mobile banking customers reached 8.41 million, representing an increase of 179.4% over the end of the previous year; we had 42.55 million customers contracted for SMS, representing an increase of 52.7% over the end of the previous year. We sent a total number of 1.16 billion short messages to contracted customers, a year-on-year increase of 126.6%.

Self-Service Banking

We placed self-service facilities at a steady speed and witnessed their continuously higher transaction volume. As at 30 June 2010, we had 61,821 self-service terminals, representing an increase of 13.0% over the end of the previous year. Our total transaction volume of self-service banking amounted to RMB5.79 trillion, representing a year-on-year increase of 66.4%.

5.3.5 Overseas Business

In the first half of 2010, we steadily advanced the international strategy. The Sydney Representative Office commenced operation successfully on 10 March. The domestic applications made by three representative offices in New York, London and Tokyo for upgrading to operating institutions were granted approval by the CBRC. ABC International Holdings Limited integrated ABCI Securities Company Limited and ABCI Insurance Company Limited smoothly.

In the first half of 2010, based on strong traditional operations, our branches in Hong Kong and Singapore focused upon optimizing assets structure, continuously improving customer mix, strengthening domestic and overseas interactive businesses, actively conducting new businesses such as RMB settlement for cross-border trade, a further enhancing integrated domestic and overseas customer service capability. ABC International Holdings Limited progressively set up its diversified operating platform, strengthened concerted development of its various financial services at home and abroad, and served as the joint global coordinator and joint bookkeeper for the listing of our H shares.

As at 30 June 2010, total assets of our overseas branches and subsidiaries reached RMB59,508 million, and the pre-tax profit for the first half of the year was RMB341 million.

5.3.6 Information Technology

Secure and smooth operation of information system

In the first half of 2010, our core banking system operated in a secure and smooth manner, and its average daily transaction volume exceeded 100 million for the first time, enabling us to become the second commercial bank with daily transaction volume topping 100 million. The electronic banking system was moved from Beijing to the Data

Center of the Head Office in Shanghai. Its operating environment was improved on a comprehensive basis and the operation management level enhanced greatly.

Advancement of new-generation core banking system construction

We accelerated the construction project of new-generation core banking system; defined more advanced business scope, design concept, data model of the core banking system and the direction in which its subsequent demand setting work and overall design should take; completed the development of the prototype system of more advanced core banking system; basically completed the planning on business architecture and application architecture; proposed an overall scheme on comprehensive governance of data; prepared a roadmap on IT implementation in the coming three years; basically completed the establishment of financial data model and the streamlining of corporate data standardization; and preliminarily completed the planning and design on the overall technical architecture of basic data platform.

More research and development and innovation efforts on information technology products

To accommodate to the operation and management needs of businesses, we organized the construction of a batch of important information systems, providing powerful technical support to product innovation and operation decision-making. The new financial accounting and reporting system was rolled out successfully; information system projects on Trade Express Phase I and operational risk management were promoted nationwide; the credit management system cluster, entrusted asset disposal system, private banking management system, Golden Key customer wealth expert system and County Area retail customer information management system were successfully rolled out; the centralized platform system and centralized international settlement system were also commissioned.

Improvement of basic IT framework

We continued to push forward the optimization and integration of the basic IT framework, including systems and network architectures, and solidified the basic operating environment of information systems. The construction of an integrated production and operation system, emergency management system and disaster recovery system achieved initial results. The integration of management systems, and the standardization of the equipment and computer rooms of physical outlets were carried out smoothly.

Continuing to improve IT governance

We further improved the information technology working mechanism to promote healthy development of the scientific and technological team. We strengthened the management structure placing emphasis on intensive information technology management, comprehensive software research and development and professional production and operation. We based on the software mode with level-3 CMMI to strengthen the process management and quality control of software research and development, and further

implemented the standards and norms of the ISO 20000 IT service management system. We implemented a mechanism for interaction between the Head Office and branches in information technology work, and improved the assessment of information technology work.

5.3.7 Human Resources Management

Training and Development of Human Resources

We continuously improved the human resources training and development system, and promoted an omni-faceted improvement of staff in comprehensive quality, professional skills and service levels. We strengthened the efforts on to train up talents by various means including conducting EMBA core course training classes with domestic and overseas top-notch business schools, participating in material projects and post rotation. We implemented the Cambridge training program, launched the Canadian EMBA training project and organized for top talents to have further studies abroad. We strengthened the training of basic-level staff with a focus on persons in charge of operation of County Area outlets, risk internal control managers, independent approvers and heads of operation, and comprehensively completed a project on training outlet heads.

Comprehensive Human Resources Reform

We continued to deepen the reform of organizational structure and County Area banking business division organization, constantly tracked and earnestly studied the establishment and operation of organizational structures, focused on doing a good job of assessing organizational structures after reform, and studied and made proposals on further optimizing organizational structures. We actively procured that the reform of the post system was implemented locally. The post system reform of the Head Office was completed first, where, the reform objective of “persons selecting suitable posts and posts getting suitable persons” was accomplished basically, fully embodying the concepts of management by post, matching persons with posts, performance orientation and engaging the excellent. In the meantime, we carried out a full-scale implementation of the post system in branches.

Remuneration and Benefit Management

We continued to promote the building-up of the remuneration system and further optimized the remuneration and benefit incentive and restriction mechanism. In the light of our bank-wide development strategy, we strived to improve a remuneration resource allocation strategy suited to an urban and rural dual operation and management mode. We steadily pushed forward a distribution system reform, stepped up the standard management of income distribution and effectively promoted a sustained and healthy development of business operation. We established and improved a system for enterprise annuity, social insurance and supplementary medical insurance, and internally achieved fairness in determining our remuneration allocation and externally achieved competitiveness of our remuneration incentive, and effectively attracted, encouraged and retained talented people and enhanced our core competitiveness.

5.4 County Area Banking Business

We provide customers in the County Areas with a broad range of financial products and services through 2,048 county-level sub-branches and 22 business departments of tier-2 branches. We refer to such banking business collectively as the “County Area Banking Business”. During the reporting period, we brought the urban and rural interactive advantages into play, deepened the internal reform, actively carried out financial service innovation and continuously increased the aggregated financial supply to County Areas, hence a fast development of the County Area Banking Business. As at 30 June 2010, the loan balance of County Area Banking Business was RMB1,407,079 million, representing an increase of RMB213,666 million or 17.9% over the end of the previous year; the NPL ratio stood at 2.75%, representing a decrease of 0.94 percentage points over the end of the previous year; the deposit balance of the County Area Banking Business was RMB3,358,795 million, representing an increase of RMB324,149 million or 10.7% over the end of the previous year.

5.4.1 Reform of Internal Mechanisms

Organizational Framework

We have formed a County Area Banking Business division dedicated to the professional operation and management of the County Area Banking Business. During the reporting period, we further optimized the management framework, set up the County Area Credit Management Division at the Head Office, built separate County Area credit management sub-divisions in tier-1 and tier-2 branches of eight pilot provinces of division organization reform, including Gansu, devised the “County Area” credit system within the framework of the bank-wide basic credit policy and system framework to carry out credit review and approval, credit implementation and post-loan management.

Credit Management

On the basis of the pilot reform program, we revised the basic and comprehensive rules, including the basic procedures, on the “County Area” credit business, covering areas such as authorization, credit and guarantee. We improved the credit access policy applicable to key industries and regions in the County Areas, streamlined the “County Area” credit business process, and strengthened the team build-up of full-time examiners, approvers and reviewers of County Area credit business.

Fund Management

We strengthened the economic capital management of county-level sub-branches, implemented RMB fund management in full amount in county-level sub-branches, separately prepared the fund operation plan of the County Area Banking Business Division, and established a unified internal fund transfer pricing mechanism of the County Area Banking Business Division.

We further improved the comprehensive assessment system of the County Area Banking Business Division, set assessment indicators for its specialized departments and centers, and optimized the assessment indicators system of the County Area Banking Business sub-divisions. We sanctioned credit plans, labor use plans and total salary relating to the County Area Banking Business on an independent basis, allocated strategic costs for specific purposes, and linked the items mentioned above more closely to performance.

5.4.2 County Area Corporate Banking Business

During the reporting period, in respect of agricultural industrialization, rural urbanization, County Area commodity circulation, rural public services and County Area SMEs, which were the key fields of the County Area corporate banking business, we formulated six core development plans and organized their implementation, having in mind the leading enterprises (and their suppliers, customers and distributors) engaging in industries in such six areas as major target customers. We continued to promote the management of County Area corporate customers by level and category, strived to foster core customer groups and vigorously developed headquarter-based marketing. We prepared comprehensive financial service plans for leading customers at the forefront of each industry to enhance our financial service level, and consolidate and deepen the cooperation between the Bank and enterprises.

We accelerated the research and development of new products which met the demands of County Area corporate customers, and launched new products, namely “County Area Tourism Development and Construction Loan”, “Small Water and Power Loan” and “County Area Construction Industry Loan”, further enriching our County Area corporate products mix.

As at 30 June 2010, our outstanding County Area corporate loans amounted to RMB980,768 million, representing 28.8% of the total corporate loan balance and an increase of RMB149,675 million or 18.0% over the end of the previous year. Our outstanding County Area corporate deposits amounted to RMB1,039,877 million, representing 31.6% of the total corporate deposit balance, representing an increase of RMB105,736 million or 11.3% over the end of the previous year.

5.4.3 County Area Retail Banking Business

During the reporting period, we formulated and carried out special marketing plans to drive the development of the County Area retail banking business. We accelerated the research and development of retail regional products, and launched the residential mortgage loan business for new rural construction, the loan business for new rural residential housing construction, retail vessel mortgage loan business, loan business for high-end County Area customers, housing loan business for urbanization construction in reclamation areas and quality loan business for rural households, so as to satisfy the diversified credit demands in County Areas by these distinctive County Area retail banking products.

We further expanded the new rural insurance agency business. We strengthened the targeted guidance on this business and urged branches to improve marketing efforts. As at 30 June 2010, in respect of the first batch of 320 pilot counties for the new rural insurance as designated by the State, we had decided to launch the new rural insurance agency business on trial basis in 121 pilot County Area sub-branches; and in respect of counties which were not designated as pilot counties by the State for the new rural insurance, we had decided to launch new rural insurance agency business in 127 County Area sub-branches.

We installed more electronic equipment like transfer phones and self-service terminals, made innovation in “Petty Cash Withdrawal through Phone Banking” and extended its service scope progressively, and built electronic service platforms, such as the County Area customer service centre, County Area e-commerce payment platform and County Area customer message platform, so as to serve the County Area market via low-cost and high-efficiency electronic channels.

As at 30 June 2010, our outstanding County Area retail loans amounted to RMB399,301 million, representing an increase of RMB94,172 million or 30.9% over the end of the previous year. We issued 46.7 million Kins Huinong Cards cumulatively, representing an increase of 13.34 million over the end of the previous year.

5.4.4 Financial Position

Assets and Liabilities

In the first half of 2010, we achieved a steady growth in the County Area Banking Business. As at 30 June 2010, the total assets of the County Area Banking Business reached RMB3,457,181 million, representing an increase of RMB222,078 million or 6.9% over the end of the previous year; the total liabilities of the County Area Banking Business reached RMB3,444,995 million, representing an increase of RMB227,589 million or 7.1% over the end of the previous year.

The following table sets forth the major items of assets and liabilities of the County Area Banking Business on the dates shown below:

In millions of RMB, except percentages

Item	Six months ended 30 June 2010		Year ended 31 December 2009	
	Amount	% of total	Amount	% of total
Loans to customers, total	1,407,079		1,193,413	—
Allowance for impairment losses	(52,763)		(43,327)	—
Loans to customers, net	1,354,316	39.2	1,150,086	35.6
Inter-bank balances ¹	2,019,972	58.4	1,975,226	61.1
Other assets ²	30,130	2.4	109,791	3.3
Total assets	3,457,181	100.0	3,235,103	100.0
Deposits	3,358,795	97.5	3,034,646	94.3
Other liabilities ³	86,200	2.5	182,760	5.7
Total liabilities	3,444,995	100.0	3,217,406	100.0

Notes: 1. Represents funds provided by our County Area Banking Business to other business through internal funds transfers.

2. Mainly include cash, due from banks and financial institutions, loans, financial assets held under reverse resale agreements, investments classified as receivables and fixed assets.

3. Mainly include due to banks, financial assets held under repurchase agreements, due to the central bank, borrowings, staff salaries payable, taxes and fees payable, interest payable, expected liabilities and other liabilities.

Profit

In the first half of 2010, the profit before tax from our County Area Banking Business was RMB14,519 million, representing an increase of 81.9% as compared to RMB7,980 million in the same period of 2009, primarily due to a continued growth in the scale of the County Area Banking Business, an improvement of the interest-earning assets structure as well as rapid increases in net fee and commission income. The following table sets forth, for the periods indicated, the condensed results of operations of our County Area Banking Business:

In millions of RMB, except percentages

	Six months ended 30 June 2010	Six months ended 30 June 2009	Change	Growth Rate (%)
External Interest Income	35,667	26,671	8,996	33.7
External Interest expense	(20,210)	(21,891)	1,681	-7.7
Interest Income from intra-bank balances ¹	22,602	21,740	862	4.0
Net interest income	38,059	26,520	11,539	43.5
Fee and commission income	8,966	6,351	2,615	41.2
Fee and commission expense	(211)	(141)	-70	49.6
Net fee and commission income	8,755	6,210	2,545	41.0
Other net income ²	428	256	172	67.2
Operating income	47,242	32,986	14,256	43.2
General operating and administrative expenses	(23,679)	(16,858)	-6,821	40.5
Business tax and surcharges	(2,374)	(1,794)	-580	32.3
Provisions for impairment losses	(9,684)	(6,424)	-3,260	50.7
Operating profit	11,505	7,910	3,595	45.5
Net non-operating income	126	70	56	80.0
Profit before tax	11,631	7,980	3,651	45.8

- Notes: 1. Represents interest income earned on funds provided to our other business at internal funds transfer pricing, which is determined based on market rates.
2. Includes net gain/(loss) on investment securities, net exchange gain/(loss) and other net operating income.

Key Financial Indicators

The following table sets forth the key financial indicators of our County Area Banking Business as at the dates and for the periods indicated.

		%
	Six months ended 30 June 2010	Six months ended 30 June 2009
Item		
Return on average total assets ¹	0.55	0.42
Net fee and commission income to operating income	18.53	18.83
Cost-to-income ratio ²	50.12	51.11
	Six months ended 30 June 2010	Year ended 31 December 2009
Item		
Loan-to-deposit ³	41.89	39.33
Non-performing loan ratio ⁴	2.75	3.69
Allowance to non-performing loans ⁵	136.54	98.26
Allowance to total loans ⁶	3.75	3.63

- Notes:*
1. Represents the net profit for the period as a percentage of the average balance of total assets at the beginning and end of the period. The net profit for the period represents a product of profit before tax multiplied by the difference between 1 and the effective income tax rate of our bank. The average balance of total assets represents the average of the balance at the beginning of the period and the balance at the end of the period.
 2. Calculated by dividing general operating and administrative expenses by the sum of net interest income, net fee and commission income and other non-interest income.
 3. Calculated by dividing total loans by deposit balance.
 4. Calculated by dividing non-performing loans to customers by total loans to customers. According to the five category loan classification of PBOC and CBRC, loans classified in the substandard, doubtful and loss categories are regarded as non-performing loans.
 5. Calculated by dividing the allowance for impairment losses on total loans by total non-performing loans to customers.
 6. Calculated by dividing the allowance for impairment losses on total loans by total loans to customers.

5.5 Risk Management

5.5.1 Comprehensive Risk Management System

In the first half of 2010, we continued to implement the guideline for the establishment of comprehensive risk management system and pressed forward with the formulation of comprehensive risk management system. In order to improve our risk management regulations, we formulated a set of risk management policies and operational procedures. We improved the organizational structure of risk management by assigning risk officers to tier-two branches and assigning risk compliance managers to County Area sub-branches and urban branches. We also continuously improved and implemented 12-category loan classification, internal rating and other risk management approaches and tools, upgraded the risk management tools and systems and expanded their application, and enhanced the employment of risk quantification techniques and electronic means.

We advanced the New Basel Capital Accord implementation comprehensively with persistent efforts to build relevant supporting systems. We carried out new tests on the non-retail Internal Rating Based (IRB) system, completed development of the credit risk data mart and the risk-weighted asset (RWA) calculation engine (Phase I), optimized the retail scorecard and made further progress in the retail IRB system. We also further advanced the project of market risk internal model approach (IMA). We improved the operational risk control and relevant policies and procedures, conducted risk identification and assessment, collected historical loss data, improved key risk indicators for operational risk, and strengthened quantitative measurement of operational risk.

5.5.2 Credit Risk

Credit Risk Management

In the first half of 2010, we enhanced credit risk management in compliance with macro-control policies and new lending rules of CBRC in proactive response to changes in macro-economic and financial conditions. We stepped up our efforts to establish credit risk management policies and rules, press ahead with reforms on credit management mechanisms and systems, enhance whole-process management of loans encompassing pre-loan review, credit rating, credit review and approval, and post-disbursement monitoring, and continuously enhanced the refined and differentiated management of credit business. We also intensified credit restructuring and portfolio management, enhanced the effectiveness of collateral risk mitigation and coverage of provisions for loan losses, improved the procedures for handling significant credit risk events, expedited recovery of non-performing loans (NPLs), and continuously improved our capability of risk tolerance and mitigation.

- We stepped up our efforts to develop credit policies and systems. Specifically, we formulated the credit policy guidelines for 2010, revised the credit policy for real estate and iron and steel industries, and set out new credit policy on coal chemicals and coke industries. We also developed auxiliary policies and measures

for the credit business of key urban branches to make the credit policy more region-specific. Besides, we amended the administrative measures for working capital loans, and formulated over 30 credit management policies and operational procedures, covering management of syndicated loans and disbursement of corporate loans, so as to regulate business development and effectively strengthen risk control.

- We improved credit authorization management, and advanced reform on the credit approval mechanism. We revised the administrative measures for credit business authorization, which adjusted the scope and modes of authorization and applied differentiated authorization to tier-one branches based on comprehensive assessment on credit operational management, with authorization more differentiated for key customers in advantaged industries, key projects, customers directly managed by the Head Office and key urban branches. We also formulated the assessment measures for credit review and approval professionals to regulate and strengthen management of credit review and approval professionals.
- We adjusted and optimized credit structure, reinforced risk control for key industries and areas, and enhanced portfolio management capacity. Specifically, we pressed ahead with limit management for different industries by setting directive loan limits on industries with large exposures and high risks and by strictly controlling lending to industries with high energy consumption, high pollution and over-capacity and resource-intensive industries. We also implemented and expanded customer list management by establishing standards for classification of customers in coal chemicals, coke and other industries and the list of customers classified, and by reducing loans to customers with potential risk. We issued opinions on managing loans to the governmental financing platform to strengthen risk control of loans extended to the platform and mitigate risks on a timely basis. In addition, we stepped up our efforts to study the adjustment and regulation policy for real estate industry and conduct credit risks monitoring analysis, amended administrative measures for commercial property development loans and non-residential property loans, conducted customer list management, and carried out stress test on real estate loans to effectively prevent and control risks.
- We enhanced our management of retail loans and credit card risks. Specifically, we amended administrative measures for retail credit business, developed the centralized retail lending efficiency tracking system and the retail lending process tracking and statistical system, optimized the retail lending process, and conducted risk monitoring continuously. In accordance with the real estate regulation requirements, we made timely adjustments to the policy on residential mortgage loans, standardized the criteria on the second residential unit, set stricter conditions on disbursement of residential mortgage loans, strengthened management of collaterals and supporting documents, and adopted differentiated pricing. We launched the credit card IRB project and applied its result by phases in an orderly

manner, continuously stepped up efforts to build the IT system for credit card risk management, and carried out outsourced collection of credit card debts and write-off of bad debts.

- We strengthened County Area risk control. We reinforced supervision over risk management at County Area sub-branches, established sound suspension and resumption management of County Area credit products, effectively mitigated product risks and regional risks of Sannong business, increased timeliness and pertinence of adjustments in Sannong business authorization, and urged our operations to effectively improve risk control. We enhanced early warning and control of natural disaster risks, and carried out risk detection against loans to County Area government financing platforms, County Area real estate loans and small loans to rural households.
- We enhanced management of loan classification and loan rescheduling. We improved the loan classification system, enhanced risk detection and dynamic monitoring of existing loans, collected timely information on loan quality, and made timely reclassification of loans at risk. We formulated the administrative measures for rescheduling of corporate non-performing loans, which set out requirements on payment rescheduling, interest rate adjustment, guarantee change, review and approval, thereby effectively regulating management of rescheduled loans.
- We upgraded and rolled out the credit management system to promote online processing of credit business. A number of branches carried out online processing covering all products, processes and units, and achieved machine-based discipline and whole-process monitoring, thereby effectively enhancing IT productivity and operating efficiency of credit business.

Maximum Exposure to Credit Risk*In RMB millions*

Item	30 June 2010	31 December 2009
Balances with central banks	1,772,749	1,468,910
Deposits with banks	79,539	61,693
Placements with banks	57,790	49,435
Held-for-trading financial assets	97,187	112,176
Available-for-sale financial assets	606,225	729,895
Held-to-maturity investments	1,082,844	883,915
Investments classified as receivables	811,149	890,199
Derivative financial assets	5,706	4,678
Financial assets held under resale agreements	431,307	421,093
Loans and advances to customers	4,478,230	4,011,495
Other assets	52,475	35,621
Sub-total	9,475,201	8,669,110
Credit commitments	1,506,500	1,221,683
Total	<u>10,981,746</u>	<u>9,890,793</u>

Distribution of Loans by Collateral*In RMB millions, except percentages*

Item	31 December 2010		31 December 2009	
	Amount	Percentage (%)	Amount	Percentage (%)
Loans secured by mortgages	1,888,252	40.9	1,562,141	37.7
Pledged loans	522,386	11.3	677,776	16.4
Guaranteed loans	1,300,342	28.1	1,101,661	26.6
Unsecured loans	913,003	19.7	796,609	19.3
Total	<u>4,623,983</u>	<u>100.0</u>	<u>4,138,187</u>	<u>100.0</u>

As at 30 June 2010, loans secured by mortgages, pledged loans and guaranteed loans totaled RMB3,710,980 million, representing an increase of RMB369,402 million from the end of 2009 and accounting for 80.3% of gross loans. Pledged loans declined by RMB155,390 million from the end of 2009, mainly due to our reduction of discounted bill loans.

Distribution of Overdue Loans by Period Overdue

In RMB millions, except percentages

Item	30 June 2010		31 December 2009	
	Amount	Percentage (%)	Amount	Percentage (%)
90 days overdue	25,695	0.6	20,417	0.5
90–360 days overdue	9,342	0.2	16,299	0.4
360 days–3 years overdue	42,823	0.9	40,233	1.0
Over 3 years overdue	4,421	0.1	1,201	—
Total	82,281	1.8	78,150	1.9

At 30 June 2010, the balance of overdue loans amounted to RMB82,281 million, representing an increase of RMB4,131 million from the end of 2009; the percentage of overdue loans was 1.8%, down 0.1 percentage point from the end of 2009.

Loan Concentration

In RMB millions, except percentages

Top 10 single borrowers		Percentage of total loans	
Industry		Amount	(%)
Borrower A	Production and supply of power, gas and water	17,265	0.37
Borrower B	Real estate	10,290	0.22
Borrower C	Transportation, logistics and postal services	10,045	0.22
Borrower D	Real estate	10,000	0.22
Borrower E	Manufacturing	9,939	0.21
Borrower F	Leasing and commercial services	9,921	0.21
Borrower G	Construction	9,800	0.21
Borrower H	Water, environment and public utilities management	8,971	0.20
Borrower I	Manufacturing	8,810	0.19
Borrower J	Production and supply of power, gas and water	8,686	0.19
Total		103,727	2.24

As at 30 June 2010, the loans granted to the largest single borrower accounted for 4.02% of our net capital, which was in compliance with regulatory requirements.

Distribution of Loans by Five-category Classification

In RMB millions, except percentages

Item	30 June 2010		31 December 2009	
	Amount	Percentage (%)	Amount	Percentage (%)
Normal	4,204,677	90.93	3,693,136	89.24
Special mention	312,220	6.75	324,810	7.85
Non-performing loans (NPLs)	107,086	2.32	120,241	2.91
Sub-standard	41,257	0.89	52,575	1.27
Doubtful	59,481	1.29	62,895	1.52
Loss	6,348	0.14	4,771	0.12
Total	4,623,983	100.00	4,138,187	100.00

We recorded decreases in both balance and percentage of non-performing loans, marking continuous improvement of loan quality. As at 30 June 2010, the balance of non-performing loans stood at RMB107,086 million, representing a decrease of RMB13,155 million from the end of 2009, and non-performing loan ratio dropped by 0.59 percentage point to 2.32%, mainly because: (1) we employed stricter criteria on customer admission, which led to higher quality of loans to new borrowers; (2) we implemented and expanded list-based management, and reduced loans exposed to potential risks; and (3) we stepped up efforts to recover and dispose of non-performing loans, which created good results.

Distribution of Non-Performing Loans by Product Type

In RMB millions, except percentages

Item	30 June 2010			December 31 2009		
	Amount	Percentage (%)	NPL ratio (%)	Amount	Percentage (%)	NPL ratio (%)
Corporate loans	95,943	89.6	2.81	108,785	90.5	3.66
Of which: Short-term corporate loans	42,688	39.9	3.11	46,329	38.6	3.74
Medium- and long-term corporate loans	53,255	49.7	2.61	62,456	51.9	3.61
Discounted bills	28	—	0.02	66	—	0.02
Personal loans	10,816	10.1	1.06	11,072	9.2	1.40
Residential mortgage loans	5,038	4.7	0.79	5,389	4.5	1.08
Personal card overdrafts	378	0.4	1.65	282	0.2	2.00
Personal consumption loans	407	0.4	0.35	456	0.4	0.53
Loans to private businesses	2,768	2.6	2.33	3,426	2.8	3.23
Loans to rural households	1,002	0.9	0.88	942	0.8	1.18
Others	1,223	1.1	21.17	577	0.5	9.40
Overseas and others	299	0.3	0.65	318	0.3	1.14
Total	107,086	100.0	2.32	120,241	100.0	2.91

The balance of corporate non-performing loans was RMB95,943 million, representing a decrease of RMB12,842 million from the end of 2009, and non-performing loan ratio dropped by 0.85 percentage point to 2.81%. The balance of retail non-performing loans declined by RMB256 million to RMB10,816 million, and non-performing loan ratio went down by 0.34 percentage point to 1.06%.

Distribution of Non-Performing Loans by Geographic Region

In RMB millions, except percentages

Item	30 June 2010			December 31 2009		
	Amount	Percentage (%)	NPL ratio (%)	Amount	Percentage (%)	NPL ratio (%)
Head office	2,023	1.9	2.52	2,127	1.8	1.74
Yangtze River Delta	18,238	17.0	1.41	22,194	18.5	1.93
Pearl River Delta	12,153	11.3	1.79	14,888	12.4	2.43
Bohai Rim	17,352	16.2	2.18	19,642	16.3	2.78
Central China	15,349	14.3	2.76	16,086	13.3	3.30
Northeastern China	5,556	5.2	3.56	6,146	5.1	4.68
Western China	36,116	33.8	3.55	38,840	32.3	4.31
Overseas and others	299	0.3	0.65	318	0.3	1.14
Total	107,086	100.0	2.32	120,241	100.0	2.91

We continued to make the credit policy more region-specific, boosted risk control of regions with higher NPL ratios and maintained steady growth of regional credit business. During the reporting period, non-performing loan ratio dropped by 1.12, 0.76 and 0.64 percentage points from the end of 2009 in Northeastern China, Western China and Pearl River Delta respectively.

Distribution of Corporate Non-Performing Loans by Industry

In RMB millions, except percentages

Item	30 June 2010			December 31 2009		
	Amount	Percentage (%)	NPL ratio (%)	Amount	Percentage (%)	NPL ratio (%)
Manufacturing	30,488	31.8	3.01	34,445	31.7	3.88
Production and supply of power, gas and water	13,594	14.2	3.67	16,062	14.8	3.90
Real estate	10,184	10.6	1.90	14,816	13.6	3.47
Transportation, logistics and postal services	10,160	10.6	2.96	9,243	8.5	3.05
Wholesale and retail	9,535	9.9	3.50	10,412	9.6	4.58
Water, environment and public utilities management	3,773	3.9	1.83	3,715	3.4	2.39
Construction	3,343	3.5	2.46	2,761	2.5	2.77
Mining	692	0.7	0.67	1,179	1.1	1.26
Leasing and commercial services	2,482	2.6	1.25	3,152	2.9	2.18
Information transmission, computer service and software	312	0.3	1.41	551	0.5	1.95
Others	11,380	11.9	5.35	12,449	11.4	6.52
Total	95,943	100.0	2.81	108,785	100.0	3.66

In the first half of 2010, outstanding non-performing loans decreased most in the three industries of real estate, manufacturing and production and supply of power, gas and water. Specifically, outstanding non-performing loans to the real estate industry stood at RMB10,184 million, representing a decrease of RMB4,632 million from the end of 2009, and the non-performing loan ratio dropped by 1.57 percentage points; outstanding non-performing loans to the manufacturing industry amounted to RMB30,488 million, representing a decrease of RMB3,957 million from the end of 2009, and the non-performing loan ratio dropped by 0.87 percentage point; outstanding non-performing loans to the industry of production and supply of power, gas and water were RMB13,594 million, representing a decrease of RMB2,468 million from the end of 2009, and the non-performing loan ratio went down by 0.23 percentage point.

Movements in Allowance for Impairment Loss on Loans

In RMB millions

Item	Individually assessed	Collectively assessed	Total
As at 1 January	55,596	71,096	126,692
Net additions	280	19,448	19,728
Write off	(7)	(1)	(8)
Transfer-in/out			
— Recovery of loans and advances written off in previous years	4	3	7
— Unwinding of discount on allowance	(636)	(78)	(714)
— Exchange difference	(1)	(18)	(19)
— Others	67	—	67
As at 30 June	<u>55,303</u>	<u>90,450</u>	<u>145,753</u>

As at 30 June 2010, allowance for impairment losses on loans stood at RMB145,753 million, representing an increase of RMB19,061 million from the end of 2009. Specifically, the balance of allowance for impairment losses on a collectively assessed basis stood at RMB90,450 million, up RMB19,354 million from the end of 2009; the balance of allowance for impairment losses on an individually assessed basis was RMB55,303 million, down RMB293 million from the end of 2009. The ratio of allowance to non-performing loans went up by 30.74 percentage points from the end of 2009 to 136.11%, representing an enhancement of risk mitigation.

5.5.3 Market risk

Market risk refers to the risk of losses in the on- and off-balance-sheet businesses of banks as a result of adverse change in market prices. Market risk is divided into interest rate risk, exchange rate risk, stock price risk and commodity price risk. Our main market risk includes interest rate risk and exchange.

In the first half of 2010, we continued to improve the system of market risk management policies and regulations, clarified bank-wide market risk level and appetite, enhanced risk management of agency wealth management services, optimized the system of market risk limits, and upgraded online treasury operation system. As a result, our market risk management was improved steadily.

Market Risk Management for Trading Book

We managed the market risk of banking book by adopting approaches such as limit management, sensitivity analysis, duration, stress testing and value at risk (VaR). During

the reporting period, we formulated policies on treasury investments and market risk management for 2010 and administrative measures for asset pool wealth management products and corporate derivatives trading to strengthen market risk management for trading book and specify risk management duties and processes for agency wealth management services. In addition, we optimized functions of the RMB and foreign currency treasury operation system, included our offshore branches into the online treasury operation system, and thereby realized centralized measurement and monitoring of market risk in the bank-wide treasury investments.

Market Risk Management for Banking Book

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

Interest Rate Risk Management

Interest rate risk is a risk that may cause loss to our income or economic value arising from adverse movements of statutory or market interest rate. The banking book interest rate risks of our Bank are mainly from mismatched maturities or re-pricing periods of interest rate sensitive assets and liabilities in the banking book.

In the first half of 2010, we closely watched movements in monetary policy and financial markets, made timely adjustments to internal and external pricing strategies, and thus increased net interest margin.

We regularly measured the interest rate sensitivity gap and adjusted the re-pricing maturity structure of interest-generating assets and interest-bearing liabilities by monitoring the impact of interest rate changes on net interest income in different interest rate environments, thereby ensuring the interest rate risk exposure was controlled within an acceptable level.

Exchange Rate Risk Management

Exchange rate risk is the risk arising from currency mismatch between assets and liabilities. Exchange rate risk includes the trading exchange rate risks that could be hedged, and the exchange rate risk caused by structured asset and liability (the “structured exchange rate risk”), which could hardly be avoided in operation.

In the first half of 2010, we controlled exchange rate risk within a reasonable range by regularly monitoring exchange rate risk exposure, controlling foreign exchange sale and purchase exposures, organizing foreign exchange deposit taking and reasonably developing foreign exchange lending.

Market Risk Limit Management

In the first half of 2010, we further improved the market risk limit system, and established the double-line monitoring and reporting mechanism that involves both the risk management function and the departments (institutions) taking market risks. We also developed the list of limits for treasury investments and market risks for 2010, added exchange rate risk limit, annual stop-loss limit and wealth management product limit. As a result, business sensitivity of market risk limits and effectiveness of risk controls were improved.

Interest Rate Risk Analysis

As at 30 June 2010, the accumulative negative gap sensitive to interest rate due within one year totaled RMB886,043 million, representing a decrease of RMB119,751 million in absolute value of the gap from the end of 2009.

Interest Rate Risk Gap

In RMB millions

	Within 1 month	1-3 months	3-12 months	1 year and below, sub-total	1-5 years	Over 5 years	Non- interest earning
30 June 2010	(2,384,574)	848,566	649,965	(886,043)	150,079	1,013,447	(7,951)
31 December 2009	<u>(2,160,613)</u>	<u>842,107</u>	<u>312,712</u>	<u>(1,005,794)</u>	<u>266,780</u>	<u>1,018,594</u>	<u>(56,320)</u>

Note: Please refer to “Note 49 to Financial Statements: Financial Risk Management” for details.

Interest Rate Sensitivity Analysis

In RMB millions

	30 June 2010		December 31 2009	
	Movements in net interest income	Movements in other comprehensive income	Movements in net interest income	Movements in other comprehensive income
Movements in basis points				
Increase by 100 basis points	(12,803)	(14,677)	(12,516)	(14,826)
Decrease by 100 basis points	<u>12,803</u>	<u>15,795</u>	<u>12,516</u>	<u>15,851</u>

The above interest rate sensitivity analysis shows the movements in net interest income and equity under different interest rates. Such analysis is based on the condition that the interest rates of all durations change by the same margin and takes no consideration of the action that the Management may take to reduce interest rate risk.

Base on our assets and liabilities as at 30 June 2010, net interest income for the next year will decrease (or increase) by RMB12,803 million if interest rates immediately increase (or decrease) by 100 basis points. Other comprehensive income will decrease by RMB14,677 million if interest rates immediately increase by 100 basis points, or increase by RMB15,795 million if interest rates immediately drop by 100 basis points.

Exchange Rate Risk Analysis

Our exchange rate risk is mainly the exposure risk arising from the exchange rate of USD against RMB. In the first half of 2010, the middle price of RMB against USD went up by 373 basis points or 0.55% accumulatively. As at 30 June 2010, our net foreign change exposure amounted to USD2,230 million, down USD2,187 million from the end of 2009.

Foreign Exchange Exposure

	<i>In RMB (USD) millions</i>			
	30 June 2010		December 31 2009	
	RMB	USD equivalent	RMB	USD equivalent
Net foreign exchange exposure of domestic financial assets/ liabilities	2,696	397	26,706	3,911
Net foreign exchange exposure of overseas financial assets/ liabilities	12,445	1,833	3,456	506
Net foreign exchange exposure of domestic and overseas financial assets/liabilities	<u>15,141</u>	<u>2,230</u>	<u>30,162</u>	<u>4,417</u>

Note: Please refer to “Note 49 to Financial Statements: Financial Risk Management” for details.

Currency	Increase/decrease in exchange ratio of foreign currency against RMB	Impact on profit before tax	
		30 June 2010	December 31 2009
USD	+1%	68	269
	-1%	(68)	(269)
HKD	+1%	(24)	3
	-1%	24	(3)

Foreign currency assets and liabilities held by our Bank were mainly denominated in USD and HKD. Based on the exchange rate exposure as at the end of the reporting period, it is estimated that the profit before tax will increase (or decrease) by RMB68 million for each 1% appreciation (or depreciation) of USD against RMB.

5.5.4 Liquidity Risk

Liquidity risk refers to the risk of being unable to liquidate a position in a timely manner to acquire sufficient funds or failing to acquire sufficient funds at a reasonable cost to fulfill payment obligations. Our liquidity risk lies in concentrated cash withdrawal, massive deferred payment by debtors, serious mismatch of assets and liabilities durations and the difficulties of cashing large-value assets.

Liquidity Risk Management

In the first half of 2010, PBOC continued to implement the moderately loose monetary policy, with higher level of flexibility and pertinence. The required reserve ratio was raised for three times by 1.5 percentage points accumulatively. As a result, we experienced an easy-tight-easy change in liquidity, witnessing high volatility of fund position.

In response to liquidity risk stemming from the monetary policy, we mainly took the following measures: (1) strengthening management of large-value funds forecast, managing liquidity in a more accurate way and conducting daily forecast, weekly meeting, monthly analysis and quarterly disclosure concerning the reserve plan implementation; (2) implementing liquidity risk limit management, enhancing management of liquidity indicators and reserves of the Head Office/branches, flexibly adjusting tiered liquidity reserves and maintaining appropriate fund position; and (3) regularly conducting liquidity gap analysis, conducting liquidity stress testing at appropriate time, establishing the system of internal control indicators for liquidity risk and making timely adjustments to liquidity management strategy.

Liquidity Risk Analysis

We assessed liquidity risk through liquidity gap analysis. Rapid growth of demand liabilities and long-term assets led to the gap of immediate repayment liquidity widened and the greater liquidity gap over one year.

Liquidity Gap Analysis

The table below sets out liquidity gaps of financial assets and liabilities as at the dates indicated.

In RMB millions

	Overdue/ Open	Immediate repayment	Within 1 month	1–3 months	3–12 months	1–5 years	Over 5 years	Total
30 June 2010	1,529,955	(5,124,844)	132,785	95,987	(48,118)	1,426,886	2,256,881	269,532
31 December 2009	<u>1,229,392</u>	<u>(4,610,962)</u>	<u>11,497</u>	<u>187,297</u>	<u>90,335</u>	<u>1,212,325</u>	<u>2,103,376</u>	<u>223,058</u>

Note: Please refer to “Note 49 to Financial Statements: Financial Risk Management” for details.

5.5.5 Operational Risk Management and Anti-money Laundering

Operational Risk Management

Operational risk refers to the risk of loss resulting from inadequate or failed internal control procedures, from human- or system-related factors, or from external events, including legal risk but not including strategy risk or reputation risk. The operational risk that we face primarily includes, among others, internal fraud, external fraud, damages to property, disruptions to operations or failure of information technology system and problems associated with transaction execution and closing as well as business processes.

In the first half of 2010, we further stepped up efforts to build the operational risk management systems, policies and processes. We solicited reports on and screened potential risks across the bank, conducted operational risk assessment on bank cards, electronic channels and IT risks, and moved towards optimal processes, improved policies and sound risk control system. We prepared guidelines for monitoring and inspection of key risk points at outlets and ongoing monitoring operational risk at outlets. We also developed and applied operational risk management information system featuring risk identification, monitoring, measurement and reporting, and extended the system to sub-branches, forming a unified operational risk monitoring platform. In addition, we developed uniform standards for operational risk classification, created the bank-wide operational risk data mart, and strengthened collection of operational risk loss data and quantitative measurement of regulatory capital, thereby, laying a foundation for implementation of the Advanced Measurement Approach (AMA).

During the reporting period, we further improved the system of anti-money laundering (AML) policies and regulations by formulating rules regarding AML internal duties and amending the system of reporting of large-value transactions and suspicious transactions. We established and improved AML work appraisal mechanism so as to strengthen the management and control of the work quality. We made continuous improvement in the AML information management system and further enhanced the quality of AML data reported. We steadily proceeded with customer risk classification, performed the duties concerning blacklist monitoring, customer identification and AML information screening and reporting to prevent reputational and financial losses. We also actively assisted regulators and judicial authorities in AML inspection and investigation.

Leveraging the AML system, we continuously improved the environment for reporting large-value transactions and suspicious transactions, and optimized the process for review of suspicious transactions reporting. By integrating analysis and review of suspicious transactions with customer due diligence, we enhanced our capability of risk identification and control, and increased the effectiveness of suspicious transactions reporting.

5.5.6 Internal Control

In the first half of 2010, we continuously optimized the systems of internal control and compliance organization, policies and supervision. Specifically, we further improved the system of internal control and compliance organization through transforming to “three-tiered institutions and tier-one based position” and combining the roles of risk manager and compliance manager at tier-one sub-branches. We continuously improved the system of internal control and compliance policies, formulated basic rules on internal control, revised administrative measures for president authorization, developed a series of regulations on internal control, authorization management, connected transactions and AML, and advanced the preparation of compliance manual. We continued to carry out overall review of cases involving risks so as to avoid materialization of such risks, strengthened centralized planning of inspections, improved inspection methods, and reinforced supervision and inspection of key procedures and high-risk areas. We also conducted off-site monitoring, made internal control monitoring better targeted and more cost effective, boosted implementation of Deloitte recommendations and correction of problems identified in the 2009 annual audit by the National Audit Office, so as to continuously improve internal control.

5.5.7 Internal Audit

In the first half of 2010, we continued to strengthen and improve the internal audit system, facilitated internal audit transformation, and researched and implemented the risk-based audit mode. We proceeded with building the auditing system based on our internal audit charter, and basically completed the draft of related measures and procedures. We also strengthened management of audit sub-bureaus and gradually improved the foundation, organization and team building of audit sub-bureaus.

During the reporting period, we carried out various key audit projects effectively. We continued to conduct large-scale centralized audits, further regulated executive responsibility audit, conducted special audits on several capital construction projects of the Head Office, and carried out follow-up audit on the preceding three centralized audits and the audit projects conducted by audit sub-bureaus.

5.6 Capital Management

We take capital as the object and tool to conduct such capital management as measurement, planning, allocation, monitoring, evaluation and application, and coordinate the overall operation of book capital, regulatory capital and economic capital. During the reporting period, we promulgated administrative measures for capital adequacy ratio and economic capital to improve the policy framework of capital management; predicted, planned and managed capital adequacy ratio using scenario simulation, stress testing and other methods and having regard to the development plan, business expansion and risk movements and other factors, so as to ensure business development and risk profile match the capital; enhanced matching between economic capital allocation and risks, controlled expansion of risk scale and maximized returns to shareholders continuously and steadily.

Taking into account regulatory requirements, strategic development planning and risk appetite and by reference to the capital adequacy level of internationally advanced banks, we formulated the capital plan for 2010–2012 that defines the basic principles of capital management, targets for capital adequacy ratio management, capital replenishment mechanism and capital management measures in the next three years. The capital plan for 2010–2012 was reviewed and approved at the 12th Meeting of the First Board of Directors and at the Third Extraordinary General Meeting for the Year 2010. We will establish and improve the internal capital adequacy assessment procedures in compliance with regulatory requirements to regularly review and assess capital adequacy targets.

5.6.1 Capital Adequacy Ratio

We calculated and disclosed capital adequacy ratio in accordance with the Administrative Measures on the Capital Adequacy Ratio of Commercial Banks promulgated by CBRC and other related regulatory requirements. As at 30 June 2010, our capital adequacy ratio and core capital adequacy ratio were 8.31% and 6.72%, down 1.76 percentage points and down 1.02 percentage points from the end of the previous year, respectively, mainly because: (1) in accordance with 2009 annual profit distribution plan and the plan for the distribution of profit cumulated prior to IPO, cash dividends of RMB52,077 million distributed or proposed to be distributed were deducted from the core capital calculated on 30 June 2010; (2) pursuant to the requirements of CBRC, adjustment was made to the calculation of general allowance for loan losses, whereby, the balance of the general allowance for loan losses decreased by RMB20,507 million from the end of 2009; and (3) risk-weighted assets increased by 18.2% over the end of 2009.

Capital Adequacy Ratio

In RMB millions

Item	30 June 2010	31 December 2009
Core capital:		
Paid-up capital/share capital	270,000	260,000
Capital reserves	5,512	—
Surplus reserve and general and regulatory reserves	70,607	18,448
Unappropriated profit	1,421	59,817
Minority interest	154	106
Total core capital	347,694	338,371
Supplementary capital:		
General allowance for impairment loans	45,550	66,057
Reserve of fair value changes of available-for-sale financial assets	3,410	2,312
Long-term subordinated bonds	50,000	50,000
Total supplementary capital	98,960	118,369
Total capital base before deductions	446,654	456,740
Deductions:		
Equity investments which are not consolidated	197	197
Other deductible item ¹	16,490	16,194
Net capital base	429,967	440,349
Risk-weighted assets and market risk capital adjustment	5,172,079	4,373,006
Core capital adequacy ratio ²	6.72%	7.74%
Capital adequacy ratio ³	8.31%	10.07%

Notes: 1. Consists of long-term subordinated bonds we held issued by other banks, which were deducted in accordance with the CBRC guideline with respect to supplementary capital of commercial banks.

2. Core capital adequacy ratio calculated on 31 December 2009 without deducting cash dividend of 2009 totaling RMB20 billion (before tax) planned to be distributed to all the shareholders registered on 31 December 2009. If the core capital deducts the above-mentioned distributed cash dividend of 2009, the core capital adequacy ratio on 31 December 2009 would be 7.28%. When the core capital adequacy ratio was calculated on 30 June 2010, RMB32,077 million of “Special Dividend” to be distributed to all shareholders registered on 30 June 2010 had been deducted.

3. Capital adequacy ratio calculated on 31 December 2009 without deducting cash dividend of 2009 totaling RMB20 billion (before tax) planned to be distributed to all the shareholders registered on 31 December 2009. If the capital deducts the above-mentioned distributed cash dividend of 2009, the capital adequacy ratio on 31 December 2009 would be 9.61%. When the adequacy ratio was calculated on 30 June 2010, RMB32,077 million of “Special Dividend” to be distributed to all shareholders registered on 30 June 2010 had been deducted.

5.6.2 Financing Management

The objective of our capital financing management is to make reasonable use of various capital instruments to optimize the aggregate amount and structure of capital and reduce the cost of capital financing.

On 15 and 16 July 2010, our A and H shares were listed on Shanghai Stock Exchange and SEHK successively with a total scale of 54.79 billion shares, representing 16.87% of total issued share capital after the offerings. Of which, 25.57 billion A shares and 29.22 billion H shares were issued, representing 7.87% and 9.00% of total issued share capital after the offerings, respectively. The over-allotment options for both A share offering and H share offering have been fully exercised. A shares were issued at RMB2.68 each, and H shares at HKD3.20 each.

USD22.1 billion was raised in the A share and H share IPOs in aggregate, the largest ever in the world. A share offering raised RMB68.5 billion, the largest of its kind so far. All the net proceeds (after deduction of fees and expenses) would be used to strengthen our capital base.

5.6.3 Economic Capital Allocation and Management

We have used economic capital management instruments since 2005. Maximizing risk-adjusted returns is the main principle of allocating and managing economic capital. During the reporting period, we improved the economic capital allocation model, achieved reasonable allocation and dynamic adjustment of capital between risk fields, regions and products through combining commercial and strategic allocation, controlled the expansion of assets at risk and optimized allocation of resources; we researched and developed online capital management system, built a uniform platform for allocation, monitoring and assessment of economic capital, and increased the scientific and refined level of economic capital management; we continuously promoted the use of economic capital in allocation of credit resources, business planning, cost allocation, performance assessment and product pricing using economic capital occupation, return on economic capital and economic value added as core indications, and strengthened capital constraint and return management.

5.7 Outlook

In the first half of 2010, the global economy saw continued recovery, but the overall situation remained complicated. The recovery of major economies was not on a firm footing, and the unemployment rates were still high. Despite its sustained rapid growth, Chinese economy faced the dilemma of macro controls, coupled with lingering inflation expectations and heavy pressure of economic restructuring. In the second half of 2010, we will closely watch the movements in economic and financial environment and market competition and take the following strategies and measures, aimed at building an excellent listed bank: first, maintaining the dynamics of rapid business growth. We will make full use of our broad network of outlets and cement our competitiveness in liability business by means of outlet transformation, product innovation, retail and corporate interaction and cross marketing; we

will boost marketing to quality customers with high overall rate of return, actively participate in key projects regarding regional economy and industry restructuring, and further boost credit restructuring; we will consolidate the competitive advantages in traditional businesses, accelerate development of emerging businesses and continue to maintain rapid growth of fee-based business; we will optimize the portfolio of financial markets business and continuously increase the return on investments; we will effectively improve the pricing capability and level. Second, we will continue to deepen the organization division reform of County Area Banking Business, continuously improve the system of County Area credit policies, further expand the portfolios of products and services and boost our leading position in the County Area banking market. Third, we will continue to energetically push forward business development in urban areas and promote transformation of corporate and retail banking, with priority given to key urban branches. Fourth, we will make continuous improvement in the systems of risk management organization, policies, processes and techniques to enhance comprehensive risk management capability. We will prevent potential risks posed by rapid expansion of lending; strengthen management of loans to the local government financing platforms, the real estate industry, industries with high energy consumption, high pollution or overcapacity; control foreign exchange exposures and reasonably mitigate exchange rate risk.

6 Details of Changes in Share Capital and Shareholding of Substantial Shareholders

6.1 Particulars of Shareholding of Substantial Shareholders

As at 30 June 2010, we have a total of three shareholders.

Our Shareholding Structure

Name of shareholders	Type of shares	Number of shares (shares)	Percentage (%)
MOF	State shares	130,000,000,000	48.15
Huijin	State shares	130,000,000,000	48.15
SSF	State shares	10,000,000,000	3.70
Total		<u>270,000,000,000</u>	<u>100.0</u>

MOF

MOF, established in October 1949, is a ministry under the State Council, and is empowered to perform its duties in respect of state finance and tax. As at 30 June 2010, MOF held 130 billion shares of our Bank, accounting for 48.15% of our total share capital. The shares of our Bank held by MOF are not pledged and are not in dispute.

Huijin

Huijin is a wholly state-owned company with limited liability, which was incorporated in accordance with the Company Law on 16 December 2003 with a registered capital of RMB552.117 billion and Mr. LOU Jiwei as its legal representative. Huijin, as authorized by the State Council, makes equity investments in major state-owned financial enterprises.

As at 30 June 2010, Huijin held 130 billion shares of our Bank, accounting for 48.15% of our total share capital. The shares of our Bank held by Huijin are not pledged and are not in dispute.

In addition to our Bank, Huijin also makes equity investment in financial institutions including China Construction Bank Corporation, Bank of China Limited, Industrial and Commercial Bank of China Limited and China Development Bank Corporation.

SSF

Social Security Fund is designated by the central government as complementary and regulative fund for social security, consisting of capital and equity assets allocated by the state-owned share reduction, the central government budget appropriation, funds raised in the way approved by the State Council and investment gains thereof. SSF is in charge of the management and operation of Social Security Fund, which is directly under the State Council, directly led by the State Council and supervised by the State Council or departments authorized by the State Council.

As at 30 June 2010, NCSSF held 10 billion shares of our Bank, accounting for 3.70% of our total share capital.

6.2 Changes of Shareholders and Shareholdings after the IPO

On 15 and 16 July 2010, we successfully made public offering of A shares and H shares, and exercised in full the over-allotment options for the A share offering and the H share offering. We have issued 25,570,588,000 A shares and 29,223,529,000 H shares in total. The table below shows the changes of shareholders and shareholdings after the IPO.

Name of shareholders	Type of shares	Before the IPO		After the IPO (exercised in full the over-allotment options)	
		Number of shares (share)	Percentage (%)	Number of shares (share)	Percentage (%)
MOF	A share	130,000,000,000	48.15	127,361,764,737	39.21
Huijin	A share	130,000,000,000	48.15	130,000,000,000	40.03
	A share	10,000,000,000	3.70	11,122,941,167	3.42
NCSSF	H share	—	—	1,515,294,096	0.47
	Sub-total	10,000,000,000	3.70	12,638,235,263	3.89
Other holders of A shares	A share	—	—	25,570,588,000	7.87
Other holders of H shares	H share	—	—	29,223,529,000	9.00
Total		<u>270,000,000,000</u>	<u>100.00</u>	<u>324,794,117,000</u>	<u>100.00</u>

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

As at 30 June 2010, we were not a listed company. As it is known to the directors, on 20 August 2010 when our global offering and exercise of over-allotment options were completed, the following persons (except the directors and major executive officers of our Bank) had or

were deemed to have interests or short positions in shares or underlying shares of our Bank which have to be notified pursuant to Divisions 2 and 3 of Part XV of the Securities and Futures Ordinance of Hong Kong:

Name of shareholders	Capacity	Interests and short positions	Nature	Percentage of issued class shares (%)	Percentage of total issued shares (%)
MOF	Beneficial Owner	127,361,764,737 (A share)	Long position	43.31	39.21
Huijin	Beneficial Owner	130,000,000,000 (A share)	Long position	44.21	40.03
Qatar Investment Authority	Interest of Controlled Corporation ¹	6,816,775,000 (H share)	Long position	22.32	2.32
Qatar Holding LLC	Beneficial Owner	6,816,775,000 (H share)	Long position	22.32	2.32
Capital Research and Management Company	Investment Manager	3,931,780,000 (H share)	Long position	12.79	1.34

Note:

1. Qatar Investment Authority is considered as having an interest in 6,816,775,000 H shares held by Qatar Holding LLC which is its wholly-owned subsidiary

7 Directors, Supervisors, Senior Management, Employees and Institutions

7.1 Our Directors, Supervisors and Senior Management

At the end of the reporting period, the compositions of our Board of Directors, Board of Supervisors and Senior Management are as follows:

The Board of Directors of our Bank comprises thirteen members, including four executive directors, namely Mr. XIANG Junbo, Mr. ZHANG Yun, Mr. YANG Kun and Mr. PAN Gongsheng; six non-executive directors, namely Mr. LIN Damao, Mr. ZHANG Guoming, Ms. XIN Baorong, Mr. SHEN Bingxi, Mr. YUAN Linjiang and Mr. CHENG Fengchao; and three independent non-executive directors, namely Mr. John Dexter LANGLOIS, Mr. Anthony WU Ting-yuk and Mr. QIU Dong.

The Board of Supervisors of our Bank consists of five members, including two shareholder supervisors, namely Mr. CHE Yingxin and Mr. PAN Xiaojiang; and three employee supervisors, Mr. WANG Yurui, Mr. WANG Xingchun and Mr. JIA Xiangsen.

The Senior Management of our Bank consists of seven members, Mr. ZHANG Yun, Mr. YANG Kun, Mr. ZHU Hongbo, Mr. GUO Haoda, Mr. PAN Gongsheng, Mr. CAI Huaxiang and Mr. LI Zhenjiang.

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

7.2 Appointment and Removal

On 11 January 2010, Mr. ZHU Hongbo and Mr. CAI Huaxiang were appointed as Vice President of our Bank at the ninth meeting of the first Board of Directors. The appointment of Mr. ZHU and Mr. CAI was approved by CBRC on 9 February 2010.

7.3 Changes of Directors and Supervisors

At the Second Extraordinary General Meeting for the Year 2010 held on 21 April 2010, Mr. PAN Gongsheng was appointed as executive director of our Bank. The appointment of Mr. PAN was approved by CBRC on 28 April 2010.

On 19 August 2010, Mr. John Dexter LANGLOIS, independent executive director of our Bank, passed away due to illness.

7.4 Basic Information on Employees and Institutions

We had 438,538 employees (and also labor dispatching staff of 38,257) as at 30 June 2010, representing a decrease of 2,606 persons from the end of 2009. Among them, 86 are from major domestic holding companies and 273 are local employees in our overseas institutions.

As at 30 June 2010, we had 23,560 domestic institutions, including the Head Office, 32 tier-one branches, five branches directly under the Head Office, 309 tier-two branches, 3,517 tier-one sub-branches, 19,639 grass-roots business establishments, 57 training institutions and other establishments. We had two overseas branch and six overseas representative offices, namely Hong Kong and Singapore branches and New York, London, Tokyo, Frankfurt, Seoul and Sydney representative offices. We had seven major holding companies, among which, five are domestic holding companies, namely, ABC-CA Fund Management Co., Ltd., ABC Hubei Hanchuan Rural Bank Limited Liability Company, ABC Hexigten Rural Bank Limited Liability Company, ABC Ansai Rural Bank Limited Liability Company and ABC Jixi Rural Bank Limited Liability Company; two are overseas holding companies, namely ABC International Holdings Limited and China Agricultural Finance Co., Ltd. incorporated in Hong Kong.

8 Significant Matters

8.1 Corporate Governance

During the reporting period, we continued to strengthen the construction of corporate governance mechanism, actively improved various rules on internal control and internal audit, and constantly enhanced corporate governance capability in strict compliance with laws and regulations and normative documents of regulatory authorities including the Company Law

and the Commercial Banking Law of the People's Republic of China and in close combination with our actual conditions.

Revision of corporate governance documents. During the reporting period, according to applicable laws and regulations and normative documents and in combination with experience of our corporate governance practice, we revised the Articles of Association of Agricultural Bank of China Limited, which had been approved by CBRC on 26 April 2010 (Y.J.F. [2010] No. 175) and became effective after listing. During the reporting period, we commenced the revision of the Procedural Rules of the General Meeting of Shareholders of Agricultural Bank of China Limited, the Procedural Rules of the Board of Directors of Agricultural Bank of China Limited and the Procedural Rules of the Board of Supervisors of Agricultural Bank of China Limited. At present, the Procedural Rules of Shareholders' General Meeting of Agricultural Bank of China Limited and the Procedural Rules of the Board of Directors of Agricultural Bank of China Limited have already been adopted by the 14th Meeting of the First Board of Directors on 27 August 2010.

Election of new executive director and adjustment of composition of special committees of the Board of Directors. During the reporting period, our General Meeting of Shareholders elected Mr. PAN Gongsheng to be an executive director in accordance with the requirements of relevant laws and regulations and our actual need. Accordingly, the Board of Directors adjusted the composition of its Strategy Planning Committee, the County Area Banking Business Development Committee and the Risk Management Committee, respectively in according with the relevant provisions of the Articles of Association of our Bank.

Code on Corporate Governance Practices. We have adopted our own corporate governance practices, and it fully complied with the principles and code provisions stipulated in the Code on Corporate Governance Practices (the "Code") (Appendix 14 to the Hong Kong Listing Rules). Since we got listed after 30 June 2010, the Code was not applicable to us during the reporting period. Within the six months ended 30 June 2010, we have complied with the most provisions of the Code.

8.2 Profit and Dividend Distribution

At the Second Extraordinary General Meeting for the Year 2010 held on 21 April 2010, we adopted a plan to distribute our net profit for the year ended 31 December 2009. Pursuant to this plan, we made appropriations of RMB6,489 million to the statutory surplus reserve, representing 10% of our audited net profit for the Year 2009 as determined in accordance with CASs, and RMB38,386 million to the general reserve in accordance with the applicable regulatory requirements, and a cash dividend to the MOF and Huijin in the amount of RMB10 billion each. The cash dividend of RMB10 billion to the MOF and Huijin each has been paid in full on 31 May 2010.

Upon the approval by the Second Extraordinary General Meeting for the Year 2010 held on 21 April 2010, we propose to distribute a cash dividend (the "Special Dividend") to shareholders on our register of members as of 30 June 2010 (inclusive) in an amount equal to the sum of our audited for the six months ended 30 June 2010, after the required appropriations for a statutory surplus reserve and a general reserve, that amounts to 10% and 20%, respectively, of our net profit for the six months ended 30 June 2010 as determined under CASs, and any undistributed

profit from previous years in the beginning of the period. The abovementioned amount of our audited net profit for the Special Dividend shall be the lower amount among the consolidated net profit attributable to our equity holders and our unconsolidated net profit, for the six months ended 30 June 2010, as determined in accordance with CASs and IFRSs, respectively. If there are any changes in our shareholding structure during the six months ended 30 June 2010, the dividend allocated to each shareholder will be calculated according to applicable rules and based on the actual number of days for which such shareholder has held our shares. The actual number of days for which each new shareholder has held our shares shall be calculated from the date of completion of the relevant share purchase transaction. The general meeting has authorized the Board Directors of our Bank to organize the implementation of dividend distribution scheme.

According to the result of the Special Audit, we made appropriations of RMB4,587 million to the statutory surplus reserve and RMB9,175 million to the general reserve (including the the transfer of RMB11 million from overseas branches to the regulatory reserve). Afterwards, we plan to distribute a cash dividend (the “Special Dividend”) of RMB32,077 million to shareholders on our register of members as of 30 June 2010. As per the number of shares held by each shareholder and the number of shareholding days, the MOF, Huijin and SSF received a cash dividend of about RMB15,804 million, RMB15,804 million and RMB470 million, respectively. The 14th Meeting of the First Board of Directors held on 27 August 2010 had approved the above-mentioned Special dividend distribution scheme and we will made an announcement on the detailed information about the “Special Dividend”.

8.3 Material Legal Proceedings and Arbitration

During the reporting period, there were no material legal proceedings or arbitration with substantial impact on the business operation of our Bank.

As at 30 June 2010, unresolved legal proceedings in which we were a defendant or a third person involved the amount up to about RMB4,399 million. The Management believes that we have set aside estimated liabilities in the full amount for the possible losses out of the said legal proceedings and that they will not exert any material adverse effect on our financial position or operational results.

8.4 Material Asset Acquisition, Sale and Merger

During the reporting period, there was no material asset acquisition, sale or merger in respect of our Bank.

8.5 Related Party Transactions

During the reporting period, we did not enter into any material related party transactions.

8.6 Material Contracts and Their Performance

Material Trust, Contract and Lease

During the reporting period, we did not enter into any material trust business, contract or lease arrangement in respect to other corporations' assets and no other corporation entered into any material trust business, contract or lease arrangement in respect to our assets.

Material Guarantees

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

Material Matters concerning Entrusting Others for Cash Management

During the reporting period, we were not involved in such material matters concerning entrusting others for cash management .

8.7 Occupation of Fund by Substantial Shareholder

None of our substantial shareholders occupied any of our funds.

8.8 Commitments Made by Us or Our Shareholders Holding 5% Shares or Above

The MOF and Huijin undertake that they will not transfer or entrust the other party on their behalves to manage our shares issued before the IPO of our A shares and directly or indirectly held by them within 36 months after our A shares got listed and we will not repurchase such shares. When our A shares held by the MOF and Huijin are changed to H shares upon approval by CSRC or securities approval authority designated by the State Council, this part of H shares will not be subject to the restriction of the abovementioned 36-month lock-up period. Huijin undertakes that where domestic and overseas laws and regulatory rules provide for the lock-up period upon our shares held by it as a prompter, such laws and regulatory rules shall prevail.

8.9 Penalties Imposed by Regulatory and Judicial Authorities on Us and Our Directors, Supervisors and Senior Management Members

During the reporting period, neither we nor any of our directors, supervisors and senior management memebtrs was subject to any investigation by competent authorities, compulsory enforcement of juridical or discipline departments, case transfer to juridical departments or pursuit of criminal responsibilities, as well as investigation, administrative penalty or censure by CSRC or public reprimand by the stock exchanges.

8.10 Purchase and Sale of Shares

During the reporting period, we and any of our subsidiaries did not purchase, sell or redeem any of our shares.

8.11 Directors' and Supervisors' Rights to Acquire Shares or Debentures

As at 30 June 2010, we did not grant any rights to acquire shares or debentures to any of our directors or supervisors, nor were any such rights exercised by any of the directors or supervisors. Neither we nor our subsidiaries entered into any agreement or arrangement enabling the directors or supervisors to obtain benefits by means of the acquisition of shares or debentures of us or any other body corporate.

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

As at 30 June 2010, our shares had not been listed in SEHK yet. Therefore, Divisions 7 and 8 of Part XV of the Securities and Futures Ordinance of Hong Kong, Section 352 of the Securities and Futures Ordinance of Hong Kong and the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Hong Kong Listing Rules were not applicable to us or our directors and supervisors.

As of the date of this Report, none of our directors or supervisors had any interests or short positions in shares, underlying shares or debentures of our Bank or any of our associated corporations (as defined in Part XV of the Securities and Futures Ordinance of Hong Kong), which have to be recorded in the register of interests and short positions maintained under Section 352 of the Securities and Futures Ordinance of Hong Kong, or which have to be notified to us and SEHK pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Hong Kong Listing Rules.

8.13 Securities Transactions of Directors and Supervisors

As at 30 June 2010, our shares had not been listed in SEHK yet. Therefore, the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Hong Kong Listing Rules was not applicable to us or our directors and supervisors.

8.14 Audit of the Interim Report

Our 2010 Interim Financial Statements prepared in accordance with CASs and IFRSs were audited by Deloitte Touche Tohmatsu CPA Ltd. and Deloitte Touche Tohmatsu, Certified Public Accountants, Hong Kong in accordance with CASs and IFRSs, respectively. An unqualified auditors' report in a standard form has been issued.

Our 2010 Interim Report has been reviewed and approved by our Board of Directors and Audit Committee of the Board of Directors.

8.15 Securities Investment

Shares Held by Us in Listed Companies

Stock code	Stock name for short	Initial investment cost (RMB)	Shareholding percentage (%)	Book value at the end of reporting period (RMB)	Gain/loss during the reporting period (RMB) ²	Change in owner's equity during the reporting period (RMB)	Accounting item	Source of shares
600127	GAEA GEM	171,108,876	20.62	140,563,934	—	—	Interest in an associate	Take-over of debt equity
000430	ZTDC	11,233,299	5.09	83,549,016	—	4,367,844	Available-for-sale financial assets	Investment of self-owned capital

Notes: 1. The shares of domestically listed companies specified above is recognized as interest in an associate and available-for-sale financial assets.

2. Mainly including investment gains and impairment losses.

Shares Held by Us in Unlisted Financial Enterprises

Investee Company	Initial investment cost (RMB)	Shares held (10,000)	Shareholding percentage (%)	Book value at the end of the reporting period (RMB)	Gain/loss during the reporting period (RMB)	Change in owner's equity during the reporting period (RMB)	Accounting item	Source of share
China UnionPay Co., Ltd	146,250,000	11,250	3.84	146,250,000	—	—	Long-term equity investment	Investment of self-owned capital
Evergrowing Bank	11,750,000	2,691	0.40	11,750,000	—	—	Long-term equity investment	Investment of self-owned capital
Guangdong Development Bank	39,827,451	1,726	0.14	39,827,451	—	—	Long-term equity investment	Investment of self-owned capital

9 Definitions

We/Our Bank/the Group/ABC/
Agricultural Bank of China

Agricultural Bank of China Limited or its predecessor and, except otherwise provided, all the subsidiaries of Agricultural Bank of China Limited

Articles of Association of Our Bank

The Articles of Association of Agricultural Bank of China Limited as approved by CBRC on 26 April 2010

State Council

The State Council of the People's Republic of China

PBOC

The People's Bank of China

MOF

The Ministry of Finance of the People's Republic of China

CBRC	China Banking Regulatory Commission
CSRC	China Securities Regulatory Commission
Huijin	Central Huijin Investment Ltd.
Company Law	The Company Law of the People's Republic of China
SSF	National Council for Social Security Fund of the PRC
CASs	The Accounting Standards for Enterprises promulgated on 15 February 2006 by the Ministry of Finance of the People's Republic of China and other related rules and regulations
The New Basel Capital Accord	The Revised Basel Capital Framework promulgated by Basel Committee on Banking Supervision on 26 June 2004
Sannong	Agriculture, rural areas and farmers
County Area/County Areas	Areas designated as counties or county-level cities under China's administrative division system
County Area Banking Business	We provide customers in the County Areas with a broad range of finance products and services through our 2,048 county-level sub-branches and 22 business departments of tier-2 branches. We refer to such banking business as the "Sannong Banking Business" or "County Area Banking Business".
RMB	Renminbi yuan
IMF	International Monetary Fund
LIBOR	London Inter-Bank Offer Rate for short-term capital (overnight to one year)
SHIBOR	Shanghai Interbank Offered Rate published by National Interbank Funding Center since 4 January 2007

Basic Point	A unit measure related to the change in an interest rate or exchange rate, which is equal to 100th of 1%, or 0.01%
Subordinated Debenture	Debt issued by a commercial bank, which ranks before the commercial bank's equity capital but after other debts. Subordinated Debenture fulfilling the conditions can be brought into Supplementary Capital
Duration	An approach employed to measure the average term of cash flows of debt securities, mainly reflecting the sensitivity of debt securities to interest rate movements
Economic capital	Allocated to assets or businesses for the purpose of buffering risks based on internal assessment of the management of commercial banks
Hong Kong Listing Rules	Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
SEHK	The Stock Exchange of Hong Kong Limited

AGRICULTURAL BANK OF CHINA LIMITED
(Incorporated in the People's Republic of China
with Limited Liability)

Interim Financial Report
For the six months ended 30 June 2010
(Prepared under International Financial Reporting
Standards)

AGRICULTURAL BANK OF CHINA LIMITED

INTERIM FINANCIAL REPORT
FOR THE SIX MONTHS ENDED 30 JUNE 2010

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INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF AGRICULTURAL BANK OF CHINA LIMITED

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

We have audited the consolidated financial statements of Agricultural Bank of China Limited (the "Bank") and its subsidiaries (collectively referred to as the "Group") set out on pages 3 to 148, which comprise the consolidated and Bank's statements of financial position as at 30 June 2010, and the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the six months then ended, and a summary of significant accounting policies and other explanatory notes.

Directors' responsibility for the consolidated financial statements

The directors of the Bank are responsible for the preparation and the true and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards and the disclosure requirements of the Hong Kong Companies Ordinance. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

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

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

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

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF AGRICULTURAL BANK OF CHINA LIMITED - continued
(Incorporated in the People's Republic of China with limited liability)

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Bank and of the Group as at 30 June 2010 and of the Group's profit and cash flows for the six months then ended in accordance with International Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
27 August 2010

AGRICULTURAL BANK OF CHINA LIMITED

CONSOLIDATED INCOME STATEMENT
FOR THE SIX MONTHS ENDED 30 JUNE 2010

(Amounts in millions of Renminbi, unless otherwise stated)

	<u>NOTES</u>	<u>Six months ended</u>	
		<u>30.6.2010</u>	<u>30.6.2009</u>
Interest income	5	168,280	142,243
Interest expense	5	(56,572)	(58,347)
Net interest income	5	111,708	83,896
Fee and commission income	6	23,176	17,528
Fee and commission expense	6	(717)	(511)
Net fee and commission income	6	22,459	17,017
Net trading gain	7	463	532
Net (loss) gain on financial instruments designated as at fair value through profit or loss	8	(170)	973
Net gain on investment securities		143	335
Other operating income	9	1,515	1,683
Operating income		136,118	104,436
Operating expenses	10	(58,468)	(44,146)
Impairment losses on assets	11	(19,623)	(17,545)
Profit before tax		58,027	42,745
Income tax expense	12	(12,164)	(10,025)
Profit for the period		45,863	32,720
Attributable to:			
Equity holders of the Bank		45,840	32,714
Non-controlling interests		23	6
		45,863	32,720
Earnings per share	14		
(Expressed in RMB per share)			
- Basic		0.17	0.13

AGRICULTURAL BANK OF CHINA LIMITED

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE SIX MONTHS ENDED 30 JUNE 2010

(Amounts in millions of Renminbi, unless otherwise stated)

	<u>Six months ended</u>	
	<u>30.6.2010</u>	<u>30.6.2009</u>
Profit for the period	45,863	32,720
Other comprehensive income (expense):		
Fair value gain (loss) on available-for-sale financial assets		
- fair value gain (loss) arising during the period	3,090	(8,860)
- amount reclassified to the profit or loss upon disposal/ impairment of available-for-sale financial assets	(171)	(1,368)
Exchange difference arising on translating foreign operations	(27)	46
Income tax relating to available-for-sale financial assets	(723)	2,580
Other comprehensive income (expense) for the period (net of tax)	<u>2,169</u>	<u>(7,602)</u>
Total comprehensive income for the period	<u>48,032</u>	<u>25,118</u>
Total comprehensive income attributable to:		
Equity holders of the Bank	48,009	25,112
Non-controlling interests	<u>23</u>	<u>6</u>
	<u>48,032</u>	<u>25,118</u>

AGRICULTURAL BANK OF CHINA LIMITED

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT 30 JUNE 2010

(Amounts in millions of Renminbi, unless otherwise stated)

	<u>NOTES</u>	<u>30.6.2010</u>	<u>31.12.2009</u>
Assets			
Cash and balances with central banks	15	1,826,475	1,517,806
Deposits with banks and other financial institutions	16	79,539	61,693
Placements with banks and other financial institutions	17	57,790	49,435
Financial assets held for trading	18	24,094	15,346
Financial assets designated as at fair value through profit or loss	19	73,093	96,830
Financial assets held under resale agreements	20	431,307	421,093
Derivative financial assets	21	5,706	4,678
Loans and advances to customers	22	4,478,230	4,011,495
Available-for-sale financial assets	23	606,677	730,382
Held-to-maturity investments	24	1,082,844	883,915
Debt securities classified as receivables	25	811,149	890,199
Interest in an associate	27	141	141
Property and equipment	28	109,726	111,973
Deferred tax assets	38	24,773	19,659
Other assets	29	84,423	67,943
Total assets		<u>9,695,967</u>	<u>8,882,588</u>
Liabilities			
Borrowings from central bank		30	58
Deposits from banks and other financial institutions	30	517,325	573,949
Placements from banks and other financial institutions	31	28,547	26,312
Financial liabilities held for trading	32	344	56
Financial liabilities designated as at fair value through profit or loss	33	65,697	113,843
Financial assets sold under repurchase agreements	34	120,670	100,812
Derivative financial liabilities	21	8,490	7,690
Due to customers	35	8,348,820	7,497,618
Accrued staff costs	36	34,423	29,938
Tax liabilities		6,346	5,163
Debt securities issued	37	57,179	55,179
Dividend payable	13	32,077	-
Other liabilities	39	121,602	129,045
Total liabilities		<u>9,341,550</u>	<u>8,539,663</u>

AGRICULTURAL BANK OF CHINA LIMITED

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT 30 JUNE 2010

(Amounts in millions of Renminbi, unless otherwise stated)

	<u>NOTES</u>	<u>30.6.2010</u>	<u>31.12.2009</u>
Equity			
Share capital	40	270,000	260,000
Capital reserve		5,512	-
Investment revaluation reserve	41	6,820	4,624
Surplus reserve	42	12,263	7,676
General and regulatory reserve	43	58,344	10,772
Retained earnings		1,421	59,817
Currency translation reserve		(97)	(70)
Equity attributable to equity holders of the Bank		354,263	342,819
Non-controlling interests		154	106
Total equity		354,417	342,925
Total equity and liabilities		9,695,967	8,882,588

The consolidated financial statements on pages 3 to 148 was approved and authorised for issue by the Board of Directors on 27 August 2010 and are signed on its behalf by:

DIRECTOR

DIRECTOR

AGRICULTURAL BANK OF CHINA LIMITED

STATEMENT OF FINANCIAL POSITION
AT 30 JUNE 2010

(Amounts in millions of Renminbi, unless otherwise stated)

	<u>NOTES</u>	<u>30.6.2010</u>	<u>31.12.2009</u>
Assets			
Cash and balances with central banks	15	1,826,370	1,517,762
Deposits with banks and other financial institutions	16	79,176	61,285
Placements with banks and other financial institutions	17	57,790	49,435
Financial assets held for trading	18	24,094	15,346
Financial assets designated as at fair value through profit or loss	19	73,093	96,830
Financial assets held under resale agreements	20	431,287	421,093
Derivative financial assets	21	5,706	4,678
Loans and advances to customers	22	4,477,986	4,011,386
Available-for-sale financial assets	23	606,602	730,382
Held-to-maturity investments	24	1,082,764	883,915
Debt securities classified as receivables	25	811,149	890,199
Investments in subsidiaries	26	1,574	1,136
Investments in an associate	27	141	141
Property and equipment	28	109,543	111,776
Deferred tax assets	38	24,768	19,654
Other assets	29	82,901	66,137
Total assets		<u>9,694,944</u>	<u>8,881,155</u>
Liabilities			
Borrowings from central bank		30	58
Deposits from banks and other financial institutions	30	518,588	574,794
Placements from banks and other financial institutions	31	28,547	26,312
Financial liabilities held for trading	32	344	56
Financial liabilities designated at fair value through profit or loss	33	65,697	113,843
Financial assets sold under repurchase agreements	34	120,670	100,812
Derivative financial liabilities	21	8,490	7,690
Due to customers	35	8,348,531	7,497,442
Accrued staff costs	36	34,414	29,911
Tax liabilities		6,345	5,162
Debt securities issued	37	57,179	55,179
Dividend payable	13	32,077	-
Other liabilities	39	121,287	128,647
Total liabilities		<u>9,342,199</u>	<u>8,539,906</u>

AGRICULTURAL BANK OF CHINA LIMITED

STATEMENT OF FINANCIAL POSITION
AT 30 JUNE 2010

(Amounts in millions of Renminbi, unless otherwise stated)

	<u>NOTES</u>	<u>30.6.2010</u>	<u>31.12.2009</u>
Equity			
Share capital	40	270,000	260,000
Capital reserve		5,512	-
Investment revaluation reserve	41	6,830	4,624
Surplus reserve	42	12,263	7,676
General and regulatory reserve	43	58,316	10,755
Retained earnings	44	34	58,385
Currency translation reserve		(210)	(191)
Total equity		<u>352,745</u>	<u>341,249</u>
Total equity and liabilities		<u>9,694,944</u>	<u>8,881,155</u>

The consolidated financial statements on pages 3 to 148 was approved and authorised for issue by the Board of Directors on 27 August 2010 and are signed on its behalf by:

DIRECTOR

DIRECTOR

AGRICULTURAL BANK OF CHINA LIMITED

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE SIX MONTHS ENDED 30 JUNE 2010**

(Amounts in millions of Renminbi, unless otherwise stated)

		Total equity attributable to equity holders of the Bank									
	NOTES	Share capital	Capital reserve	Surplus reserve	General and regulatory reserve	Retained earnings	Investment revaluation reserve	Currency translation reserve	Subtotal	Non-controlling interests	Total
As at 1 January 2010		260,000	-	7,676	10,772	59,817	4,624	(70)	342,819	106	342,925
Profit for the period		-	-	-	-	45,840	-	-	45,840	23	45,863
Other comprehensive income		-	-	-	-	-	2,196	(27)	2,169	-	2,169
Total comprehensive income for the period		-	-	-	-	45,840	2,196	(27)	48,009	23	48,032
Capital contribution	40	10,000	5,512	-	-	-	-	-	15,512	25	15,537
Appropriation to surplus reserve	42	-	-	4,587	-	(4,587)	-	-	-	-	-
Appropriation to general and regulatory reserve	43	-	-	-	47,572	(47,572)	-	-	-	-	-
Dividends recognised as distribution	13	-	-	-	-	(52,077)	-	-	(52,077)	-	(52,077)
As at 30 June 2010		270,000	5,512	12,263	58,344	1,421	6,820	(97)	354,263	154	354,417
As at 1 January 2009		260,000	-	1,187	64	12,022	17,292	(120)	290,445	96	290,541
Profit for the period		-	-	-	-	32,714	-	-	32,714	6	32,720
Other comprehensive income		-	-	-	-	-	(7,648)	46	(7,602)	-	(7,602)
Total comprehensive income for the period		-	-	-	-	32,714	(7,648)	46	25,112	6	25,118
Appropriation to general and regulatory reserve	43	-	-	-	10,683	(10,683)	-	-	-	-	-
As at 30 June 2009		260,000	-	1,187	10,747	34,053	9,644	(74)	315,557	102	315,659
Profit for the period		-	-	-	-	32,278	-	-	32,278	4	32,282
Other comprehensive income		-	-	-	-	-	(5,020)	4	(5,016)	-	(5,016)
Total comprehensive income for the period		-	-	-	-	32,278	(5,020)	4	27,262	4	27,266
Appropriation to surplus reserve	42	-	-	6,489	-	(6,489)	-	-	-	-	-
Appropriation to general and regulatory reserve	43	-	-	-	25	(25)	-	-	-	-	-
As at 31 December 2009		260,000	-	7,676	10,772	59,817	4,624	(70)	342,819	106	342,925

AGRICULTURAL BANK OF CHINA LIMITED

**CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE SIX MONTHS ENDED 30 JUNE 2010**

(Amounts in millions of Renminbi, unless otherwise stated)

		Six months ended	
	NOTES	30.6.2010	30.6.2009
OPERATING ACTIVITIES			
Profit before tax		58,027	42,745
Adjustments for:			
Amortisation of intangible assets and other assets		755	791
Depreciation of property and equipment		4,840	4,598
Impairment losses on assets		19,623	17,545
Interest income arising from investment securities		(38,015)	(36,798)
Interest income arising from impaired financial assets		(729)	(1,015)
Interest expense on subordinated bonds issued		906	254
Net gain on investment securities		(143)	(335)
Net gain on disposal of property and equipment and other assets		(153)	(103)
Net foreign exchange loss (gain)		2,462	(59)
Operating cash flows before movements in working capital		47,573	27,623
Net increase in balances with central banks, deposits with banks and other financial institutions		(256,594)	(125,645)
Net increase in placements with banks and other financial institutions		(27,319)	(15,536)
Net increase in loans and advances to customers		(485,749)	(852,294)
Net decrease in borrowings from central bank		(28)	(207)
Net increase in due to customers and deposits from banks and other financial institutions		796,598	1,364,665
Decrease (increase) in other operating assets		140,174	(273,815)
(Decrease) increase in other operating liabilities		(25,001)	87,921
Cash generated from operations		189,654	212,712
Income tax paid		(16,817)	(15,321)
NET CASH FROM OPERATING ACTIVITIES		172,837	197,391
INVESTING ACTIVITIES			
Cash received from disposal/redemption of investment securities		758,469	560,735
Cash received from returns on investment securities		35,317	30,570
Cash received from other investing activities		573	366
Cash paid for purchase of investment securities		(757,107)	(692,807)
Cash paid for purchase of property and equipment and other assets		(4,219)	(2,667)
NET CASH FROM (USED IN) INVESTING ACTIVITIES		33,033	(103,803)
FINANCING ACTIVITIES			
Cash received from debt securities issued		-	49,950
Shareholder's contribution		15,512	-
Contribution from non-controlling shareholders of subsidiaries		25	-
Cash payments for interest on debt securities issued		(1,803)	-
Dividends paid	13	(20,000)	-
NET CASH (USED IN) FROM FINANCING ACTIVITIES		(6,266)	49,950
NET INCREASE IN CASH AND CASH EQUIVALENTS		199,604	143,538
CASH AND CASH EQUIVALENTS AT 1 JANUARY		329,300	488,564
EFFECT OF FOREIGN EXCHANGE RATE CHANGES		(2,066)	111
CASH AND CASH EQUIVALENTS AT 30 JUNE	45	526,838	632,213

AGRICULTURAL BANK OF CHINA LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2010

(Amounts in millions of Renminbi, unless otherwise stated)

1. GENERAL INFORMATION

Agricultural Bank of China Limited (the "Bank") was transformed from the former Agricultural Bank of China (the "Former Entity") which was a state-owned commercial bank founded on 23 February 1979. The Bank's establishment was authorised by the People's Bank of China (the "PBOC"). Pursuant to the Joint Stock Restructuring Plan of the Agricultural Bank of China (the "Restructuring Plan") as subsequently endorsed by the State Council (the "State Council") of the People's Republic of China (the "PRC") on 21 October 2008, the Former Entity underwent its financial restructuring in accordance with the Restructuring Plan. On 15 January 2009, the Former Entity was incorporated as Agricultural Bank of China Limited. On this basis, the consolidated financial statements of the Bank and its subsidiaries (together referred to as the "Group") for the six months then ended 30 June 2010 (the "reporting period") are prepared as a continuation of the Former Entity.

The Bank has financial services certificate No. B0002H111000001 issued by the China Banking Regulatory Commission (the "CBRC"), and business license No. 1000000000005472 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".

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 30 JUNE 2010

(Amounts in millions of Renminbi, unless otherwise stated)

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

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

Amendment to IFRS 1 First-time Adoption of IFRSs

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

IAS 24 (Revised) Related Party Disclosures

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

IFRS 3 (Revised) Business Combinations

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

Improvements to IFRSs issued in 2009

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 30 JUNE 2010

(Amounts in millions of Renminbi, unless otherwise stated)

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

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

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

IFRSs (Amendments)	Improvements to IFRSs 2010 (Except for Amendment to IFRS 1) ¹
IAS 32 (Amendment)	Classification of Rights Issues ²
IFRS 1 (Amendment)	Limited Exemption from Comparative IFRS 7 Disclosures For First-time Adopters
IFRS 9	Financial Instruments ⁵
IFRIC 14 (Amendment)	Prepayments of a Minimum Funding Requirement ⁴
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments ³

¹ Effective for annual periods beginning on or after 1 July 2010 and 1 January 2011, as appropriate

² Effective for annual periods beginning on or after 1 February 2010

³ Effective for annual periods beginning on or after 1 July 2010

⁴ Effective for annual periods beginning on or after 1 January 2011

⁵ Effective for annual periods beginning on or after 1 January 2013

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 30 JUNE 2010

(Amounts in millions of Renminbi, unless otherwise stated)

3. SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance

The consolidated financial statements have been prepared in accordance with IFRSs. In addition, the consolidated financial statements include the disclosure requirements of the Hong Kong Companies Ordinance. These policies have been consistently applied throughout the reporting period.

Basis of preparation

The consolidated financial statements have been prepared on the historical cost except for certain financial instruments which are measured at fair values, as explained in the accounting policies set out below.

Basis of consolidation

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

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

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

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

Non-controlling interests of consolidated subsidiaries are presented separately from the Group's equity therein. The interests of non-controlling shareholders may be initially measured either at fair value or at the non-controlling interests' proportionate share of the fair value of the acquiree's identifiable net assets. Total comprehensive income is attributed to non-controlling interests even if this results in the non-controlling interests having a deficit balance.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 30 JUNE 2010

(Amounts in millions of Renminbi, unless otherwise stated)

3. SIGNIFICANT ACCOUNTING POLICIES - continued

Investment in an associate

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

The results and assets and liabilities of an associate are incorporated in these consolidated financial statements using the equity method of accounting. Under the equity method, investment in an associate is carried in the consolidated statement 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 identified 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 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.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 30 JUNE 2010

(Amounts in millions of Renminbi, unless otherwise stated)

3. SIGNIFICANT ACCOUNTING POLICIES - continued

Revenue recognition - continued

The effective interest method is a method of calculating the amortised cost of a financial asset or liability and of allocating the interest income or expense over the period. The effective interest rate is the rate that exactly discounts estimated future cash receipts or payments through the expected life of the financial instrument or, 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.

Fee and commission income

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

Foreign currency transactions

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

In preparing the financial statements of individual entities, 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 30 JUNE 2010

(Amounts in millions of Renminbi, unless otherwise stated)

3. SIGNIFICANT ACCOUNTING POLICIES - continued

Foreign currency transactions - continued

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

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

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

Taxation

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

Current tax

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

Deferred tax

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 30 JUNE 2010

(Amounts in millions of Renminbi, unless otherwise stated)

3. SIGNIFICANT ACCOUNTING POLICIES - continued

Taxation - continued

Deferred tax - continued

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.

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.

Employee benefits

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

Social welfare

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 30 JUNE 2010

(Amounts in millions of Renminbi, unless otherwise stated)

3. SIGNIFICANT ACCOUNTING POLICIES - continued

Employee benefits - continued

Annuity scheme

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

Retirement benefits

Obligations of retirement benefits are calculated 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.

Financial instruments

Financial assets and financial liabilities are recognised in the consolidated statement of financial position when a group entity becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets or financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 30 JUNE 2010

(Amounts in millions of Renminbi, unless otherwise stated)

3. SIGNIFICANT ACCOUNTING POLICIES - continued

Financial instruments - continued

Financial assets - continued

Financial assets at fair value through profit or loss

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

A financial asset is classified as held for trading if:

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

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

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

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

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 30 JUNE 2010

(Amounts in millions of Renminbi, unless otherwise stated)

3. SIGNIFICANT ACCOUNTING POLICIES - continued

Financial instruments - continued

Financial assets - continued

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.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 30 JUNE 2010

(Amounts in millions of Renminbi, unless otherwise stated)

3. SIGNIFICANT ACCOUNTING POLICIES - continued

Financial instruments - continued

Financial assets - continued

Impairment of financial assets - continued

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 30 JUNE 2010

(Amounts in millions of Renminbi, unless otherwise stated)

3. SIGNIFICANT ACCOUNTING POLICIES - continued

Financial instruments - continued

Financial assets - continued

Impairment of financial assets carried at amortised cost

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

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

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3. SIGNIFICANT ACCOUNTING POLICIES - continued

Financial instruments - continued

Financial liabilities and equity

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

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

Financial liabilities at FVTPL

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

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

Financial liabilities at FVTPL are stated at fair value, with changes in fair value arising 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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES - continued

Financial instruments - continued

Determination of fair value

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

A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. If the above criteria are not met, the market is regarded as being inactive. Indications that a market is inactive are when there is a wide bid-offer spread or significant increase in the bid-offer spread or there are few recent transactions.

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

Derecognition

Financial assets are derecognised when the rights to receive cash flows from the assets expire or, the financial assets are transferred and the Group has transferred substantially all the risks and rewards of ownership of the financial assets. On derecognition of a financial asset, 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.

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.

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3. SIGNIFICANT ACCOUNTING POLICIES - continued

Financial instruments - continued

Offsetting financial assets and financial liabilities

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

Repurchase agreements and agreements to resale

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

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

Precious metals

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

Property and equipment

Property and equipment including buildings held for use in the supply of services, or for administrative (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 their estimated residual value, using the straight-line method.

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3. SIGNIFICANT ACCOUNTING POLICIES - continued

Property and equipment - continued

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

<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.

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.

Land use right

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

Foreclosed assets

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

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

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

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3. SIGNIFICANT ACCOUNTING POLICIES - continued

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.

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.

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.

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.

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3. SIGNIFICANT ACCOUNTING POLICIES - continued

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.

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.

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 the reporting period, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

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.

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3. SIGNIFICANT ACCOUNTING POLICIES - continued

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 statement 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.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in Note 3, the management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

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

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

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.

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.

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

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 statement of financial position and the corresponding liability.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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5. NET INTEREST INCOME

	<u>Six months ended</u>	
	<u>30.6.2010</u>	<u>30.6.2009</u>
Interest income		
Loans and advances to customers	113,335	93,552
Including: Corporate loans and advances	86,829	75,433
Personal loans and advances	23,346	13,526
Discounted bills	3,160	4,593
Debt securities classified as receivables	13,597	14,038
Held-to-maturity investments	15,619	11,650
Available-for-sale financial assets	8,814	11,149
Balances with central banks	12,193	8,959
Financial assets held under resale agreements and placements/deposits with banks and other financial institutions	4,433	2,600
Financial assets held for trading	232	231
Financial assets designated as at fair value through profit or loss	57	64
Subtotal	<u>168,280</u>	<u>142,243</u>
Interest expense		
Due to customers	(50,335)	(53,562)
Deposits/placements from banks and other financial institutions and financial assets sold under repurchase agreements	(5,304)	(4,492)
Debt securities issued	(933)	(293)
Subtotal	<u>(56,572)</u>	<u>(58,347)</u>
Net interest income	<u>111,708</u>	<u>83,896</u>
Included in interest income is interest income accrued on impaired financial assets	<u>729</u>	<u>1,015</u>

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6. NET FEE AND COMMISSION INCOME

	<u>Six months ended</u>	
	<u>30.6.2010</u>	<u>30.6.2009</u>
Fee and commission income		
Settlement and clearing fees	7,075	5,681
Agency commissions	5,593	6,244
Bank card fees	2,881	2,146
Consultancy and advisory fees	5,424	2,232
Credit commitment fees	689	238
Electronic banking services fees	1,063	533
Custodian and other fiduciary service fees	401	266
Others	50	188
Subtotal	<u>23,176</u>	<u>17,528</u>
Fee and commission expense		
Bank card fees	(207)	(192)
Settlement and clearing fees	(274)	(200)
Other service fees	(236)	(119)
Subtotal	<u>(717)</u>	<u>(511)</u>
Total	<u>22,459</u>	<u>17,017</u>

7. NET TRADING GAIN

	<u>Six months ended</u>	
	<u>30.6.2010</u>	<u>30.6.2009</u>
Net gain (loss) on exchange rate derivatives	334	(231)
Net (loss) gain on interest rate derivatives	(43)	1,010
Net gain (loss) on held-for-trading debt securities	73	(260)
Others	99	13
Total	<u>463</u>	<u>532</u>

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

	<u>Six months ended</u>	
	<u>30.6.2010</u>	<u>30.6.2009</u>
Net gain (loss) on debt securities	70	(47)
Net (loss) gain on financial guarantee contracts	(216)	1,019
Others	<u>(24)</u>	<u>1</u>
Total	<u>(170)</u>	<u>973</u>

9. OTHER OPERATING INCOME

	<u>Six months ended</u>	
	<u>30.6.2010</u>	<u>30.6.2009</u>
Net gain on disposal of property and equipment	170	135
Rental income	119	111
Net foreign exchange gain	783	899
Others	<u>443</u>	<u>538</u>
Total	<u>1,515</u>	<u>1,683</u>

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10. OPERATING EXPENSES

		Six months ended	
	Note	30.6.2010	30.6.2009
Staff costs	(1)	32,599	22,592
General operating and administrative expenses		12,888	10,360
Business tax and surcharges		7,489	6,069
Depreciation and amortisation		5,595	5,389
Others		(103)	(264)
Total		<u>58,468</u>	<u>44,146</u>

(1) Staff costs

	Six months ended	
	30.6.2010	30.6.2009
Salaries, bonuses and allowances	22,582	14,431
Social insurance	4,890	3,417
Housing funds	2,002	1,638
Labour union fee and staff education expenses	972	655
Early retirement benefits	178	1,184
Others	1,975	1,267
Total	<u>32,599</u>	<u>22,592</u>

11. IMPAIRMENT LOSSES ON ASSETS

	Six months ended	
	30.6.2010	30.6.2009
Loans and advances to customers	19,728	18,795
Available-for-sale financial assets	5	(1,276)
Held-to-maturity investments	(15)	56
Property and equipment	4	5
Placements with banks and other financial institutions	(16)	(4)
Other assets	(83)	(31)
Total	<u>19,623</u>	<u>17,545</u>

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12. INCOME TAX EXPENSE

	<u>Six months ended</u>	
	<u>30.6.2010</u>	<u>30.6.2009</u>
Income tax expense comprises:		
Current income tax		
- PRC Enterprise Income Tax	17,954	13,739
- Hong Kong Profits Tax	47	37
Subtotal	<u>18,001</u>	<u>13,776</u>
Deferred tax (note 38)		
- Current period	<u>(5,837)</u>	<u>(3,751)</u>
Subtotal	<u>(5,837)</u>	<u>(3,751)</u>
Total	<u>12,164</u>	<u>10,025</u>

PRC Corporate Income Tax is calculated at 25% of the estimated assessable profit for the current and prior periods. Taxation arising in other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

The tax charges for the six months ended 30 June 2010 and 30 June 2009 can be reconciled to the profit per the consolidated income statement as follows:

	<u>Six months ended</u>	
	<u>30.6.2010</u>	<u>30.6.2009</u>
Profit before tax	<u>58,027</u>	<u>42,745</u>
Tax calculated at applicable statutory tax rate of 25%	14,507	10,686
Tax effect of expenses not deductible for tax purpose	68	1,283
Tax effect of income not taxable for the tax purpose	(2,386)	(1,925)
Effect of different tax rates on Overseas Institutions	<u>(25)</u>	<u>(19)</u>
Income tax expense	<u>12,164</u>	<u>10,025</u>

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13. DIVIDENDS

	Notes	Six months ended	
		30.6.2010	30.6.2009
Dividends recognised as distribution during the period 2010 Interim special cash dividend - RMB0.119 per share (2009: 2009 interim cash dividend RMBnil per share)	(1)	32,077	-
2009 Final cash dividend- RMB0.077 per share (2008: 2007 final cash dividend RMBnil per share)	(2)	20,000	-
		<u>52,077</u>	<u>-</u>

Notes:

- (1) On 21 April 2010, the extraordinary shareholders' general meeting approved a cash dividend (the "Special Dividend") to shareholders on the Bank's register of members as of 30 June 2010 in an amount equal to the sum of (i) the Bank's audited net profit for the six months ended 30 June 2010, after the required appropriations for a statutory surplus reserve and a general reserve that amounts to 10% and 20%, respectively, of the net profit of the Bank for the six months ended 30 June 2010 as determined under PRC GAAP, and (ii) undistributed profits from previous years. The amount of audited net profit referred to in (i) above represents the lowest amount among the consolidated net profit attributable to our equity holders and unconsolidated net profit of our Bank, for the six months ended June 30, 2010, in accordance with PRC GAAP and IFRS, respectively, as determined following an audit (the "Special Audit") of the Bank's net profit for the six months ended June 30, 2010.

The above appropriations were authorized by the Board of Directors and approved in the extraordinary shareholders' general meeting held on 21 April 2010.

The 14th session of the first meeting of the Board of Directors was held on 27 August 2010, in which the profit appropriations of the Bank were approved and set out as follows:

- (i) An appropriation of RMB4,587 million, 10% of the net profit of the Bank for the six months ended 30 June 2010 determined under PRC GAAP to the statutory surplus reserve;
- (ii) An appropriation of RMB9,164 million, 20% of the unconsolidated net profit of the Bank for the six months ended 30 June 2010 determined under PRC GAAP to the general reserve; and
- (iii) After the above appropriations, a Special Dividend of RMB32,077 million was made to shareholders on the Bank's register of members as of 30 June 2010.

The above appropriations had been included in the Group's and the Bank's financial statements as at 30 June 2010.

AGRICULTURAL BANK OF CHINA LIMITED

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13. DIVIDENDS - continued

Notes: - continued

- (2) Pursuant to the resolutions of the extraordinary shareholders' general meeting on 21 April 2010, the profit appropriations for 2009 were set out as follows:
- (i) An appropriation of RMB6,489 million to the statutory surplus reserve based on the net profit for the year 2009 of the Bank in an amount of RMB64,892 million (as disclosed in Note 44 , and which a transfer has been made as at 31 December 2009);
 - (ii) An appropriation of RMB38,386 million to the general reserve; and
 - (iii) A cash dividend of RMB20 billion to the Ministry of Finance of the PRC (the "MOF") and Central Huijin Investment Ltd. (the "Huijin").

14. EARNINGS PER SHARE

The calculation of basic earnings per share is as follows:

	<u>Six months ended</u>	
	<u>30.6.2010</u>	<u>30.6.2009</u>
Earnings:		
Profit for the period attributable to equity holders of the Bank	<u>45,840</u>	<u>32,714</u>
Numbers of shares:		
Weighted average number of shares in issue (million)	<u>263,333</u>	<u>260,000</u>
Basic earnings per share (RMB yuan)	<u>0.17</u>	<u>0.13</u>

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

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15. CASH AND BALANCES WITH CENTRAL BANKS

		<u>THE GROUP</u>	
	<u>Notes</u>	As at <u>30.6.2010</u>	As at <u>31.12.2009</u>
Cash		53,726	48,896
Mandatory reserve deposits with central banks	(1)	1,354,901	1,137,696
Surplus reserve deposits with central bank	(2)	164,955	103,893
Other deposits with central banks	(3)	252,893	227,321
Total		<u>1,826,475</u>	<u>1,517,806</u>

		<u>THE BANK</u>	
	<u>Notes</u>	As at <u>30.6.2010</u>	As at <u>31.12.2009</u>
Cash		53,638	48,895
Mandatory reserve deposits with central banks	(1)	1,354,884	1,137,653
Surplus reserve deposits with central bank	(2)	164,955	103,893
Other deposits with central banks	(3)	252,893	227,321
Total		<u>1,826,370</u>	<u>1,517,762</u>

- (1) The Group places mandatory reserve deposits mainly with the People's Bank of China ("PBOC"). These include RMB reserve deposits and foreign currency reserve deposits. These mandatory reserve deposits are not available for the Group's daily operations. As at 30 June 2010, mandatory reserve deposits with the PBOC were calculated at 17% (31 December 2009: 15.5%) of eligible RMB deposit, and 5% (31 December 2009: 5%) of foreign currency deposits from customers respectively. Mandatory reserve deposits placed with the central bank of other country are determined by the local regulator and non-interest bearing. The foreign currency reserve deposits placed with the PBOC are non-interest bearing.
- (2) The surplus reserve deposits are maintained with the PBOC mainly for the purpose of clearing.
- (3) This mainly represents fixed deposit and fiscal deposits placed with the PBOC. The fiscal deposits placed with the PBOC are non-interest bearing.
- (4) Except as specifically disclosed, all other deposits with the PBOC are interest bearing at prevailing PBOC rates.

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16. DEPOSITS WITH BANKS AND OTHER FINANCIAL INSTITUTIONS

	<u>THE GROUP</u>	
	As at <u>30.6.2010</u>	As at <u>31.12.2009</u>
Deposits with:		
Domestic banks	35,582	22,476
Other domestic financial institutions	1,118	357
Overseas banks	<u>42,839</u>	<u>38,860</u>
Total	<u>79,539</u>	<u>61,693</u>

	<u>THE BANK</u>	
	As at <u>30.6.2010</u>	As at <u>31.12.2009</u>
Deposits with:		
Domestic banks	35,474	22,307
Other domestic financial institutions	1,118	357
Overseas banks	<u>42,584</u>	<u>38,621</u>
Total	<u>79,176</u>	<u>61,285</u>

As at 30 June 2010, the Group pledged deposits with overseas banks amounting to RMB2, 207 million (31 December 2009: Nil) for the purpose of carrying out financial derivative operations. As at 31 December 2009, the Group pledged deposits with China Foreign Exchange Trade System (CFETS) amounting to RMB81 million as guarantee deposits.

17. PLACEMENTS WITH BANKS AND OTHER FINANCIAL INSTITUTIONS

	<u>THE GROUP AND THE BANK</u>	
	As at <u>30.6.2010</u>	As at <u>31.12.2009</u>
Placements with:		
Domestic banks	15,438	11,991
Other domestic financial institutions	19,720	7,940
Overseas banks	<u>22,632</u>	<u>29,520</u>
	57,790	49,451
Allowance for impairment losses	<u>-</u>	<u>(16)</u>
Total	<u>57,790</u>	<u>49,435</u>

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18. FINANCIAL ASSETS HELD FOR TRADING

		<u>THE GROUP AND THE BANK</u>	
	<u>Note</u>	As at <u>30.6.2010</u>	As at <u>31.12.2009</u>
Trading debt securities issued by:			
Governments		16,466	8,858
Public sector and quasi-governments		4,001	3,596
Financial institutions		136	311
Corporations		3,491	2,581
Total		<u>24,094</u>	<u>15,346</u>
Analysed as:			
Listed outside Hong Kong	(1)	<u>24,094</u>	<u>15,346</u>
Total		<u>24,094</u>	<u>15,346</u>

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

19. FINANCIAL ASSETS DESIGNATED AS AT FAIR VALUE THROUGH PROFIT OR LOSS

		<u>THE GROUP AND THE BANK</u>	
	<u>Note</u>	As at <u>30.6.2010</u>	As at <u>31.12.2009</u>
Designated debt securities issued by:			
Governments		2,642	9,531
Public sector and quasi-governments		3,609	21,024
Financial institutions		4,844	5,934
Corporations		4,694	6,216
Financial guarantee contracts		24	21
Credit notes issued by trust companies		57,148	53,784
Others		132	320
Total		<u>73,093</u>	<u>96,830</u>
Analysed as:			
Listed in Hong Kong		-	85
Listed outside Hong Kong	(1)	10,601	38,960
Unlisted		<u>62,492</u>	<u>57,785</u>
Total		<u>73,093</u>	<u>96,830</u>

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

AGRICULTURAL BANK OF CHINA LIMITED

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20. FINANCIAL ASSETS HELD UNDER RESALE AGREEMENTS

	<u>THE GROUP</u>	
	As at <u>30.6.2010</u>	As at <u>31.12.2009</u>
Analysed by collateral type:		
Bonds	197,015	298,321
Bills	228,268	117,113
Loans and advances to customers	<u>6,024</u>	<u>5,659</u>
Total	<u>431,307</u>	<u>421,093</u>

	<u>THE BANK</u>	
	As at <u>30.6.2010</u>	As at <u>31.12.2009</u>
Analysed by collateral type:		
Bonds	196,995	298,321
Bills	228,268	117,113
Loans and advances to customers	<u>6,024</u>	<u>5,659</u>
Total	<u>431,287</u>	<u>421,093</u>

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21. DERIVATIVE FINANCIAL ASSETS (LIABILITIES)

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

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

THE GROUP AND THE BANK

	As at 30 June 2010		
	Contractual/ notional amount	Fair value	
		Assets	Liabilities
Exchange rate derivatives			
Currency forwards	224,816	2,541	(2,650)
Currency swaps	130,167	595	(841)
Cross-currency interest rate swaps	10,274	1,581	(2,875)
Currency options	9,519	17	(2)
Subtotal		4,734	(6,368)
Interest rate derivatives			
Interest rate swaps	126,631	969	(1,967)
Other interest rate derivatives	843	3	(16)
Subtotal		972	(1,983)
Other derivatives	1,293	-	(139)
Total derivatives financial assets (liabilities)		5,706	(8,490)

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21. DERIVATIVE FINANCIAL ASSETS (LIABILITIES) - continued

THE GROUP AND THE BANK - continued

	As at 31 December 2009		
	<u>Contractual/ notional amount</u>	<u>Fair value</u> <u>Assets</u>	<u>Liabilities</u>
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		<u>3,688</u>	<u>(5,786)</u>
Interest rate derivatives			
Interest rate swaps	113,644	932	(1,864)
Other interest rate derivatives	751	-	(15)
Subtotal		<u>932</u>	<u>(1,879)</u>
Other derivatives	1,008	<u>58</u>	<u>(25)</u>
Total derivatives financial assets (liabilities)		<u><u>4,678</u></u>	<u><u>(7,690)</u></u>

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22. LOANS AND ADVANCES TO CUSTOMERS

(1) Analysis of loans and advances to customers

	<u>THE GROUP</u>	
	As at <u>30.6.2010</u>	As at <u>31.12.2009</u>
Corporate loans and advances		
Loans and advances	3,455,870	2,994,794
Discounted bills	147,525	353,937
Subtotal	<u>3,603,395</u>	<u>3,348,731</u>
Personal loans and advances		
Residential mortgages	641,668	497,950
Credit cards	22,902	14,118
Others	356,018	277,388
Subtotal	<u>1,020,588</u>	<u>789,456</u>
Gross loans and advances	<u>4,623,983</u>	<u>4,138,187</u>
Individually assessed	(55,303)	(55,596)
Collectively assessed	<u>(90,450)</u>	<u>(71,096)</u>
Allowance for impairment losses	<u>(145,753)</u>	<u>(126,692)</u>
Loans and advances to customers	<u><u>4,478,230</u></u>	<u><u>4,011,495</u></u>

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22. LOANS AND ADVANCES TO CUSTOMERS - continued

(1) Analysis of loans and advances to customers - continued

	<u>THE BANK</u>	
	As at <u>30.6.2010</u>	As at <u>31.12.2009</u>
Corporate loans and advances		
Loans and advances	3,455,797	2,994,794
Discounted bills	147,525	353,937
Subtotal	<u>3,603,322</u>	<u>3,348,731</u>
Personal loans and advances		
Residential mortgages	641,668	497,950
Credit cards	22,902	14,118
Others	355,846	277,278
Subtotal	<u>1,020,416</u>	<u>789,346</u>
Gross loans and advances	<u>4,623,738</u>	<u>4,138,077</u>
Individually assessed	(55,303)	(55,596)
Collectively assessed	<u>(90,449)</u>	<u>(71,095)</u>
Allowance for impairment losses	<u>(145,752)</u>	<u>(126,691)</u>
Loans and advances to customers	<u>4,477,986</u>	<u>4,011,386</u>

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22. LOANS AND ADVANCES TO CUSTOMERS - continued

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

THE GROUP

	Loans and advances for which allowance is collectively assessed (A)	Identified impaired loans and advances (B)				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	Total	
<u>At 30 June 2010</u>						
Gross loans and advances	4,516,897	10,816	96,270	107,086	4,623,983	2.32
Allowance for impairment losses	(84,620)	(5,830)	(55,303)	(61,133)	(145,753)	
Loans and advances to customers	<u>4,432,277</u>	<u>4,986</u>	<u>40,967</u>	<u>45,953</u>	<u>4,478,230</u>	
<u>At 31 December 2009</u>						
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>	

THE BANK

	Loans and advances for which allowance is collectively assessed (A)	Identified impaired loans and advances (B)				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	Total	
<u>At 30 June 2010</u>						
Gross loans and advances	4,516,652	10,816	96,270	107,086	4,623,738	2.32
Allowance for impairment losses	(84,619)	(5,830)	(55,303)	(61,133)	(145,752)	
Loans and advances to customers	<u>4,432,033</u>	<u>4,986</u>	<u>40,967</u>	<u>45,953</u>	<u>4,477,986</u>	
<u>At 31 December 2009</u>						
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.

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22. LOANS AND ADVANCES TO CUSTOMERS - continued

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

THE GROUP

	2010		<u>Total</u>
	<u>Individually assessed allowance</u>	<u>Collectively assessed allowance</u>	
As at 1 January	55,596	71,096	126,692
Net additions	280	19,448	19,728
Written off	(7)	(1)	(8)
Recovery of loans and advances written off in previous periods	4	3	7
Unwinding of discount on allowance	(636)	(78)	(714)
Other transfer in	67	-	67
Exchange difference	(1)	(18)	(19)
As at 30 June	<u>55,303</u>	<u>90,450</u>	<u>145,753</u>

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

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22. LOANS AND ADVANCES TO CUSTOMERS - continued

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

THE BANK

	2010		
	Individually assessed allowance	Collectively assessed allowance	Total
As at 1 January	55,596	71,095	126,691
Net additions	280	19,448	19,728
Written off	(7)	(1)	(8)
Recovery of loans and advances written off in previous periods	4	3	7
Unwinding of discount on allowance	(636)	(78)	(714)
Other transfer in	67	-	67
Exchange difference	(1)	(18)	(19)
As at 30 June	<u>55,303</u>	<u>90,449</u>	<u>145,752</u>

	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>

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23. AVAILABLE-FOR-SALE FINANCIAL ASSETS

		<u>THE GROUP</u>	
	<u>Note</u>	As at <u>30.6.2010</u>	As at <u>31.12.2009</u>
Debt securities issued by:			
Governments		335,212	476,700
Public sector and quasi-governments		156,465	159,215
Financial institutions		23,452	23,267
Corporations		91,096	70,713
Subtotal		<u>606,225</u>	<u>729,895</u>
Equity instruments		<u>452</u>	<u>487</u>
Total		<u><u>606,677</u></u>	<u><u>730,382</u></u>
Analysed as:			
Listed in Hong Kong		2,660	1,886
Listed outside Hong Kong	(1)	602,760	726,600
Unlisted		<u>1,257</u>	<u>1,896</u>
Total		<u><u>606,677</u></u>	<u><u>730,382</u></u>

		<u>THE BANK</u>	
	<u>Note</u>	As at <u>30.6.2010</u>	As at <u>31.12.2009</u>
Debt securities issued by:			
Governments		335,212	476,700
Public sector and quasi-governments		156,465	159,215
Financial institutions		23,452	23,267
Corporations		91,083	70,713
Subtotal		<u>606,212</u>	<u>729,895</u>
Equity instruments		<u>390</u>	<u>487</u>
Total		<u><u>606,602</u></u>	<u><u>730,382</u></u>
Analysed as:			
Listed in Hong Kong		2,660	1,886
Listed outside Hong Kong	(1)	602,685	726,600
Unlisted		<u>1,257</u>	<u>1,896</u>
Total		<u><u>606,602</u></u>	<u><u>730,382</u></u>

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

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24. HELD-TO-MATURITY INVESTMENTS

		<u>THE GROUP</u>	
	<u>Note</u>	As at <u>30.6.2010</u>	As at <u>31.12.2009</u>
Debt securities issued by:			
Governments		671,193	536,566
Public sector and quasi-governments		318,052	264,842
Financial institutions		41,826	42,342
Corporations		51,865	40,288
		<u>1,082,936</u>	<u>884,038</u>
Allowance for impairment losses		<u>(92)</u>	<u>(123)</u>
Total		<u><u>1,082,844</u></u>	<u><u>883,915</u></u>
Analysed as:			
Listed in Hong Kong		139	141
Listed outside Hong Kong	(1)	1,082,074	883,070
Unlisted		<u>631</u>	<u>704</u>
Total		<u><u>1,082,844</u></u>	<u><u>883,915</u></u>

		<u>THE BANK</u>	
	<u>Note</u>	As at <u>30.6.2010</u>	As at <u>31.12.2009</u>
Debt securities issued by:			
Governments		671,193	536,566
Public sector and quasi-governments		318,036	264,842
Financial institutions		41,826	42,342
Corporations		51,801	40,288
		<u>1,082,856</u>	<u>884,038</u>
Allowance for impairment losses		<u>(92)</u>	<u>(123)</u>
Total		<u><u>1,082,764</u></u>	<u><u>883,915</u></u>
Analysed as:			
Listed in Hong Kong		139	141
Listed outside Hong Kong	(1)	1,081,994	883,070
Unlisted		<u>631</u>	<u>704</u>
Total		<u><u>1,082,764</u></u>	<u><u>883,915</u></u>

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

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25. DEBT SECURITIES CLASSIFIED AS RECEIVABLES

		THE GROUP AND THE BANK	
		As at 30.6.2010	As at 31.12.2009
	Notes		
Receivable from the MOF	(1)	601,181	635,539
Special government bond	(2)	93,300	93,300
Certificate treasury bonds and savings treasury bonds		30,868	32,193
PBOC's designated bills	(3)	73,923	119,744
PBOC's special bills		112	112
Financial institution bonds		11,759	9,306
Corporate bonds		93	92
		811,236	890,286
Allowance for impairment losses		(87)	(87)
Total		811,149	890,199

- (1) Pursuant to the MOF Notice on Relevant Issues Concerning the Disposal of Non-performing assets of Agricultural Bank of China (Caijin [2008] No. 138), the receivable resulting from the disposal of non-performing assets to the MOF is to be settled by the MOF in 15 years starting from 1 January 2008 at an interest of 3.3% per annum.
- (2) Special government bond refers to the non-transferable bond with a maturity year of 2028 and a fixed annual interest rate of 2.25%, which was issued by the MOF in 1998 in the aggregate principal amount of RMB93.3 billion to the former Agricultural Bank of China with a purpose to improve its capital adequacy.
- (3) The Bank acquired the following bills from the PBOC:

<u>Issue date</u>	<u>Tenor</u>	<u>Interest rate per annum (%)</u>	<u>Face value</u>	<u>As at 30.6.2010 carrying value</u>	<u>As at 31.12.2009 carrying value</u>
9 March 2007	3 years	3.07	21,000	-	20,999
11 May 2007	3 years	3.22	25,000	-	24,998
13 July 2007	3 years	3.60	19,000	19,000	18,997
17 August 2007	3 years	3.69	12,000	11,999	11,998
7 September 2007	3 years	3.71	23,000	22,998	22,997
15 September 2009	1 year	zero coupon bond	20,000	19,926	19,755
			120,000	73,923	119,744

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

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26. INVESTMENTS IN SUBSIDIARIES

	<u>THE BANK</u>	
	As at <u>30.6.2010</u>	As at <u>31.12.2009</u>
Investment cost	2,233	1,795
Allowance for impairment losses	<u>(659)</u>	<u>(659)</u>
Investments in subsidiaries	<u>1,574</u>	<u>1,136</u>

Details of the Bank's principal subsidiaries are set out below.

<u>Name of entity</u>	<u>Notes</u>	<u>Date of incorporation/ establishment</u>	<u>Place of incorporation/ establishment</u>	<u>Authorised capital/ paid-in capital</u>	<u>Proportion of equity interest(%) (6)</u>	<u>Proportion of voting power on the board of directors(%)</u>	<u>Principal activities</u>
ABC International Holdings Limited	(1)	11 November 2009	Hong Kong	HKD1,268,505,289	100.00	100.00	Investment holding
China Agricultural Finance Co., Ltd.		1 November 1988	Hong Kong	HKD588,789,999	100.00	100.00	Investment holding
ABC-CA Fund Management Co., Ltd.		18 March 2008	Shanghai	RMB200,000,001	51.67	51.67	Fund Management
ABC Hexigten Rural Bank Limited Liability Company		12 August 2008	Inner Mongolia	RMB19,600,000	51.02	51.02	Banking
ABC Hubei Hanchuan Rural Bank Limited Liability Company	(2)	12 August 2008	Hubei	RMB20,000,000	50.00	66.67	Banking
AnSai NongYin Rural Bank Co., Ltd	(3)	30 March 2010	Shaanxi	RMB20,000,000	51.00	51.00	Banking
JiXi NongYin Village Bank Co., Ltd	(4)	25 May 2010	Anhui	RMB29,400,000	51.00	51.00	Banking

- (1) The Bank increased its equity investment in ABC International Holdings Limited by RMB412 million in the current period.
- (2) The Bank has appointed two of the three directors on the board of directors of ABC Hubei Hanchuan Rural Bank Limited Liability Company and is therefore able to control the financial and operating activities of ABC Hubei Hanchuan Rural Bank Limited Liability Company (set up in 2008). The financial statements for the year ended 31 December 2009 were audited by Hubei Tongxing CPA Limited Company.
- (3) The Bank and several investors established AnSai NongYin Rural Bank Co. Ltd., a rural bank in the PRC, in the current period. The Bank contributed RMB10.2 million for 51% equity interest.
- (4) The Bank and several investors established Jixi NongYin Rural Bank Co. Ltd., a rural bank in the PRC, in the current period. The Bank contributed RMB15 million for 51% equity interest.

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27. INTEREST IN AN ASSOCIATE

	<u>THE GROUP AND THE BANK</u>	
	As at <u>30.6.2010</u>	As at <u>31.12.2009</u>
Investment cost	157	157
Allowance for impairment losses	<u>(16)</u>	<u>(16)</u>
Interest in an associate	<u>141</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 20.62% of equity interest in Jinjian as at 30 June 2010 and 31 December 2009, respectively.

28. PROPERTY AND EQUIPMENT

THE GROUP

	<u>Buildings</u>	<u>Electronic equipment, furniture and fixtures</u>	<u>Motor vehicles</u>	<u>Construction in progress</u>	<u>Total</u>
COST					
As at 1 January 2010	89,305	22,747	3,457	14,971	130,480
Additions	241	299	27	2,405	2,972
Transfers	1,229	312	12	(1,553)	-
Disposals	<u>(326)</u>	<u>(332)</u>	<u>(24)</u>	<u>(86)</u>	<u>(768)</u>
As at 30 June 2010	<u>90,449</u>	<u>23,026</u>	<u>3,472</u>	<u>15,737</u>	<u>132,684</u>
ACCUMULATED DEPRECIATION					
As at 1 January 2010	(8,638)	(7,664)	(1,902)	-	(18,204)
Provided for the period	(2,354)	(2,206)	(280)	-	(4,840)
Eliminated on disposals	66	293	22	-	381
As at 30 June 2010	<u>(10,926)</u>	<u>(9,577)</u>	<u>(2,160)</u>	<u>-</u>	<u>(22,663)</u>
ALLOWANCE FOR IMPAIRMENT LOSSES					
As at 1 January 2010	(286)	(13)	(3)	(1)	(303)
Recognised in profit or loss	(4)	-	-	-	(4)
Eliminated on disposals	12	-	-	-	12
As at 30 June 2010	<u>(278)</u>	<u>(13)</u>	<u>(3)</u>	<u>(1)</u>	<u>(295)</u>
CARRYING AMOUNT					
As at 30 June 2010	<u>79,245</u>	<u>13,436</u>	<u>1,309</u>	<u>15,736</u>	<u>109,726</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>

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28. PROPERTY AND EQUIPMENT - continued

THE GROUP - continued

	<u>Buildings</u>	<u>Electronic equipment, furniture and fixtures</u>	<u>Motor vehicles</u>	<u>Construction in progress</u>	<u>Total</u>
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 31 December 2009	<u>80,381</u>	<u>15,070</u>	<u>1,552</u>	<u>14,970</u>	<u>111,973</u>
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>

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28. PROPERTY AND EQUIPMENT - continued

THE BANK

	<u>Buildings</u>	<u>Electronic equipment, furniture and fixtures</u>	<u>Motor vehicles</u>	<u>Construction in progress</u>	<u>Total</u>
COST					
As at 1 January 2010	89,159	22,587	3,445	14,970	130,161
Additions	241	292	27	2,404	2,964
Transfers	1,228	312	12	(1,552)	-
Disposals	(326)	(308)	(24)	(86)	(744)
As at 30 June 2010	<u>90,302</u>	<u>22,883</u>	<u>3,460</u>	<u>15,736</u>	<u>132,381</u>
ACCUMULATED DEPRECIATION					
As at 1 January 2010	(8,588)	(7,599)	(1,895)	-	(18,082)
Provided for the period	(2,349)	(2,201)	(279)	-	(4,829)
Eliminated on disposals	66	280	22	-	368
As at 30 June 2010	<u>(10,871)</u>	<u>(9,520)</u>	<u>(2,152)</u>	<u>-</u>	<u>(22,543)</u>
ALLOWANCE FOR IMPAIRMENT LOSSES					
As at 1 January 2010	(286)	(13)	(3)	(1)	(303)
Recognised in profit or loss	(4)	-	-	-	(4)
Eliminated on disposals	12	-	-	-	12
As at 30 June 2010	<u>(278)</u>	<u>(13)</u>	<u>(3)</u>	<u>(1)</u>	<u>(295)</u>
CARRYING AMOUNT					
As at 30 June 2010	<u>79,153</u>	<u>13,350</u>	<u>1,305</u>	<u>15,735</u>	<u>109,543</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>

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28. PROPERTY AND EQUIPMENT - continued

THE BANK - continued

	<u>Buildings</u>	<u>Electronic equipment, furniture & fixtures</u>	<u>Motor vehicles</u>	<u>Construction in progress</u>	<u>Total</u>
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 31 December 2009	<u>80,285</u>	<u>14,975</u>	<u>1,547</u>	<u>14,969</u>	<u>111,776</u>
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>

The carrying amounts of buildings are located on land with the following remaining lease terms:

	<u>THE GROUP</u>	
	<u>As at 30.6.2010</u>	<u>As at 31.12.2009</u>
Held in the PRC		
on long-term lease (over 50 years)	4,239	4,275
on medium-term lease (10-50 years)	70,364	70,932
on short-term lease (less than 10 years)	<u>4,642</u>	<u>5,174</u>
Total	<u>79,245</u>	<u>80,381</u>

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28. PROPERTY AND EQUIPMENT - continued

	<u>THE BANK</u>	
	As at <u>30.6.2010</u>	As at <u>31.12.2009</u>
Held in the PRC		
on long-term lease (over 50 years)	4,239	4,275
on medium-term lease (10-50 years)	70,272	70,836
on short-term lease (less than 10 years)	<u>4,642</u>	<u>5,174</u>
Total	<u>79,153</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 set of consolidated financial statements, the re-registration process has not been completed. Management anticipates that the registration process does not affect the rights of the Bank as the legal successor to those assets of Agricultural Bank of China.

29. OTHER ASSETS

	<u>Notes</u>	<u>THE GROUP</u>	
		As at <u>30.6.2010</u>	As at <u>31.12.2009</u>
Accounts receivable	(1)	13,344	3,494
Interest receivable	(2)	39,131	32,127
Foreclosed assets	(3)	10	-
Amounts due from customers arising from derivative transactions	(4)	-	-
Intangible assets	(5)	1,478	1,580
Land use rights	(6)	24,689	25,062
Assets pending for disposal	(7)	11	11
Others		<u>5,760</u>	<u>5,669</u>
Total		<u>84,423</u>	<u>67,943</u>

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29. OTHER ASSETS - continued

	<u>Notes</u>	<u>THE BANK</u>	
		As at <u>30.6.2010</u>	As at <u>31.12.2009</u>
Accounts receivable	(1)	13,132	3,425
Interest receivable	(2)	39,127	32,126
Foreclosed assets	(3)	10	-
Amounts due from customers arising from derivative transactions	(4)	-	-
Intangible assets	(5)	1,472	1,574
Land use rights	(6)	24,575	24,947
Assets pending for disposal	(7)	11	11
Others		<u>4,574</u>	<u>4,054</u>
Total		<u><u>82,901</u></u>	<u><u>66,137</u></u>

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

THE GROUP

	<u>As at 30 June 2010</u>		
	<u>Gross amount</u>	<u>Percentage (%)</u>	<u>Carrying amount</u>
Within 1 year	12,452	86	12,316
From 1 year to 2 years	1,219	9	489
From 2 years to 3 years	265	2	185
Over 3 years	<u>471</u>	<u>3</u>	<u>354</u>
Total	<u><u>14,407</u></u>	<u><u>100</u></u>	<u><u>13,344</u></u>

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

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29. OTHER ASSETS - continued

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

THE BANK

	As at 30 June 2010			Carrying amount
	Gross amount	Percentage (%)	Impairment	
Within 1 year	12,203	80	(136)	12,067
From 1 year to 2 years	1,219	8	(730)	489
From 2 years to 3 years	265	2	(80)	185
Over 3 years	1,624	10	(1,233)	391
Total	15,311	100	(2,179)	13,132

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

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29. OTHER ASSETS - continued

(2) Interest receivable

Analysed by type

	<u>THE GROUP</u>	
	As at <u>30.6.2010</u>	As at <u>31.12.2009</u>
Held-to-maturity investments	12,155	11,223
Loans and advances to customers	11,511	8,972
Available-for-sale financial assets	7,404	6,856
Debt securities classified as receivables	4,046	2,829
Financial assets held for trading	129	165
Financial assets designated as at fair value through profit or loss	18	21
Others	<u>3,868</u>	<u>2,061</u>
Total	<u><u>39,131</u></u>	<u><u>32,127</u></u>

	<u>THE BANK</u>	
	As at <u>30.6.2010</u>	As at <u>31.12.2009</u>
Held-to-maturity investments	12,155	11,223
Loans and advances to customers	11,511	8,972
Available-for-sale financial assets	7,404	6,856
Debt securities classified as receivables	4,046	2,829
Financial assets held for trading	129	165
Financial assets designated as at fair value through profit or loss	18	21
Others	<u>3,864</u>	<u>2,060</u>
Total	<u><u>39,127</u></u>	<u><u>32,126</u></u>

As at 30 June 2010 and 31 December 2009, all interest receivable is due within one year.

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29. OTHER ASSETS - continued

(3) Foreclosed assets

Analysed by type

	THE GROUP AND THE BANK	
	As at 30.6.2010	As at 31.12.2009
Buildings	11	1
Others	3	4
Subtotal	14	5
Allowance for impairment losses	(4)	(5)
Total	10	-

(4) Amounts due from customers arising from derivative transactions

	THE GROUP AND THE BANK	
	As at 30.6.2010	As at 31.12.2009
Advance to customers arising from derivatives transactions	890	982
Allowance for impairment losses	(890)	(982)
Total	-	-

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29. OTHER ASSETS - continued

(5) Intangible assets

THE GROUP

	Computer software	Others	Total
COST			
As at 1 January 2010	2,348	71	2,419
Additions	81	-	81
Disposals	(34)	-	(34)
As at 30 June 2010	2,395	71	2,466
ACCUMULATED AMORTISATION			
As at 1 January 2010	(786)	(24)	(810)
Charge for the year	(177)	(6)	(183)
Disposals	8	-	8
As at 30 June 2010	(955)	(30)	(985)
ALLOWANCE FOR IMPAIRMENT LOSSES			
As at 1 January 2010	(29)	-	(29)
Additions	-	-	-
Written off	26	-	26
As at 30 June 2010	(3)	-	(3)
CARRYING AMOUNT			
As at 30 June 2010	1,437	41	1,478
As at 1 January 2010	1,533	47	1,580
Amortisation period (years)	1-10	1-10	

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29. OTHER ASSETS - continued

(5) Intangible assets - continued

THE GROUP - continued

	Computer software	Others	Total
COST			
As at 1 January 2009	1,874	69	1,943
Additions	489	2	491
Disposals	(15)	-	(15)
As at 31 December 2009	2,348	71	2,419
ACCUMULATED AMORTISATION			
As at 1 January 2009	(417)	(12)	(429)
Charge for the year	(382)	(12)	(394)
Disposals	13	-	13
As at 31 December 2009	(786)	(24)	(810)
ALLOWANCE FOR IMPAIRMENT LOSSES			
As at 1 January 2009	(28)	-	(28)
Additions	(1)	-	(1)
Written off	-	-	-
As at 31 December 2009	(29)	-	(29)
CARRYING AMOUNT			
As at 31 December 2009	1,533	47	1,580
As at 1 January 2009	1,429	57	1,486
Amortisation period (years)	1-10	1-10	

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29. OTHER ASSETS - continued

(5) Intangible assets - continued

THE BANK

	Computer software	Others	Total
COST			
As at 1 January 2010	2,348	62	2,410
Additions	80	-	80
Disposals	(34)	-	(34)
As at 30 June 2010	2,394	62	2,456
ACCUMULATED AMORTISATION			
As at 1 January 2010	(786)	(21)	(807)
Charge for the year	(177)	(5)	(182)
Disposals	8	-	8
As at 30 June 2010	(955)	(26)	(981)
ALLOWANCE FOR IMPAIRMENT LOSSES			
As at 1 January 2010	(29)	-	(29)
Additions	-	-	-
Written off	26	-	26
As at 30 June 2010	(3)	-	(3)
CARRYING AMOUNT			
As at 30 June 2010	1,436	36	1,472
As at 1 January 2010	1,533	41	1,574
Amortisation period (years)	1-10	1-10	

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29. OTHER ASSETS - continued

(5) Intangible assets - continued

THE BANK - continued

	Computer software	Others	Total
COST			
As at 1 January 2009	1,874	61	1,935
Additions	489	1	490
Disposals	(15)	-	(15)
As at 31 December 2009	2,348	62	2,410
ACCUMULATED AMORTISATION			
As at 1 January 2009	(417)	(11)	(428)
Charge for the year	(382)	(10)	(392)
Disposals	13	-	13
As at 31 December 2009	(786)	(21)	(807)
ALLOWANCE FOR IMPAIRMENT LOSSES			
As at 1 January 2009	(28)	-	(28)
Additions	(1)	-	(1)
Written off	-	-	-
As at 31 December 2009	(29)	-	(29)
CARRYING AMOUNT			
As at 31 December 2009	1,533	41	1,574
As at 1 January 2009	1,429	50	1,479
Amortisation period (years)	1-10	1-10	

(6) Land use rights

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

	<u>THE GROUP</u>	
	As at 30.6.2010	As at 31.12.2009
Held in the PRC		
on long-term lease (over 50 years)	386	446
on medium-term lease (10-50 years)	24,236	24,513
on short-term lease (less than 10 years)	67	103
Total	24,689	25,062

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29. OTHER ASSETS - continued

(6) Land use rights - continued

	<u>THE BANK</u>	
	As at <u>30.6.2010</u>	As at <u>31.12.2009</u>
Held in the PRC		
on long-term lease (over 50 years)	386	446
on medium-term lease (10-50 years)	24,122	24,398
on short-term lease (less than 10 years)	<u>67</u>	<u>103</u>
Total	<u>24,575</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 set of consolidated financial statements, the re-registration process has not yet been completed. Management anticipates that the registration process does not affect the rights of Agricultural Bank of China Limited as the legal successor to those assets of Agricultural Bank of China.

(7) Assets pending for disposal

	<u>THE GROUP AND THE BANK</u>	
	As at <u>30.6.2010</u>	As at <u>31.12.2009</u>
Gross amount	42	53
Allowance for impairment losses	<u>(31)</u>	<u>(42)</u>
Net book amount	<u>11</u>	<u>11</u>

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30. DEPOSITS FROM BANKS AND OTHER FINANCIAL INSTITUTIONS

	<u>THE GROUP</u>	
	As at <u>30.6.2010</u>	As at <u>31.12.2009</u>
Deposits from:		
Domestic banks	170,232	284,899
Other domestic financial institutions	344,738	285,518
Overseas banks	381	379
Other overseas financial institutions	1,974	3,153
Total	<u>517,325</u>	<u>573,949</u>

	<u>THE BANK</u>	
	As at <u>30.6.2010</u>	As at <u>31.12.2009</u>
Deposits from:		
Domestic banks	170,212	284,879
Other domestic financial institutions	344,942	285,679
Overseas banks	381	379
Other overseas financial institutions	3,053	3,857
Total	<u>518,588</u>	<u>574,794</u>

31. PLACEMENTS FROM BANKS AND OTHER FINANCIAL INSTITUTIONS

	<u>THE GROUP AND THE BANK</u>	
	As at <u>30.6.2010</u>	As at <u>31.12.2009</u>
Placements from:		
Domestic banks	1,355	11,241
Overseas banks	27,192	15,071
Total	<u>28,547</u>	<u>26,312</u>

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32. FINANCIAL LIABILITIES HELD FOR TRADING

	<u>THE GROUP AND THE BANK</u>	
	As at <u>30.6.2010</u>	As at <u>31.12.2009</u>
Short position in bond	344	-
Short position in gold	-	56
Total	<u>344</u>	<u>56</u>

33. FINANCIAL LIABILITIES DESIGNATED AS AT FAIR VALUE THROUGH PROFIT OR LOSS

	<u>Notes</u>	<u>THE GROUP AND THE BANK</u>	
		As at <u>30.6.2010</u>	As at <u>31.12.2009</u>
Financial guarantee agreements		993	770
Structured deposits		624	1,127
Principal guaranteed wealth management products	(1)	63,507	109,924
Others	(2)	<u>573</u>	<u>2,022</u>
Total	(3)	<u>65,697</u>	<u>113,843</u>

- (1) The Group designates the amounts received through the principal guaranteed wealth management products sold to their customers as financial liabilities at FVTPL. As at 30 June 2010, the fair value of the principal guaranteed wealth management products issued by the Group were lower than the contractual amount payable upon maturity to the holders of the wealth management products by RMB1,031 million (31 December 2009: RMB1,071 million).
- (2) As at 30 June 2010 and 31 December 2009, the fair value of financial instruments designated as at fair value through profit or loss categorised as "others" approximates the contractual amounts payable upon maturity of these contracts.
- (3) For the six months ended 30 June 2010 and 30 June 2009, there were no significant changes in the fair value of the Group's financial liabilities designated as at fair value through profit or loss that were attributable to the changes in credit risk.

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34. FINANCIAL ASSETS SOLD UNDER REPURCHASE AGREEMENTS

	<u>THE GROUP AND THE BANK</u>	
	As at <u>30.6.2010</u>	As at <u>31.12.2009</u>
Analysed by collateral type:		
Bonds	74,295	22,385
Bills	24,104	69,356
Loans and advances to customers	22,271	9,071
Total	<u>120,670</u>	<u>100,812</u>

35. DUE TO CUSTOMERS

	<u>Note</u>	<u>THE GROUP</u>	
		As at <u>30.6.2010</u>	As at <u>31.12.2009</u>
Demand deposits			
Corporate customers		2,436,008	2,168,775
Individual customers		2,216,865	1,992,301
Time deposits			
Corporate customers		872,971	743,589
Individual customers		2,586,608	2,373,160
Guaranteed and margin deposits	(1)	148,886	129,525
Others (including outward remittance and remittance outstanding)		87,482	90,268
Total		<u>8,348,820</u>	<u>7,497,618</u>

	<u>Note</u>	<u>THE BANK</u>	
		As at <u>30.6.2010</u>	As at <u>31.12.2009</u>
Demand deposits			
Corporate customers		2,435,926	2,168,674
Individual customers		2,216,715	1,992,275
Time deposits			
Corporate customers		872,971	743,589
Individual customers		2,586,551	2,373,111
Guaranteed and margin deposits	(1)	148,886	129,525
Others (including outward remittance and remittance outstanding)		87,482	90,268
Total		<u>8,348,531</u>	<u>7,497,442</u>

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35. DUE TO CUSTOMERS - continued

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

	<u>THE GROUP AND THE BANK</u>	
	As at 30.6.2010	As at 31.12.2009
Bank acceptances	68,822	74,002
Letters of guarantee	14,253	9,161
Letters of credit	13,873	9,185
Personal guarantee	6,316	4,413
Others	45,622	32,764
Total	<u>148,886</u>	<u>129,525</u>

36. ACCRUED STAFF COSTS

THE GROUP

	<u>Note</u>	<u>2010</u>		
		As at 1 January	Accrued	As at 30 June
Salaries, bonuses and allowances		10,669	22,582	14,731
Social insurance		574	4,890	1,097
Housing funds		260	2,002	390
Labour union fees and staff education expenses		1,256	972	1,640
Early retirement benefits	(1)	15,879	178	14,852
Others		1,300	1,975	1,713
Total		<u>29,938</u>	<u>32,599</u>	<u>34,423</u>

		<u>2009</u>		
		As at 1 January	Accrued	As at 31 December
Salaries, bonuses and allowances		8,489	35,734	10,669
Social insurance		512	9,592	574
Housing funds		280	3,710	260
Labour union fees and staff education expenses		1,108	1,601	1,256
Supplementary retirement benefits		38,637	-	-
Early retirement benefits		17,887	780	15,879
Others		1,231	4,348	1,300
Total		<u>68,144</u>	<u>55,765</u>	<u>29,938</u>

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36. ACCRUED STAFF COSTS - continued

THE BANK

		2010			
	Note	As at 1 January	Accrued	Paid	As at 30 June
Salaries, bonuses and allowances		10,642	22,547	(18,467)	14,722
Social insurance		574	4,890	(4,367)	1,097
Housing funds		260	2,002	(1,872)	390
Labour union fees and staff education expenses		1,256	972	(588)	1,640
Early retirement benefits	(1)	15,879	178	(1,205)	14,852
Others		1,300	1,975	(1,562)	1,713
Total		<u>29,911</u>	<u>32,564</u>	<u>(28,061)</u>	<u>34,414</u>

		2009			
		As at 1 January	Accrued	Paid	As at 31 December
Salaries, bonuses and allowances		8,475	35,682	(33,515)	10,642
Social insurance		512	9,592	(9,530)	574
Housing funds		280	3,710	(3,730)	260
Labour union fees and staff education expenses		1,108	1,601	(1,453)	1,256
Supplementary retirement benefits		38,637	-	(38,637)	-
Early retirement benefits		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.

(1) Early retirement benefits

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

	Six months ended 30.6.2010
Interest cost	175
Actuarial loss recognised in the period	<u>3</u>
Total	<u>178</u>

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36. ACCRUED STAFF COSTS - continued

(1) Early retirement benefits - continued

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

	<u>As at</u> <u>30.6.2010</u>	<u>As at</u> <u>31.12.2009</u>
Discount rate	2.50%	2.50%
Annual average medical expenses inflation rate	8.00%	8.00%
Annual subsidies inflation rate	8.00%	8.00%
Normal retirement age		
- Male	60	60
- Female	<u>55</u>	<u>55</u>

37. DEBT SECURITIES ISSUED

		<u>THE GROUP</u> <u>AND THE BANK</u>	
	<u>Notes</u>	<u>As at</u> <u>30.6.2010</u>	<u>As at</u> <u>31.12.2009</u>
Subordinated bonds issued	(1)	49,958	49,955
Certificates of deposit issued	(2)	<u>7,221</u>	<u>5,224</u>
Total		<u>57,179</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.

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

	<u>Notes</u>	<u>As at</u> <u>30.6.2010</u>	<u>As at</u> <u>31.12.2009</u>
3.3% subordinated fixed rate bonds maturing in May 2019	(i)	20,000	20,000
4.0% subordinated fixed rate bonds maturing in May 2024	(ii)	25,000	25,000
Subordinated floating rate bonds maturing in May 2019	(iii)	<u>5,000</u>	<u>5,000</u>
Total nominal value		50,000	50,000
Less: Unamortised issuance cost		<u>(42)</u>	<u>(45)</u>
Carrying value		<u>49,958</u>	<u>49,955</u>

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37. DEBT SECURITIES ISSUED - continued

Notes:

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

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38. DEFERRED TAX ASSETS

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

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

THE GROUP

	Allowance of impairment loss	Early retirement benefits	Accrued but not paid staff cost	Provision	Fair value changes of financial instruments	Others	Total
As at 1 January 2010	12,600	3,970	2,660	1,008	(580)	1	19,659
Credit (charge) to profit or loss	5,145	(257)	1,022	2	(74)	(1)	5,837
Charge to other comprehensive income	-	-	-	-	(723)	-	(723)
As at 30 June 2010	<u>17,745</u>	<u>3,713</u>	<u>3,682</u>	<u>1,010</u>	<u>(1,377)</u>	<u>-</u>	<u>24,773</u>

	Allowance of impairment loss	Early retirement benefits	Accrued but not paid staff cost	Provision	Fair value changes of financial instruments	Others	Total
As at 1 January 2009	13,087	4,472	720	1,040	(4,057)	1,845	17,107
(Charge) credit to profit or loss	(487)	(502)	1,940	(32)	(805)	(1,844)	(1,730)
Credit to other comprehensive income	-	-	-	-	4,282	-	4,282
As at 31 December 2009	<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>

THE BANK

	Allowance of impairment loss	Early retirement benefits	Accrued but not paid staff cost	Provision	Fair value changes of financial instruments	Others	Total
As at 1 January 2010	12,600	3,970	2,656	1,008	(580)	-	19,654
Credit (charge) to profit or loss	5,145	(257)	1,022	2	(74)	(1)	5,837
Charge to other comprehensive income	-	-	-	-	(723)	-	(723)
As at 30 June 2010	<u>17,745</u>	<u>3,713</u>	<u>3,678</u>	<u>1,010</u>	<u>(1,377)</u>	<u>(1)</u>	<u>24,768</u>

	Allowance of impairment loss	Early retirement benefits	Accrued but not paid staff cost	Provision	Fair value changes of financial instruments	Others	Total
As at 1 January 2009	13,087	4,472	720	1,040	(4,057)	1,831	17,093
(Charge) credit to profit or loss	(487)	(502)	1,936	(32)	(805)	(1,831)	(1,721)
Credit to other comprehensive income	-	-	-	-	4,282	-	4,282
As at 31 December 2009	<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>

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39. OTHER LIABILITIES

		<u>THE GROUP</u>	
	<u>Notes</u>	As at <u>30.6.2010</u>	As at <u>31.12.2009</u>
Interest payable	(1)	70,624	66,762
Amount payable to the MOF	(2)	4,900	5,891
Items in process of clearing and settlement		20,570	13,361
Dormant accounts		3,647	3,056
Securities purchases payable		350	6,626
Provision	(3)	4,387	5,047
Business and other taxes payable		4,470	4,282
Others		<u>12,654</u>	<u>24,020</u>
Total		<u>121,602</u>	<u>129,045</u>

		<u>THE BANK</u>	
	<u>Notes</u>	As at <u>30.6.2010</u>	As at <u>31.12.2009</u>
Interest payable	(1)	70,624	66,762
Amount payable to the MOF	(2)	4,900	5,891
Items in process of clearing and settlement		20,570	13,345
Dormant accounts		3,647	3,056
Securities purchase payables		350	6,626
Provision	(3)	4,797	5,047
Business and other tax payable		4,458	4,280
Others		<u>11,941</u>	<u>23,640</u>
Total		<u>121,287</u>	<u>128,647</u>

(1) Interest payable

		<u>THE GROUP AND THE BANK</u>	
		As at <u>30.6.2010</u>	As at <u>31.12.2009</u>
Due to customers		66,385	62,662
Deposits from banks and other financial institutions		3,864	2,837
Placements from banks and other financial institutions		77	45
Debt securities issued		215	1,105
Financial assets sold under repurchase agreements		<u>83</u>	<u>113</u>
Total		<u>70,624</u>	<u>66,762</u>

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39. OTHER LIABILITIES - continued

(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. 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

THE GROUP

	<u>As at 30.6.2010</u>			<u>As at 31.12.2009</u>		
	<u>Allowances for litigation</u>	<u>Others</u>	<u>Total</u>	<u>Allowances for litigation</u>	<u>Others</u>	<u>Total</u>
At 1 January	2,974	2,073	5,047	2,829	2,955	5,784
Additions	322	400	722	1,182	163	1,345
Reversals	(590)	(515)	(1,105)	(634)	(985)	(1,619)
Utilised	(187)	(90)	(277)	(403)	(60)	(463)
Total	<u>2,519</u>	<u>1,868</u>	<u>4,387</u>	<u>2,974</u>	<u>2,073</u>	<u>5,047</u>

THE BANK

	<u>As at 30.6.2010</u>			<u>As at 31.12.2009</u>		
	<u>Allowances for litigation</u>	<u>Others</u>	<u>Total</u>	<u>Allowances for litigation</u>	<u>Others</u>	<u>Total</u>
At 1 January	2,974	2,073	5,047	2,829	2,955	5,784
Additions	322	810	1,132	1,182	163	1,345
Reversals	(590)	(515)	(1,105)	(634)	(985)	(1,619)
Utilised	(187)	(90)	(277)	(403)	(60)	(463)
Total	<u>2,519</u>	<u>2,278</u>	<u>4,797</u>	<u>2,974</u>	<u>2,073</u>	<u>5,047</u>

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40. SHARE CAPITAL

	<u>Notes</u>	<u>THE GROUP AND THE BANK</u>	
		As at 30.6.2010	As at 31.12.2009
As at 1 January		260,000	260,000
Capital contribution by NCSSF	(1)	10,000	-
As at 30 June/31 December	(2)	270,000	260,000

(1) According to "Agricultural Bank of China Limited's Share Subscription Agreement" signed on 21 April 2010 by the MOF, the 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) Deloitte Touche Tohmatsu CPA Ltd., verified this capital contribution and issued a verification report *De Shi Bao (Yan) Zi (10) No. 0022* on 22 April 2010. As at 30 June 2010, the share capital of the Bank was 270,000,000,000 shares at par value of RMB1 per share (31 December 2009: 260,000,000,000 shares at par value of RMB1 per share).

41. INVESTMENT REVALUATION RESERVE

THE GROUP

	<u>2010</u>		
	<u>Gross amount</u>	<u>Tax effect</u>	<u>Net effect</u>
As at 1 January	6,182	(1,558)	4,624
Gain (loss) on fair value changes of available-for-sale financial assets	3,090	(766)	2,324
Reclassification adjustment to profit or loss upon disposal/impairment of available-for-sale financial assets	(171)	43	(128)
As at 30 June	9,101	(2,281)	6,820

	<u>2009</u>		
	<u>Gross amount</u>	<u>Tax effect</u>	<u>Net effect</u>
As at 1 January	23,132	(5,840)	17,292
(Loss) gain on fair value changes of available-for-sale financial assets	(13,146)	3,331	(9,815)
Reclassification adjustment to profit or loss upon disposal/impairment of available-for-sale financial assets	(3,804)	951	(2,853)
As at 31 December	6,182	(1,558)	4,624

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41. INVESTMENT REVALUATION RESERVE - continued

THE BANK

	2010		
	<u>Gross amount</u>	<u>Tax effect</u>	<u>Net effect</u>
As at 1 January	6,182	(1,558)	4,624
Gain (loss) on fair value changes of available-for-sale financial assets	3,100	(766)	2,334
Reclassification adjustment to profit or loss upon disposal/impairment of available-for-sale financial assets	<u>(171)</u>	<u>43</u>	<u>(128)</u>
As at 30 June	<u>9,111</u>	<u>(2,281)</u>	<u>6,830</u>

	2009		
	<u>Gross amount</u>	<u>Tax effect</u>	<u>Net effect</u>
As at 1 January	23,132	(5,840)	17,292
(Loss) gain on fair value changes of available-for-sale financial assets	(13,146)	3,331	(9,815)
Reclassification adjustment to profit or loss upon disposal/impairment of available-for-sale financial assets	<u>(3,804)</u>	<u>951</u>	<u>(2,853)</u>
As at 31 December	<u>6,182</u>	<u>(1,558)</u>	<u>4,624</u>

42. SURPLUS RESERVE

Under relevant PRC Laws, the Bank is required to transfer 10% of its net profit to a non-distributable statutory surplus reserve. During the six months ended 30 June 2010, RMB 4,587 million (2009: RMB6,489 million) was transferred to surplus reserve of the Bank. Appropriation to the statutory surplus reserve may cease when the balance of such reserve has reached 50% of the share capital.

43. GENERAL AND REGULATORY RESERVE

Pursuant to the 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 the MOF in addition to the specific and collective allowances for impairment losses, the Bank is required to establish and maintain a general reserve within equity to address potential unidentified impairment losses. The general reserve should not be less than 1% of the aggregate amount of risk assets as defined by the above measures.

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43. GENERAL AND REGULATORY RESERVE - continued

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 six months ended 30 June 2010 and the year ended 31 December 2009, the Group transferred RMB47,572 million and RMB10,683 million respectively to general and regulatory reserve pursuant to regulatory requirements in the PRC and overseas jurisdiction.

44. RETAINED EARNINGS

The movements of retained earnings of the Bank during the period are set out below:

	<u>Notes</u>	<u>THE BANK</u> <u>2010</u>	<u>2009</u>
As at 1 January		58,385	10,677
Profit for the period/(year)		45,874	64,892
Appropriation to surplus reserve		(4,587)	(6,489)
Appropriation to general and regulatory reserve	43	(47,561)	(10,695)
Dividends recognised as distribution	13	(52,077)	-
As at 30 June/31 December		<u>34</u>	<u>58,385</u>

45. CASH AND CASH EQUIVALENTS

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

	<u>As at</u> <u>30.6.2010</u>	<u>As at</u> <u>30.6.2009</u>
Cash	53,726	44,221
Balances with central banks	164,955	94,960
Deposits with banks and other financial institutions with an original maturity of less than 3 months	48,833	31,723
Financial assets held under resale agreements with an original maturity of less than 3 months	244,393	430,013
Placements with banks and other financial institutions with an original maturity of less than 3 months	<u>14,931</u>	<u>31,296</u>
Total	<u>526,838</u>	<u>632,213</u>

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46. SEGMENT INFORMATION

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

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

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

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

Geographical segment

The details of the geographical segments are as follows:

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

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46. SEGMENT INFORMATION - continued

Geographical segment - continued

	Head office	Yangtze River Delta	Pearl River Delta	Bohai Rim	Central China	Western China	Northeastern China	Overseas and others	Segment total	Eliminations	Consolidated total
<i>For the six months ended 30 June 2010</i>											
External interest income	53,909	31,143	16,847	19,652	14,286	27,128	4,777	538	168,280	-	168,280
External interest expense	(2,405)	(13,150)	(8,100)	(10,484)	(8,582)	(9,936)	(3,733)	(182)	(56,572)	-	(56,572)
Inter-segment interest (expense) income	(39,141)	7,113	6,933	8,129	7,338	7,553	2,082	(7)	-	-	-
Net interest income	12,363	25,106	15,680	17,297	13,042	24,745	3,126	349	111,708	-	111,708
Fee and commission income	1,695	6,106	3,374	3,180	3,564	4,277	931	49	23,176	-	23,176
Fee and commission expense	(64)	(154)	(109)	(113)	(89)	(123)	(45)	(20)	(717)	-	(717)
Net fee and commission income	1,631	5,952	3,265	3,067	3,475	4,154	886	29	22,459	-	22,459
Net trading gain (loss)	11	608	(28)	(59)	23	(87)	(16)	11	463	-	463
Net (loss) gain on financial instruments designated as at fair value through profit or loss	(175)	(1)	-	-	-	-	-	6	(170)	-	(170)
Net gain on investment securities	14	-	-	-	-	121	-	8	143	-	143
Other operating income (expense), net	(170)	650	272	227	134	177	54	171	1,515	-	1,515
Operating income	13,674	32,315	19,189	20,532	16,674	29,110	4,050	574	136,118	-	136,118
Operating expenses	(3,141)	(11,517)	(7,600)	(8,766)	(9,569)	(13,442)	(4,219)	(214)	(58,468)	-	(58,468)
Impairment losses on assets	190	(3,728)	(1,441)	(4,504)	(3,346)	(6,525)	(248)	(21)	(19,623)	-	(19,623)
Profit before tax	10,723	17,070	10,148	7,262	3,759	9,143	(417)	339	58,027	-	58,027
Income tax expense											(12,164)
Profit for the period											45,863
Depreciation and amortisation included in operating expenses	(514)	(1,110)	(677)	(751)	(950)	(1,182)	(392)	(19)	(5,595)	-	(5,595)
Capital expenditure	288	717	164	801	250	714	294	11	3,239	-	3,239
<i>As at 30 June 2010</i>											
Segment assets	3,351,807	2,215,050	1,360,325	1,667,962	1,470,728	1,961,443	520,034	71,658	12,619,007	(2,947,813)	9,671,194
Including: Interest in an associate	-	-	-	-	141	-	-	-	141	-	141
Unallocated assets											24,773
Total assets											9,695,967
Segment liabilities	(3,064,490)	(2,200,686)	(1,350,997)	(1,659,060)	(1,463,671)	(1,952,420)	(523,119)	(68,574)	(12,283,017)	2,947,813	(9,335,204)
Unallocated liabilities											(6,346)
Total liabilities											(9,341,550)
Credit commitments	52,576	416,205	269,765	259,757	175,718	251,511	44,294	36,674	1,506,500	-	1,506,500

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46. SEGMENT INFORMATION - continued

Geographical segment - continued

	Head office	Yangtze River Delta	Pearl River Delta	Bohai Rim	Central China	Western China	Northeastern China	Overseas and others	Segment total	Eliminations	Consolidated total
<i>For the six months ended 30 June 2009</i>											
External interest income	49,865	26,627	13,480	16,013	11,136	21,605	3,106	411	142,243	-	142,243
External interest expense	(403)	(14,224)	(8,841)	(10,497)	(9,765)	(10,751)	(3,737)	(129)	(58,347)	-	(58,347)
Inter-segment interest (expense) income	(37,557)	5,007	5,977	6,778	8,677	7,673	3,445	-	-	-	-
Net interest income	11,905	17,410	10,616	12,294	10,048	18,527	2,814	282	83,896	-	83,896
Fee and commission income	3,862	3,029	2,461	2,189	2,395	2,958	611	23	17,528	-	17,528
Fee and commission expense	(54)	(156)	(91)	(55)	(46)	(87)	(22)	-	(511)	-	(511)
Net fee and commission income	3,808	2,873	2,370	2,134	2,349	2,871	589	23	17,017	-	17,017
Net trading gain (loss)	1,905	(983)	(53)	24	(48)	(290)	(51)	28	532	-	532
Net gain on financial instruments designated as at fair value through profit or loss	929	-	-	-	-	-	-	44	973	-	973
Net gain on investment securities	131	-	202	-	-	-	-	2	335	-	335
Other operating income	291	378	246	209	225	97	97	140	1,683	-	1,683
Operating income	18,969	19,678	13,381	14,661	12,574	21,205	3,449	519	104,436	-	104,436
Operating expenses	(3,169)	(8,622)	(5,971)	(6,332)	(6,972)	(9,951)	(2,922)	(207)	(44,146)	-	(44,146)
Impairment losses on assets	1,019	(3,146)	(4,382)	(1,753)	(3,363)	(4,197)	(1,709)	(14)	(17,545)	-	(17,545)
Profit before tax	16,819	7,910	3,028	6,576	2,239	7,057	(1,182)	298	42,745	-	42,745
Income tax expense											(10,025)
Profit for the period											32,720
Depreciation and amortisation included in operating expenses	(472)	(1,064)	(640)	(763)	(903)	(1,079)	(359)	(109)	(5,389)	-	(5,389)
Capital expenditure	497	364	96	1,096	118	327	77	161	2,736	-	2,736
<i>As at 31 December 2009</i>											
Segment assets	3,519,719	2,005,530	1,320,291	1,639,041	1,334,025	1,829,768	484,841	54,413	12,187,628	(3,324,699)	8,862,929
Including: Interest in an associate	-	-	-	-	141	-	-	-	141	-	141
Unallocated assets											19,659
Total assets											8,882,588
Segment liabilities	(3,276,178)	(1,983,925)	(1,305,493)	(1,621,290)	(1,321,346)	(1,809,390)	(489,893)	(51,684)	(11,859,199)	3,324,699	(8,534,500)
Unallocated liabilities											(5,163)
Total liabilities											(8,539,663)
Credit commitments	52,834	321,714	204,089	259,806	140,753	180,647	35,329	26,511	1,221,683	-	1,221,683

46. SEGMENT INFORMATION - continued

Business operating segment

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

Corporate banking

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

Personal banking

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

Treasury operations

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

Others

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

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46. SEGMENT INFORMATION - continued

Business operating segment - continued

For the six months ended 30 June 2010

	Corporate banking	Personal banking	Treasury operations	Others	Segment and consolidated total
External interest income	90,040	23,412	54,451	377	168,280
External interest expense	(19,597)	(35,049)	(1,924)	(2)	(56,572)
Inter-segment interest (expense) income	(2,638)	45,642	(43,004)	-	-
Net interest income	67,805	34,005	9,523	375	111,708
Fee and commission income	9,144	14,020	-	12	23,176
Fee and commission expense	(319)	(379)	-	(19)	(717)
Net fee and commission income (expense)	8,825	13,641	-	(7)	22,459
Net trading gain	-	-	463	-	463
Net loss on financial instruments designated as at fair value through profit or loss	-	-	(170)	-	(170)
Net gain on investment securities	-	-	143	-	143
Other operating income	352	86	783	294	1,515
Operating income	76,982	47,732	10,742	662	136,118
Operating expenses	(22,672)	(30,244)	(5,383)	(169)	(58,468)
Impairment losses on assets	(12,354)	(6,893)	26	(402)	(19,623)
Profit before tax	41,956	10,595	5,385	91	58,027
Income tax expense					(12,164)
Profit for the period					45,863
Depreciation and amortisation included in operating expenses	(1,581)	(3,312)	(700)	(2)	(5,595)
Capital expenditure	888	1,930	421	-	3,239
<i>As at 30 June 2010</i>					
Segment assets	3,630,227	1,179,488	4,858,353	3,126	9,671,194
Including: Interest in an associate	-	-	-	141	141
Unallocated assets					24,773
Total assets					9,695,967
Segment liabilities	(3,834,099)	(5,030,338)	(470,648)	(119)	(9,335,204)
Unallocated liabilities					(6,346)
Total liabilities					(9,341,550)
Credit commitments	1,297,945	208,555	-	-	1,506,500

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46. SEGMENT INFORMATION - continued

Business operating segment - continued

For the six months ended 30 June 2009

	Corporate banking	Personal banking	Treasury operations	Others	Segment and consolidated total
External interest income	78,509	13,503	50,228	3	142,243
External interest expense	(16,439)	(39,356)	(2,552)	-	(58,347)
Inter-segment interest (expense) income	(13,175)	46,328	(33,153)	-	-
Net interest income	48,895	20,475	14,523	3	83,896
Fee and commission income	10,258	7,270	-	-	17,528
Fee and commission expense	(151)	(360)	-	-	(511)
Net fee and commission income	10,107	6,910	-	-	17,017
Net trading gain	-	-	532	-	532
Net gain on financial instruments designated as at fair value through profit or loss	-	-	973	-	973
Net gain on investment securities	-	-	292	43	335
Other operating income	213	210	928	332	1,683
Operating income	59,215	27,595	17,248	378	104,436
Operating expenses	(16,731)	(22,889)	(4,363)	(163)	(44,146)
Impairment losses on assets	(16,339)	(2,431)	1,225	-	(17,545)
Profit before tax	26,145	2,275	14,110	215	42,745
Income tax expense					(10,025)
Profit for the period					32,720
Depreciation and amortisation included in operating expenses	(1,444)	(3,256)	(689)	-	(5,389)
Capital expenditure	733	1,653	350	-	2,736
<i>As at 31 December 2009</i>					
Segment assets	3,318,792	921,938	4,621,486	713	8,862,929
Including: Interest in an associate	-	-	-	141	141
Unallocated assets					19,659
Total assets					8,882,588
Segment liabilities	(3,415,474)	(4,592,356)	(525,325)	(1,345)	(8,534,500)
Unallocated liabilities					(5,163)
Total liabilities					(8,539,663)
Credit commitments	1,047,513	174,170	-	-	1,221,683

46. SEGMENT INFORMATION - continued

County Area and Urban Area segment

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

County Area banking business

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

Urban Area banking business

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

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46. SEGMENT INFORMATION - continued

County Area and Urban Area segment - continued

For the six months ended 30 June 2010

	County Area banking <u>business</u>	Urban Area banking <u>business</u>	Segment <u>total</u>	<u>Eliminations</u>	Consolidated <u>total</u>
External interest income	35,906	132,374	168,280	-	168,280
External interest expense	(20,210)	(36,362)	(56,572)	-	(56,572)
Inter-segment interest income (expense)	<u>25,068</u>	<u>(25,068)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net interest income	40,764	70,944	111,708	-	111,708
Fee and commission income	8,966	14,210	23,176	-	23,176
Fee and commission expense	<u>(196)</u>	<u>(521)</u>	<u>(717)</u>	<u>-</u>	<u>(717)</u>
Net fee and commission income	8,770	13,689	22,459	-	22,459
Net trading (loss) gain	(526)	989	463	-	463
Net loss on financial instruments designated as at fair value through profit or loss	-	(170)	(170)	-	(170)
Net gain on investment securities	-	143	143	-	143
Other operating income	<u>1,164</u>	<u>351</u>	<u>1,515</u>	<u>-</u>	<u>1,515</u>
Operating income	50,172	85,946	136,118	-	136,118
Operating expenses	(25,969)	(32,499)	(58,468)	-	(58,468)
Impairment losses on assets	<u>(9,684)</u>	<u>(9,939)</u>	<u>(19,623)</u>	<u>-</u>	<u>(19,623)</u>
Profit before tax	<u>14,519</u>	<u>43,508</u>	<u>58,027</u>	<u>-</u>	<u>58,027</u>
Income tax expense					<u>(12,164)</u>
Profit for the period					<u>45,863</u>
Depreciation and amortisation included in operating expenses	(1,490)	(4,105)	(5,595)	-	(5,595)
Capital expenditure	<u>862</u>	<u>2,377</u>	<u>3,239</u>	<u>-</u>	<u>3,239</u>
<i>As at 30 June 2010</i>					
Segment assets	3,457,181	6,298,893	9,756,074	(84,880)	9,671,194
Including: Interest in an associate		141			141
Unallocated assets					<u>24,773</u>
Total assets					<u>9,695,967</u>
Segment liabilities	(3,444,995)	(5,975,089)	(9,420,084)	84,880	(9,335,204)
Unallocated liabilities					<u>(6,346)</u>
Total liabilities					<u>(9,341,550)</u>
Credit commitments	<u>296,923</u>	<u>1,209,577</u>	<u>1,506,500</u>	<u>-</u>	<u>1,506,500</u>

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46. SEGMENT INFORMATION - continued

County Area and Urban Area segment - continued

For the six months ended 30 June 2009

	County Area banking business	Urban Area banking business	Segment total	Eliminations	Consolidated total
External interest income	26,671	115,572	142,243	-	142,243
External interest expense	(21,891)	(36,456)	(58,347)	-	(58,347)
Inter-segment interest income (expense)	21,740	(21,740)	-	-	-
Net interest income	26,520	57,376	83,896	-	83,896
Fee and commission income	6,351	11,177	17,528	-	17,528
Fee and commission expense	(141)	(370)	(511)	-	(511)
Net fee and commission income	6,210	10,807	17,017	-	17,017
Net trading gain	-	532	532	-	532
Net gain on financial instruments designated as at fair value through profit or loss	-	973	973	-	973
Net gain on investment securities	27	308	335	-	335
Other operating income	344	1,339	1,683	-	1,683
Operating income	33,101	71,335	104,436	-	104,436
Operating expenses	(18,697)	(25,449)	(44,146)	-	(44,146)
Impairment losses on assets	(6,424)	(11,121)	(17,545)	-	(17,545)
Profit before tax	7,980	34,765	42,745	-	42,745
Income tax expense					(10,025)
Profit for the period					32,720
Depreciation and amortisation included in operating expenses	(1,424)	(3,965)	(5,389)	-	(5,389)
Capital expenditure	723	2,013	2,736	-	2,736
<i>As at 31 December 2009</i>					
Segment assets	3,235,103	5,712,643	8,947,746	(84,817)	8,862,929
Including: Interest in an associate		141			141
Unallocated assets					19,659
Total assets					8,882,588
Segment liabilities	(3,217,406)	(5,401,911)	(8,619,317)	84,817	(8,534,500)
Unallocated liabilities					(5,163)
Total liabilities					(8,539,663)
Credit commitments	262,452	959,231	1,221,683	-	1,221,683

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47. RELATED PARTY TRANSACTIONS

(1) The Bank and the MOF

As at 30 June 2010, the MOF directly owned 48.15% (31 December 2009: 50%) of the share capital of the Bank.

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

The Group has the following balances and has entered into the following transactions with the MOF in its ordinary course of business:

	As at 30.6.2010	As at 31.12.2009
Treasury bond and special government bonds As at 30 June/31 December	590,234	565,085
Receivable from the MOF As at 30 June/31 December	601,181	635,539
Financial liabilities designated as at fair value through profit or loss - structured deposits As at 30 June/31 December	-	546
Amount payable to the MOF As at 30 June/31 December	4,900	5,891
Deposits from the MOF As at 30 June/31 December	13,734	20,477
Other liability - redemption of certificate treasury bond As at 30 June/31 December	1,056	792
	<u>Six months ended</u> <u>30.6.2010</u>	<u>30.6.2009</u>
Net interest income		
Interest income	18,999	18,518
Interest expense	(70)	(136)
	<u>18,929</u>	<u>18,382</u>
Fee and commission income	<u>1,252</u>	<u>3,764</u>

Government bonds underwriting and redemption commitment

Government bonds underwriting and redemption commitment are disclosed in Note 48 "Government bonds underwriting and redemption commitment".

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47. RELATED PARTY TRANSACTIONS - continued

(2) The Bank and the Huijin

The 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. The Huijin is established to hold certain equity investments as authorised by the State Council and does not engage in other commercial activities. The Huijin exercises legal rights and obligations in the Bank on behalf of the PRC Government.

As at 30 June 2010, the Huijin directly owned 48.15% (31 December 2009: 50%) of share capital of the Bank. The transactions carried out with the 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 the Huijin. The details are as follows:

	As at 30.6.2010	As at 31.12.2009
Financial liabilities at FVTPL	4,000	4,014

(3) The Bank and its subsidiaries

The Group has enters into various transactions with banks and financial institutions which are its controlled entities. Transactions are made at arm's length and in its ordinary course of business.

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

(4) The Bank and its associate

The Group has enters into various transactions with its associate. Transactions are made at arm's length and in its ordinary course of business.

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

(5) 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.

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47. RELATED PARTY TRANSACTIONS - continued

(6) Key management personnel

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

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

	<u>Six months ended</u>	
	<u>30.6.2010</u>	<u>30.6.2009</u>
Salaries, bonuses and staff welfare	<u>475</u>	<u>386</u>

(7) The Bank with the Annuity Plan

	<u>As at</u> <u>30.6.2010</u>	<u>As at</u> <u>31.12.2009</u>
Due to customers	<u>7,198</u>	<u>6,339</u>

	<u>Six months ended</u>	
	<u>30.6.2010</u>	<u>30.6.2009</u>
Interest expense	<u>(44)</u>	<u>N/A</u>

AGRICULTURAL BANK OF CHINA LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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48. CONTINGENT LIABILITIES AND COMMITMENTS

Legal proceedings

The Group is involved as defendants in certain lawsuits arising from its normal business operations. As at 30 June 2010, provisions of RMB2,519 million (31 December 2009:RMB2,974 million) were made based on court judgments or the advice of counsel. Management of the Group believes, based on legal advice, that the final result of these lawsuits will not have a material impact on the financial position or operations of the Group. Provision for litigation losses as advised by in-house or external legal professionals is disclosed in Note 39(3) "Provision".

Capital commitments

	<u>THE GROUP AND THE BANK</u>	
	As at <u>30.6.2010</u>	As at <u>31.12.2009</u>
Contracted but not provided for	9,011	6,217
Authorised but not contracted for	<u>266</u>	<u>1,102</u>
Total	<u><u>9,277</u></u>	<u><u>7,319</u></u>

Credit commitments

	<u>THE GROUP AND THE BANK</u>	
	As at <u>30.6.2010</u>	As at <u>31.12.2009</u>
Loan commitments	998,480	744,524
- With an original maturity of less than 1 year	69,826	50,650
- With an original maturity of 1 year or above	928,654	693,874
Letters of credit	54,614	53,933
Letters of guarantee	168,644	151,355
Acceptances	<u>284,762</u>	<u>271,871</u>
Total	<u><u>1,506,500</u></u>	<u><u>1,221,683</u></u>

AGRICULTURAL BANK OF CHINA LIMITED

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48. CONTINGENT LIABILITIES AND COMMITMENTS - continued

Credit commitments - continued

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.

Operating lease commitments

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

	<u>THE GROUP</u>	
	As at <u>30.6.2010</u>	As at <u>31.12.2009</u>
Within 1 year	803	1,271
1 to 2 years	1,377	1,087
2 to 3 years	1,199	919
Above 3 years	<u>4,231</u>	<u>3,174</u>
Total	<u><u>7,610</u></u>	<u><u>6,451</u></u>

	<u>THE BANK</u>	
	As at <u>30.6.2010</u>	As at <u>31.12.2009</u>
Within 1 year	803	1,266
1 to 2 years	1,377	1,083
2 to 3 years	1,199	916
Above 3 years	<u>4,231</u>	<u>3,174</u>
Total	<u><u>7,610</u></u>	<u><u>6,439</u></u>

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48. CONTINGENT LIABILITIES AND COMMITMENTS - continued

Credit risk weighted amounts for credit commitments

	THE GROUP AND THE BANK	
	As at 30.6.2010	As at 31.12.2009
Credit commitments	684,024	527,386

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

Collateral

Assets pledged

The carrying amount of assets pledged as collateral under repurchase agreement as set out in Note 34 "Financial assets sold under repurchase agreements" by the Group and the Bank is as follows:

	As at 30.6.2010	As at 31.12.2009
Bonds	74,117	22,389
Bills	24,249	69,611
Loans and advances to customers	22,271	9,071
Total	120,637	101,071

The net book value of financial assets sold under repurchase agreements by the Group as at 30 June 2010 was RMB120,670 million (31 December 2009: RMB100,812 million). All repurchase agreements are due within 12 months from the effective dates of these agreements.

In addition, the bonds pledged as collateral by the Group and the Bank and derivative transactions with other banks and financial institutions as at 30 June 2010 amounted to RMB6,129 million (31 December 2009: RMB8,603 million).

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48. CONTINGENT LIABILITIES AND COMMITMENTS - continued

Collateral - continued

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 30 June 2010 was RMB79,033 million (31 December 2009: RMB75,425 million). Of this total, the Group has an obligation to return collateral that had been sold or re-pledged by the Group with a fair value of RMB25,147 million (31 December 2009: RMB51,107 million).

Government bonds underwriting and redemption commitment

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

As at 30 June 2010, the nominal value of treasury bonds the Group committed to redeem prior to maturity is RMB65,333 million (31 December 2009: RMB59,378 million). The original maturities of these bonds vary from 1 to 5 years. As the benchmark interest rate of deposits set by the PBOC is lower than the coupon rate of these bonds, management of the Group expects the amount of redemption before the maturity dates of those bonds will not be material to the Group.

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

49. FINANCIAL RISK MANAGEMENT

Overview

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

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

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

Risk management framework

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

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

Credit risk

Credit risk management

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

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

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49. FINANCIAL RISK MANAGEMENT - continued

Credit risk - continued

Credit risk management - continued

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

Impairment assessment

Key factors on impairment assessment

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

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

Normal	Borrowers can honour the terms of their loans. There is no reason to doubt their ability to repay principal and interest in full on a timely basis.
Special mention	Borrowers are able to service their loans currently, although repayment may be adversely affected by specific factors.
Substandard	Borrowers' ability to service their loans is in question and they cannot rely entirely on normal operational revenues to repay principal and interest. Losses may ensue even when collateral or guarantees are invoked.
Doubtful	Borrowers cannot repay principal and interest in full and significant losses will need to be recognised even when collateral or guarantees are invoked.
Loss	Only a small portion or none of principal and interest can be recovered after taking all possible measures and exhausting all legal remedies.

The accounting policy regarding the Group's estimation of impairment losses on financial assets are set out in Note 3.

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49. FINANCIAL RISK MANAGEMENT - continued

Credit risk - continued

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 48 "Contingent liabilities and commitments".

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

	<u>THE GROUP</u>	
	<u>30.6.2010</u>	<u>31.12.2009</u>
Balances with central banks	1,772,749	1,468,910
Deposits with banks and other financial institutions	79,539	61,693
Placements with banks and other financial institutions	57,790	49,435
Financial assets held for trading	24,094	15,346
Financial assets designated as at fair value through profit or loss	73,093	96,830
Derivative financial assets	5,706	4,678
Financial assets held under resale agreements	431,307	421,093
Loans and advances to customers	4,478,230	4,011,495
Available-for-sale financial assets	606,225	729,895
Held-to-maturity investments	1,082,844	883,915
Debt securities classified as receivables	811,149	890,199
Other financial assets	52,475	35,621
Subtotal	<u>9,475,201</u>	<u>8,669,110</u>
Off-balance sheet items		
Credit commitments	<u>1,506,500</u>	<u>1,221,683</u>
Total	<u>10,981,701</u>	<u>9,890,793</u>

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49. FINANCIAL RISK MANAGEMENT - continued

Credit risk - continued

Maximum exposure to credit risk before taking into account any collateral held or other credit enhancements - continued

	<u>THE BANK</u>	
	<u>30.6.2010</u>	<u>31.12.2009</u>
Balances with central banks	1,772,732	1,468,867
Deposits with banks and other financial institutions	79,176	61,285
Placements with banks and other financial institutions	57,790	49,435
Financial assets held for trading	24,094	15,346
Financial assets designated as at fair value through profit or loss	73,093	96,830
Derivative financial assets	5,706	4,678
Financial assets held under resale agreements	431,287	421,093
Loans and advances to customers	4,477,986	4,011,386
Available-for-sale financial assets	606,212	729,895
Held-to-maturity investments	1,082,764	883,915
Debt securities classified as receivables	811,149	890,199
Other financial assets	52,259	35,551
Subtotal	<u>9,474,248</u>	<u>8,668,480</u>
Off-balance sheet items		
Credit commitments	<u>1,506,500</u>	<u>1,221,683</u>
Total	<u><u>10,980,748</u></u>	<u><u>9,890,163</u></u>

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.

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49. FINANCIAL RISK MANAGEMENT - continued

Credit risk - continued

Loans and advances to customers

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

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

	THE GROUP			
	30.6.2010		31.12.2009	
	Amount	% of total	Amount	% of total
Corporate loans and advances				
Mining	105,978	2.9	98,024	2.9
Manufacturing	1,043,311	28.9	954,760	28.6
Production and supply of power, gas and water	370,656	10.3	421,303	12.6
Construction	136,540	3.8	102,123	3.0
Transportation, logistics and postal services	351,864	9.8	314,872	9.4
Information transmission, computer services and software	22,148	0.6	28,316	0.8
Retail and wholesale	293,569	8.1	263,963	7.9
Real estate	543,103	15.1	434,926	13.1
Leasing and commercial services	207,877	5.8	147,879	4.4
Water, environment and public utilities management	205,739	5.7	155,629	4.6
Others	322,610	9.0	426,936	12.7
Subtotal	3,603,395	100.0	3,348,731	100.0
Personal loans and advances				
Residential mortgage loans	641,668	62.9	497,950	63.1
Loans to private business	118,949	11.7	105,953	13.4
Personal consumption loans	117,809	11.5	85,600	10.8
Credit card balances	22,902	2.2	14,118	1.8
Others	119,260	11.7	85,835	10.9
Subtotal	1,020,588	100.0	789,456	100.0
Gross loans and advances to customers	4,623,983		4,138,187	

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49. FINANCIAL RISK MANAGEMENT - continued

Credit risk - continued

Loans and advances to customers - continued

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

	THE BANK			
	30.6.2010		31.12.2009	
	<u>Amount</u>	<u>% of total</u>	<u>Amount</u>	<u>% of total</u>
Corporate loans and advances				
Mining	105,978	2.9	98,024	2.9
Manufacturing	1,043,238	28.9	954,760	28.6
Production and supply of power, gas and water	370,656	10.3	421,303	12.6
Construction	136,540	3.8	102,123	3.0
Transportation, logistics and postal services	351,864	9.8	314,872	9.4
Information transmission, computer services and software	22,148	0.6	28,316	0.8
Retail and wholesale	293,569	8.1	263,963	7.9
Real estate	543,103	15.1	434,926	13.1
Leasing and commercial services	207,877	5.8	147,879	4.4
Water, environment and public utilities management	205,739	5.7	155,629	4.6
Others	322,610	9.0	426,936	12.7
Subtotal	<u>3,603,322</u>	<u>100.0</u>	<u>3,348,731</u>	<u>100.0</u>
Personal loans and advances				
Residential mortgage loans	641,668	62.9	497,950	63.1
Loans to private business	118,901	11.7	105,953	13.4
Personal consumption loans	117,809	11.5	85,600	10.8
Credit card balances	22,902	2.2	14,118	1.8
Others	119,136	11.7	85,725	10.9
Subtotal	<u>1,020,416</u>	<u>100.0</u>	<u>789,346</u>	<u>100.0</u>
Gross loans and advances to customers	<u>4,623,738</u>		<u>4,138,077</u>	

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49. FINANCIAL RISK MANAGEMENT - continued

Credit risk - continued

Loans and advances to customers - continued

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

	<u>THE GROUP</u>			
	<u>30.6.2010</u>		<u>31.12.2009</u>	
	<u>Amount</u>	<u>% of total</u>	<u>Amount</u>	<u>% of total</u>
Corporate loans and advances				
Head Office	80,225	2.2	121,899	3.6
Yangtze River Delta	976,446	27.1	894,868	26.7
Pearl River Delta	469,075	13.0	446,597	13.3
Bohai Rim	664,894	18.5	601,191	18.0
Central China	443,507	12.3	407,555	12.2
Western China	802,813	22.3	739,592	22.1
Northeastern China	120,469	3.3	109,219	3.3
Overseas	45,966	1.3	27,810	0.8
Subtotal	<u>3,603,395</u>	<u>100.0</u>	<u>3,348,731</u>	<u>100.0</u>
Personal loans and advances				
Head Office	92	-	-	-
Yangtze River Delta	318,739	31.2	252,867	32.1
Pearl River Delta	207,988	20.4	167,321	21.2
Bohai Rim	132,129	13.0	104,369	13.2
Central China	112,674	11.0	80,601	10.2
Western China	213,221	20.9	162,045	20.5
Northeastern China	35,571	3.5	22,139	2.8
Overseas	174	-	114	-
Subtotal	<u>1,020,588</u>	<u>100.0</u>	<u>789,456</u>	<u>100.0</u>
Gross loans and advances to customers	<u><u>4,623,983</u></u>		<u><u>4,138,187</u></u>	

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49. FINANCIAL RISK MANAGEMENT - continued

Credit risk - continued

Loans and advances to customers - continued

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

	<u>THE BANK</u>			
	<u>30.6.2010</u>		<u>31.12.2009</u>	
	<u>Amount</u>	<u>% of total</u>	<u>Amount</u>	<u>% of total</u>
Corporate loans and advances				
Head Office	80,225	2.2	121,899	3.6
Yangtze River Delta	976,446	27.1	894,868	26.7
Pearl River Delta	469,075	13.0	446,597	13.3
Bohai Rim	664,894	18.5	601,191	18.0
Central China	443,507	12.3	407,555	12.2
Western China	802,813	22.3	739,592	22.1
Northeastern China	120,469	3.3	109,219	3.3
Overseas	45,893	1.3	27,810	0.8
Subtotal	<u>3,603,322</u>	<u>100.0</u>	<u>3,348,731</u>	<u>100.0</u>
Personal loans and advances				
Head Office	92	-	-	-
Yangtze River Delta	318,739	31.2	252,867	32.1
Pearl River Delta	207,988	20.4	167,321	21.2
Bohai Rim	132,129	13.0	104,369	13.2
Central China	112,674	11.0	80,601	10.2
Western China	213,221	20.9	162,045	20.5
Northeastern China	35,571	3.5	22,139	2.8
Overseas	2	-	4	-
Subtotal	<u>1,020,416</u>	<u>100.0</u>	<u>789,346</u>	<u>100.0</u>
Gross loans and advances to customers	<u><u>4,623,738</u></u>		<u><u>4,138,077</u></u>	

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49. FINANCIAL RISK MANAGEMENT - continued

Credit risk - continued

Loans and advances to customers - continued

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

THE GROUP

	As at 30 June 2010			
	Less than <u>1 year</u>	1 to 5 <u>years</u>	More than <u>5 years</u>	<u>Total</u>
Unsecured loans	310,172	286,867	315,964	913,003
Guaranteed loans	629,655	323,013	347,674	1,300,342
Collateralised and other secured loans				
- loans secured by property and other immovable assets	639,580	533,437	715,235	1,888,252
- other pledged loans	257,616	29,943	234,827	522,386
Total	<u>1,837,023</u>	<u>1,173,260</u>	<u>1,613,700</u>	<u>4,623,983</u>

	As at 31 December 2009			
	Less than <u>1 year</u>	1 to 5 <u>years</u>	More than <u>5 years</u>	<u>Total</u>
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>

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49. FINANCIAL RISK MANAGEMENT - continued

Credit risk - continued

Loans and advances to customers - continued

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

THE BANK

	As at 30 June 2010			
	Less than <u>1 year</u>	1 to 5 <u>years</u>	More than <u>5 years</u>	<u>Total</u>
Unsecured loans	310,172	286,867	315,964	913,003
Guaranteed loans	629,655	323,013	347,674	1,300,342
Collateralised and other secured loans				
- loans secured by property and other immovable assets	639,335	533,437	715,235	1,888,007
- other pledged loans	257,616	29,943	234,827	522,386
Total	<u>1,836,778</u>	<u>1,173,260</u>	<u>1,613,700</u>	<u>4,623,738</u>

	As at 31 December 2009			
	Less than <u>1 year</u>	1 to 5 <u>years</u>	More than <u>5 years</u>	<u>Total</u>
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>

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49. FINANCIAL RISK MANAGEMENT - continued

Credit risk - continued

Loans and advances to customers - continued

(4) Past due loans

THE GROUP AND THE BANK

	As at 30 June 2010				
	Up to 90 days (including 90 days)	91-360 days	361 days to 3 years	Over 3 years	Total
Unsecured loans	2,549	367	929	232	4,077
Guaranteed loans	7,661	3,066	13,858	1,966	26,551
Collateralised and other secured loans					
- loans secured by property and other immovable assets	14,760	5,476	22,214	1,946	44,396
- other pledged loans	725	433	5,822	277	7,257
Total	<u>25,695</u>	<u>9,342</u>	<u>42,823</u>	<u>4,421</u>	<u>82,281</u>

	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	<u>20,417</u>	<u>16,299</u>	<u>40,233</u>	<u>1,201</u>	<u>78,150</u>

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.

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49. FINANCIAL RISK MANAGEMENT - continued

Credit risk - continued

Loans and advances to customers - continued

(5) Credit quality of loans and advances to customers

	<u>THE GROUP</u>	
	<u>30.6.2010</u>	<u>31.12.2009</u>
Neither past due nor impaired (i)	4,496,746	4,003,287
Past due but not impaired (ii)	20,151	14,659
Impaired (iii)	<u>107,086</u>	<u>120,241</u>
Subtotal	4,623,983	4,138,187
Less: Allowance for impairment losses of loans and advances to customers	<u>(145,753)</u>	<u>(126,692)</u>
Loans and advances to customers	<u><u>4,478,230</u></u>	<u><u>4,011,495</u></u>

	<u>THE BANK</u>	
	<u>30.6.2010</u>	<u>31.12.2009</u>
Neither past due nor impaired (i)	4,496,501	4,003,177
Past due but not impaired (ii)	20,151	14,659
Impaired (iii)	<u>107,086</u>	<u>120,241</u>
Subtotal	4,623,738	4,138,077
Less: Allowance for impairment losses of loans and advances to customers	<u>(145,752)</u>	<u>(126,691)</u>
Loans and advances to customers	<u><u>4,477,986</u></u>	<u><u>4,011,386</u></u>

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49. FINANCIAL RISK MANAGEMENT - continued

Credit risk - continued

Loans and advances to customers - continued

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

(i) Loans and advances neither past due nor impaired

THE GROUP

	<u>As at 30 June 2010</u>		
	<u>Normal</u>	<u>Special mention</u>	<u>Total</u>
Corporate loans and advances	3,220,454	283,372	3,503,826
Personal loans and advances	979,010	13,910	992,920
Total	<u>4,199,464</u>	<u>297,282</u>	<u>4,496,746</u>

	<u>As at 31 December 2009</u>		
	<u>Normal</u>	<u>Special mention</u>	<u>Total</u>
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>

THE BANK

	<u>As at 30 June 2010</u>		
	<u>Normal</u>	<u>Special mention</u>	<u>Total</u>
Corporate loans and advances	3,220,380	283,372	3,503,752
Personal loans and advances	978,839	13,910	992,749
Total	<u>4,199,219</u>	<u>297,282</u>	<u>4,496,501</u>

	<u>As at 31 December 2009</u>		
	<u>Normal</u>	<u>Special mention</u>	<u>Total</u>
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>

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49. FINANCIAL RISK MANAGEMENT - continued

Credit risk - continued

Loans and advances to customers - continued

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

(ii) Loans and advances past due but not impaired

THE GROUP AND THE BANK

	As at 30 June 2010			Total	Fair value of collateral
	Up to 30 days (including 30 days)	30 - 60 days (including 60 days)	60 - 90 days (including 90 days)		
Corporate loans and advances	2,650	626	22	3,298	4,337
Personal loans and advances	13,523	2,442	888	16,853	23,714
Total	16,173	3,068	910	20,151	28,051

	As at 31 December 2009			Total	Fair value of collateral
	Up to 30 days (including 30 days)	30 - 60 days (including 60 days)	60 - 90 days (including 90 days)		
Corporate loans and advances	720	39	77	836	1,085
Personal loans and advances	10,323	2,253	1,247	13,823	20,836
Total	11,043	2,292	1,324	14,659	21,921

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49. FINANCIAL RISK MANAGEMENT - continued

Credit risk - continued

Loans and advances to customers - continued

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

(iii) Impaired loans and advances

THE GROUP AND THE BANK

	<u>As at 30 June 2010</u>		
	<u>Book value</u>	<u>Impairment</u>	<u>Net value</u>
Individually assessed	96,270	(55,303)	40,967
Collectively assessed	<u>10,816</u>	<u>(5,830)</u>	<u>4,986</u>
Total	<u>107,086</u>	<u>(61,133)</u>	<u>45,953</u>

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

Including:

	<u>30.6.2010</u>	<u>31.12.2009</u>
Individually assessed and impaired	<u>96,270</u>	<u>109,169</u>
Individually assessed and impaired %	<u>2.08%</u>	<u>2.64%</u>
Fair value of collateral	<u>10,376</u>	<u>18,349</u>

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49. FINANCIAL RISK MANAGEMENT - continued

Credit risk - continued

Loans and advances to customers - continued

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

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

THE GROUP AND THE BANK

	<u>30.6.2010</u>		<u>31.12.2009</u>	
	<u>Amount</u>	<u>% of total</u>	<u>Amount</u>	<u>% of total</u>
Head Office	2,023	1.9	2,127	1.8
Yangtze River Delta	18,238	17.0	22,194	18.5
Pearl River Delta	12,153	11.3	14,888	12.4
Bohai Rim	17,352	16.2	19,642	16.3
Central China	15,349	14.3	16,086	13.4
Western China	36,116	33.8	38,840	32.3
Northeastern China	5,556	5.2	6,146	5.1
Overseas	299	0.3	318	0.2
Total	<u>107,086</u>	<u>100.0</u>	<u>120,241</u>	<u>100.0</u>

(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 30 June 2010 and 31 December 2009 were RMB9,959 million and RMB11,675 million, respectively.

(7) Assets foreclosed under credit enhancement arrangement

The Group disclosed such assets in Note 29(3).

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49. FINANCIAL RISK MANAGEMENT - continued

Credit risk - continued

Debt securities

Credit quality of debt securities

	<u>THE GROUP</u>	
	<u>30.6.2010</u>	<u>31.12.2009</u>
Neither past due nor impaired (i)	2,589,023	2,606,881
Impaired (ii)	<u>8,405</u>	<u>9,173</u>
Subtotal	2,597,428	2,616,054
Less: Allowance for impairment	<u>(179)</u>	<u>(210)</u>
	<u>2,597,249</u>	<u>2,615,844</u>

	<u>THE BANK</u>	
	<u>30.6.2010</u>	<u>31.12.2009</u>
Neither past due nor impaired (i)	2,588,930	2,606,881
Impaired (ii)	<u>8,405</u>	<u>9,173</u>
Subtotal	2,597,335	2,616,054
Less: Allowance for impairment	<u>(179)</u>	<u>(210)</u>
	<u>2,597,156</u>	<u>2,615,844</u>

AGRICULTURAL BANK OF CHINA LIMITED

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49. FINANCIAL RISK MANAGEMENT - continued

Credit risk - continued

Debt securities - continued

Credit quality of debt securities - continued

(i) Debt securities neither past due nor impaired

THE GROUP

	As at 30 June 2010				
	Financial assets at FVTPL	Available-for- sale financial assets	Held-to- maturity investments	Debt securities classified as receivables	Total
Government bonds	19,108	335,212	671,193	-	1,025,513
Public sector, quasi- government bonds	7,610	155,082	317,490	-	480,182
Financial institution bonds	4,980	18,543	40,614	11,759	75,896
Corporate bonds	8,185	91,096	51,619	-	150,900
Special government bond	-	-	-	93,300	93,300
Certificate treasury bonds and savings treasury bonds	-	-	-	30,868	30,868
PBOC's designated bills	-	-	-	73,923	73,923
PBOC's special bills	-	-	-	112	112
Receivable from the MOF	-	-	-	601,181	601,181
Credit notes issued by trust companies	57,148	-	-	-	57,148
Total	97,031	599,933	1,080,916	811,143	2,589,023

THE BANK

	As at 30 June 2010				
	Financial assets at FVTPL	Available-for- sale financial assets	Held-to- maturity investments	Debt securities classified as receivables	Total
Government bonds	19,108	335,211	671,193	-	1,025,512
Public sector, quasi- government bonds	7,610	155,082	317,474	-	480,166
Financial institution bonds	4,980	18,543	40,614	11,759	75,896
Corporate bonds	8,185	91,084	51,555	-	150,824
Special government bond	-	-	-	93,300	93,300
Certificate treasury bonds and savings treasury bonds	-	-	-	30,868	30,868
PBOC's designated bills	-	-	-	73,923	73,923
PBOC's special bills	-	-	-	112	112
Receivable from the MOF	-	-	-	601,181	601,181
Credit notes issued by trust companies	57,148	-	-	-	57,148
Total	97,031	599,920	1,080,836	811,143	2,588,930

AGRICULTURAL BANK OF CHINA LIMITED

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49. FINANCIAL RISK MANAGEMENT - continued

Credit risk - continued

Debt securities - continued

Credit quality of debt securities - continued

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

THE GROUP AND THE BANK

	As at 31 December 2009				
	Financial assets at FVTPL	Available-for- sale financial assets	Held-to- maturity investments	Debt securities classified as receivables	Total
Government bonds	18,389	476,700	536,566	-	1,031,655
Public sector, quasi- government bonds	24,620	157,027	263,890	-	445,537
Financial institution bonds	6,245	18,164	41,504	9,306	75,219
Corporate bonds	8,797	70,713	40,288	-	119,798
Special government bond	-	-	-	93,300	93,300
Certificate treasury bonds and savings treasury bonds	-	-	-	32,193	32,193
PBOC's designated bills	-	-	-	119,744	119,744
PBOC's special bills	-	-	-	112	112
Receivable from the MOF	-	-	-	635,539	635,539
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>

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49. FINANCIAL RISK MANAGEMENT - continued

Credit risk - continued

Debt securities - continued

Credit quality of debt securities - continued

(ii) Impaired debt securities

THE GROUP AND THE BANK

	As at 30 June 2010			
	Available- for-sale financial <u>assets</u>	Held-to- maturity <u>investments</u>	Debt securities classified as <u>receivables</u>	<u>Total</u>
Public sector, quasi- government bonds	1,383	562	-	1,945
Financial institution bonds	4,909	1,212	-	6,121
Corporate bonds	-	246	93	339
Total	<u>6,292</u>	<u>2,020</u>	<u>93</u>	<u>8,405</u>

	As at 31 December 2009			
	Available- for-sale financial <u>assets</u>	Held-to- maturity <u>investments</u>	Debt securities classified as <u>receivables</u>	<u>Total</u>
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>

AGRICULTURAL BANK OF CHINA LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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49. FINANCIAL RISK MANAGEMENT - continued

Credit risk - continued

Debt securities - continued

Debt securities analysed by credit rating and credit risk characteristic

THE GROUP

	As at 30 June 2010					
	<u>Unrated</u>	<u>AAA</u>	<u>AA</u>	<u>A</u>	<u>Lower than A</u>	<u>Total</u>
Government bonds	1,024,486	332	74	619	-	1,025,511
Public sector and						
quasi-government bonds	452,317	26,406	-	3,223	180	482,126
Financial institution bonds	6,250	59,605	6,419	8,772	882	81,928
Corporate bonds	5,491	86,551	12,292	45,904	914	151,152
Receivable from the MOF	601,181	-	-	-	-	601,181
Special government bond	93,300	-	-	-	-	93,300
Certificate treasury bonds and						
savings treasury bonds	30,868	-	-	-	-	30,868
PBOC's designated bills	73,923	-	-	-	-	73,923
PBOC's special bills	112	-	-	-	-	112
Credit notes issued by trust						
companies	57,148	-	-	-	-	57,148
Total	<u>2,345,076</u>	<u>172,894</u>	<u>18,785</u>	<u>58,518</u>	<u>1,976</u>	<u>2,597,249</u>

THE BANK

	As at 30 June 2010					
	<u>Unrated</u>	<u>AAA</u>	<u>AA</u>	<u>A</u>	<u>Lower than A</u>	<u>Total</u>
Government bonds	1,024,486	332	74	619	-	1,025,511
Public sector and						
quasi-government bonds	452,300	26,406	-	3,223	180	482,109
Financial institution bonds	6,250	59,605	6,419	8,772	882	81,928
Corporate bonds	5,415	86,551	12,292	45,904	914	151,076
Receivable from the MOF	601,181	-	-	-	-	601,181
Special government bond	93,300	-	-	-	-	93,300
Certificate treasury bonds						
savings treasury bonds	30,868	-	-	-	-	30,868
PBOC's designated bills	73,923	-	-	-	-	73,923
PBOC's special bills	112	-	-	-	-	112
Credit notes issued by trust						
companies	57,148	-	-	-	-	57,148
Total	<u>2,344,983</u>	<u>172,894</u>	<u>18,785</u>	<u>58,518</u>	<u>1,976</u>	<u>2,597,156</u>

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49. FINANCIAL RISK MANAGEMENT - continued

Credit risk - continued

Debt securities - continued

Debt securities analysed by credit rating and credit risk characteristic - continued

THE GROUP AND THE 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 and savings treasury bonds	32,193	-	-	-	-	32,193
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>

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.

AGRICULTURAL BANK OF CHINA LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2010

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49. FINANCIAL RISK MANAGEMENT - continued

Liquidity risk - continued

Analysis of the remaining maturity of the financial assets and liabilities

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

THE GROUP

	As at 30 June 2010							
	Past due/ undated	On demand	Less than 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Total
Cash and balances with central banks	1,453,778	218,697	-	-	-	154,000	-	1,826,475
Deposits with banks and other financial institutions	-	47,881	1,030	19,219	11,395	14	-	79,539
Placements with banks and other financial institutions	-	543	34,291	3,460	16,057	3,439	-	57,790
Financial assets held for trading	-	-	126	481	12,452	9,567	1,468	24,094
Financial assets designated as at fair value through profit or loss	-	1,183	8,699	8,802	27,017	24,137	3,255	73,093
Derivative financial assets	-	27	340	437	1,314	740	2,848	5,706
Financial assets held under resale agreements	-	-	210,759	145,155	75,393	-	-	431,307
Loans and advances to customers	72,668	23	194,124	358,205	1,439,970	1,211,531	1,201,709	4,478,230
Available-for-sale financial assets	452	-	33,010	62,051	142,692	229,729	138,743	606,677
Held-to-maturity investments	-	-	92,134	60,452	224,539	454,451	251,268	1,082,844
Debt securities classified as receivables	6	-	19,000	57,013	8,885	21,506	704,739	811,149
Other financial assets	3,051	10,224	9,802	17,378	10,562	1,458	-	52,475
Total financial assets	1,529,955	278,578	603,315	732,653	1,970,276	2,110,572	2,304,030	9,529,379
Borrowings from central bank	-	(30)	-	-	-	-	-	(30)
Deposits from banks and other financial institutions	-	(314,988)	(13,468)	(5,450)	(20,768)	(147,651)	(15,000)	(517,325)
Placements from banks and other financial institutions	-	-	(13,208)	(10,678)	(4,444)	(67)	(150)	(28,547)
Financial liabilities held for trading	-	-	(344)	-	-	-	-	(344)
Financial liabilities designated as at fair value through profit or loss	-	-	(19,611)	(7,024)	(36,661)	(2,330)	(71)	(65,697)
Financial assets sold under repurchase agreements	-	-	(91,700)	(23,675)	(5,295)	-	-	(120,670)
Derivative financial liabilities	-	(193)	(205)	(651)	(1,019)	(1,281)	(5,141)	(8,490)
Due to customers	-	(5,045,294)	(325,532)	(578,451)	(1,916,665)	(481,076)	(1,802)	(8,348,820)
Debt securities issued	-	-	(305)	(204)	(2,606)	(29,086)	(24,978)	(57,179)
Other financial liabilities	-	(42,917)	(6,157)	(10,533)	(30,936)	(22,195)	(7)	(112,745)
Total financial liabilities	-	(5,403,422)	(470,530)	(636,666)	(2,018,394)	(683,686)	(47,149)	(9,259,847)
Net position	1,529,955	(5,124,844)	132,785	95,987	(48,118)	1,426,886	2,256,881	269,532

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49. FINANCIAL RISK MANAGEMENT - continued

Liquidity risk - continued

Analysis of the remaining maturity of the financial assets and liabilities - continued

THE GROUP - continued

	As at 31 December 2009							Total
	Past due/ undated	On demand	Less than 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
Total financial assets	1,229,392	198,013	522,374	911,916	1,825,948	1,894,914	2,135,936	8,718,493
Borrowings from central bank	-	(30)	-	-	-	(28)	-	(58)
Deposits from banks and other financial institutions	-	(267,459)	(39,212)	(75,431)	(45,172)	(146,675)	-	(573,949)
Placements from banks and other financial institutions	-	-	(18,249)	(6,162)	(1,685)	(67)	(149)	(26,312)
Financial liabilities held for trading	-	(56)	-	-	-	-	-	(56)
Financial liabilities designated as at fair value through profit or loss	-	-	(46,283)	(18,602)	(46,341)	(2,537)	(80)	(113,843)
Financial assets sold under repurchase agreements	-	-	(75,094)	(10,561)	(15,157)	-	-	(100,812)
Derivative financial liabilities	-	-	(160)	(202)	(550)	(1,140)	(5,638)	(7,690)
Due to customers	-	(4,492,349)	(319,646)	(602,158)	(1,602,159)	(479,593)	(1,713)	(7,497,618)
Debt securities issued	-	-	-	-	(1,354)	(28,848)	(24,977)	(55,179)
Other financial liabilities	-	(49,081)	(12,233)	(11,503)	(23,195)	(23,701)	(3)	(119,716)
Total financial liabilities	-	(4,808,975)	(510,877)	(724,619)	(1,735,613)	(682,589)	(32,560)	(8,495,233)
Net position	1,229,392	(4,610,962)	11,497	187,297	90,335	1,212,325	2,103,376	223,260

AGRICULTURAL BANK OF CHINA LIMITED

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(Amounts in millions of Renminbi, unless otherwise stated)

49. FINANCIAL RISK MANAGEMENT - continued

Liquidity risk - continued

Analysis of the remaining maturity of the financial assets and liabilities - continued

THE BANK

	As at 30 June 2010							Total
	Past due/ undated	On demand	Less than 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	
Cash and balances with central banks	1,453,777	218,593	-	-	-	154,000	-	1,826,370
Deposits with banks and other financial institutions	-	47,518	1,030	19,219	11,395	14	-	79,176
Placements with banks and other financial institutions	-	543	34,291	3,460	16,057	3,439	-	57,790
Financial assets held for trading	-	-	126	481	12,452	9,567	1,468	24,094
Financial assets designated as at fair value through profit or loss	-	1,183	8,699	8,802	27,017	24,137	3,255	73,093
Derivative financial assets	-	27	340	437	1,314	740	2,848	5,706
Financial assets held under resale agreements	-	-	210,739	145,155	75,393	-	-	431,287
Loans and advances to customers	72,668	23	194,124	358,205	1,439,726	1,211,531	1,201,709	4,477,986
Available-for-sale financial assets	390	-	33,010	62,051	142,692	229,716	138,743	606,602
Held-to-maturity investments	-	-	92,134	60,452	224,539	454,371	251,268	1,082,764
Debt securities classified as receivables	6	-	19,000	57,013	8,885	21,506	704,739	811,149
Other financial assets	3,042	10,019	9,800	17,378	10,562	1,458	-	52,259
Total financial assets	1,529,883	277,906	603,293	732,653	1,970,032	2,110,479	2,304,030	9,528,276
Borrowings from central bank	-	(30)	-	-	-	-	-	(30)
Deposits from banks and other financial institutions	-	(316,251)	(13,468)	(5,450)	(20,768)	(147,651)	(15,000)	(518,588)
Placements from banks and other financial institutions	-	-	(13,208)	(10,678)	(4,444)	(67)	(150)	(28,547)
Financial liabilities held for trading	-	-	(344)	-	-	-	-	(344)
Financial liabilities designated as at fair value through profit or loss	-	-	(19,611)	(7,024)	(36,661)	(2,330)	(71)	(65,697)
Financial assets sold under repurchase agreements	-	-	(91,700)	(23,675)	(5,295)	-	-	(120,670)
Derivative financial liabilities	-	(193)	(205)	(651)	(1,019)	(1,281)	(5,141)	(8,490)
Due to customers	-	(5,045,062)	(325,532)	(578,451)	(1,916,608)	(481,076)	(1,802)	(8,348,531)
Debt securities issued	-	-	(305)	(204)	(2,606)	(29,086)	(24,978)	(57,179)
Other financial liabilities	-	(42,203)	(6,158)	(10,533)	(30,936)	(22,195)	(7)	(112,032)
Total financial liabilities	-	(5,403,739)	(470,531)	(636,666)	(2,018,337)	(683,686)	(47,149)	(9,260,108)
Net position	1,529,883	(5,125,833)	132,762	95,987	(48,305)	1,426,793	2,256,881	268,168

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(Amounts in millions of Renminbi, unless otherwise stated)

49. FINANCIAL RISK MANAGEMENT - continued

Liquidity risk - continued

Analysis of the remaining maturity of the financial assets and liabilities - continued

THE BANK - continued

	As at 31 December 2009							Total
	Past due/ undated	On demand	Less than 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
Total financial assets	1,229,311	197,604	522,354	911,906	1,825,839	1,894,912	2,135,936	8,717,862
Borrowings from central bank	-	(30)	-	-	-	(28)	-	(58)
Deposits from banks and other financial institutions	-	(268,304)	(39,212)	(75,431)	(45,172)	(146,675)	-	(574,794)
Placements from banks and other financial institutions	-	-	(18,249)	(6,162)	(1,685)	(67)	(149)	(26,312)
Financial liabilities held for trading	-	(56)	-	-	-	-	-	(56)
Financial liabilities designated as at fair value through profit or loss	-	-	(46,283)	(18,602)	(46,341)	(2,537)	(80)	(113,843)
Financial assets sold under repurchase agreement	-	-	(75,094)	(10,561)	(15,157)	-	-	(100,812)
Derivative financial liabilities	-	-	(160)	(202)	(550)	(1,140)	(5,638)	(7,690)
Due to customers	-	(4,492,221)	(319,646)	(602,158)	(1,602,111)	(479,593)	(1,713)	(7,497,442)
Debt securities issued	-	-	-	-	(1,354)	(28,848)	(24,977)	(55,179)
Other financial liabilities	-	(48,688)	(12,233)	(11,503)	(23,195)	(23,698)	(3)	(119,320)
Total financial liabilities	-	(4,809,299)	(510,877)	(724,619)	(1,735,565)	(682,586)	(32,560)	(8,495,506)
Net position	1,229,311	(4,611,695)	11,477	187,287	90,274	1,212,326	2,103,376	222,356

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(Amounts in millions of Renminbi, unless otherwise stated)

49. FINANCIAL RISK MANAGEMENT - continued

Liquidity risk - continued

Analysis of the undiscounted contractual cash flows

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

THE GROUP

	As at 30 June 2010							
	Past due/ undated	On demand	Less than 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Total
Non-derivative financial assets								
Cash and balances with central banks	1,453,778	218,697	-	591	-	162,188	-	1,835,254
Deposits with banks and other financial institutions	-	47,888	1,035	19,365	11,576	14	-	79,878
Placements with banks and other financial institutions	-	543	34,350	3,614	16,278	3,475	-	58,260
Financial assets held for trading	-	-	130	511	12,938	10,309	1,574	25,462
Financial assets designated as at fair value through profit or loss	-	1,183	9,046	9,106	28,332	26,497	4,389	78,553
Financial assets held under resale agreements	-	-	213,313	146,819	77,994	-	-	438,126
Loans and advances to customers	109,800	23	201,736	376,850	1,553,781	1,533,442	1,977,968	5,753,600
Available-for-sale financial assets	452	-	33,913	65,843	152,624	264,672	161,155	678,659
Held-to-maturity investments	-	-	93,937	65,681	245,669	525,944	311,077	1,242,308
Debt securities classified as receivables	7	-	19,917	65,572	24,452	112,477	884,083	1,106,508
Other financial assets	2,068	11,754	1,040	125	416	-	-	15,403
Total non-derivative financial assets	1,566,105	280,088	608,417	754,077	2,124,060	2,639,018	3,340,246	11,312,011
Non-derivative financial liabilities								
Borrowings from central bank	-	(30)	-	-	-	-	-	(30)
Deposits from banks and other financial institutions	-	(315,061)	(13,565)	(5,714)	(23,004)	(160,786)	(15,052)	(533,182)
Placements from banks and other financial institutions	-	-	(13,257)	(10,716)	(4,472)	(74)	(158)	(28,677)
Financial liabilities held for trading	-	-	(344)	-	-	-	-	(344)
Financial liabilities designated as at fair value through profit or loss	-	-	(19,736)	(7,184)	(37,322)	(2,433)	(104)	(66,779)
Financial assets sold under repurchase agreements	-	-	(91,798)	(24,012)	(5,395)	-	-	(121,205)
Due to customers	-	(5,047,428)	(330,416)	(590,984)	(1,974,941)	(539,336)	(1,893)	(8,484,998)
Debt securities issued	-	-	(306)	(221)	(4,470)	(35,598)	(29,000)	(69,595)
Other financial liabilities	-	(40,710)	(1,352)	-	-	(59)	-	(42,121)
Total non-derivative financial liabilities	-	(5,403,229)	(470,774)	(638,831)	(2,049,604)	(738,286)	(46,207)	(9,346,931)
Net position	1,566,105	(5,123,141)	137,643	115,246	74,456	1,900,732	3,294,039	1,965,080

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49. FINANCIAL RISK MANAGEMENT - continued

Liquidity risk - continued

Analysis of the undiscounted contractual cash flows - continued

THE GROUP- continued

	As at 31 December 2009							Total
	Past due/ undated	On demand	Less than 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	
Non-derivative financial assets								
Cash and balances with central banks	1,211,017	152,789	-	596	2,733	161,214	-	1,528,349
Deposits with banks and other financial institutions	1	42,801	5,115	9,526	4,472	-	-	61,915
Placements with banks and other financial institutions	-	-	35,580	3,972	9,666	493	-	49,711
Financial assets held for trading	-	-	1,251	3,925	3,557	6,138	1,507	16,378
Financial assets designated as at fair value through profit or loss	-	41	1,237	5,484	39,620	43,508	18,482	108,372
Financial assets held under resale agreements	-	-	147,650	230,349	45,058	-	-	423,057
Loans and advances to customers	50,206	-	210,802	477,443	1,395,420	1,263,197	1,719,442	5,116,510
Available-for-sale financial assets	487	-	103,964	80,858	190,060	293,868	152,744	821,981
Held-to-maturity investments	-	-	23,248	97,363	170,737	477,848	238,834	1,008,030
Debt securities classified as receivables	7	-	-	23,616	133,842	108,381	934,610	1,200,456
Other financial assets	76	2,383	1,017	11	5	2	-	3,494
Total non-derivative financial assets	1,261,794	198,014	529,864	933,143	1,995,170	2,354,649	3,065,619	10,338,253
Non-derivative financial liabilities								
Borrowings from central bank	-	(30)	-	-	-	(28)	-	(58)
Deposits from banks and other financial institutions	-	(267,606)	(39,456)	(76,114)	(45,902)	(159,079)	-	(588,157)
Placements from banks and other financial institutions	-	-	(18,393)	(6,216)	(1,686)	(68)	(164)	(26,527)
Financial liabilities held for trading	-	(56)	-	-	-	-	-	(56)
Financial liabilities designated as at fair value through profit or loss	-	-	(46,351)	(18,821)	(46,973)	(2,699)	(107)	(114,951)
Financial assets sold under repurchase agreements	-	-	(75,201)	(10,669)	(15,298)	-	-	(101,168)
Due to customers	-	(4,495,021)	(325,203)	(615,418)	(1,648,619)	(541,629)	(1,731)	(7,627,621)
Debt securities issued	-	-	-	(1)	(4,258)	(36,080)	(30,000)	(70,339)
Other financial liabilities	-	(46,262)	(6,627)	(1)	(2)	(62)	-	(52,954)
Total non-derivative financial liabilities	-	(4,808,975)	(511,231)	(727,240)	(1,762,738)	(739,645)	(32,002)	(8,581,831)
Net position	1,261,794	(4,610,961)	18,633	205,903	232,432	1,615,004	3,033,617	1,756,422

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49. FINANCIAL RISK MANAGEMENT - continued

Liquidity risk - continued

Analysis of the undiscounted contractual cash flows - continued

THE BANK

	As at 30 June 2010						
	Past due/ undated	On demand	Less than 1 month	1-3 months	3-12 months	1-5 years	Over 5 years
Non-derivative financial assets							
Cash and balances with central banks	1,453,777	218,593	-	592	-	162,188	-
Deposit with banks and other financial institutions	-	47,524	1,035	19,365	11,576	14	-
Placements with banks and other financial institutions	-	543	34,350	3,614	16,278	3,475	-
Financial assets held for trading	-	-	130	511	12,938	10,309	1,574
Financial assets designated as at fair value through profit or loss	-	1,183	9,046	9,106	28,332	26,497	4,389
Financial assets held under resale agreements	-	-	213,292	146,819	77,994	-	-
Loans and advances to customers	109,800	23	201,736	376,850	1,553,536	1,533,442	1,977,968
Available-for-sale financial assets	390	-	33,913	65,843	152,624	264,659	161,155
Held-to-maturity investments	-	-	93,937	65,681	245,669	525,863	311,077
Debt securities classified as receivables	7	-	19,917	65,572	24,452	112,477	884,083
Other financial assets	2,059	11,551	1,040	125	416	-	-
Total non-derivative financial assets	1,566,033	279,417	608,396	754,078	2,123,815	2,638,924	3,340,246
Non-derivative financial liabilities							
Borrowings from central bank	-	(30)	-	-	-	-	-
Deposits from banks and other financial institutions	-	(316,325)	(13,565)	(5,714)	(23,004)	(160,786)	(15,052)
Placements from banks and other financial institutions	-	-	(13,257)	(10,716)	(4,472)	(74)	(158)
Financial liabilities held for trading	-	-	(344)	-	-	-	-
Financial liabilities designated as at fair value through profit or loss	-	-	(19,736)	(7,184)	(37,322)	(2,433)	(104)
Financial assets sold under repurchase agreement	-	-	(91,798)	(24,012)	(5,395)	-	-
Due to customers	-	(5,047,195)	(330,416)	(590,984)	(1,974,884)	(539,336)	(1,893)
Debt securities issued	-	-	(306)	(221)	(4,470)	(35,598)	(29,000)
Other financial liabilities	-	(39,996)	(1,353)	-	-	(59)	-
Total non-derivative financial liabilities	-	(5,403,546)	(470,775)	(638,831)	(2,049,547)	(738,286)	(46,207)
Net position	1,566,033	(5,124,129)	137,621	115,247	74,268	1,900,638	3,294,039

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49. FINANCIAL RISK MANAGEMENT - continued

Liquidity risk - continued

Analysis of the undiscounted contractual cash flows - continued

THE BANK - continued

	As at 31 December 2009							
	Past due/ undated	On demand	Less than 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Total
Non-derivative financial assets								
Cash and balances with central banks	1,210,974	152,788	-	596	2,733	161,214	-	1,528,305
Deposit with banks and other financial institutions	-	42,393	5,115	9,526	4,472	-	-	61,506
Placements with banks and other financial institutions	-	-	35,580	3,972	9,666	493	-	49,711
Financial assets held for trading	-	-	1,251	3,925	3,557	6,138	1,507	16,378
Financial assets designated as at fair value through profit or loss	-	41	1,237	5,484	39,620	43,508	18,482	108,372
Financial assets held under resale agreements	-	-	147,650	230,349	45,058	-	-	423,057
Loans and advances to customers	50,206	-	210,802	477,443	1,395,310	1,263,197	1,719,442	5,116,400
Available-for-sale financial assets	487	-	103,964	80,858	190,060	293,868	152,744	821,981
Held-to-maturity investments	-	-	23,248	97,363	170,737	477,848	238,834	1,008,030
Debt securities classified as receivables	7	-	-	23,616	133,842	108,381	934,610	1,200,456
Other financial assets	39	2,383	997	1	5	-	-	3,425
Total non-derivative financial assets	1,261,713	197,605	529,844	933,133	1,995,060	2,354,647	3,065,619	10,337,621
Non-derivative financial liabilities								
Borrowings from central bank	-	(30)	-	-	-	(28)	-	(58)
Deposits from banks and other financial institutions	-	(268,451)	(39,456)	(76,114)	(45,902)	(159,079)	-	(589,002)
Placements from banks and other financial institutions	-	-	(18,393)	(6,216)	(1,686)	(68)	(164)	(26,527)
Financial liabilities held for trading	-	(56)	-	-	-	-	-	(56)
Financial liabilities designated as at fair value through profit or loss	-	-	(46,351)	(18,821)	(46,973)	(2,699)	(107)	(114,951)
Financial assets sold under repurchase agreement	-	-	(75,201)	(10,669)	(15,298)	-	-	(101,168)
Due to customers	-	(4,494,893)	(325,203)	(615,418)	(1,648,570)	(541,629)	(1,731)	(7,627,444)
Debt securities issued	-	-	-	(1)	(4,258)	(36,080)	(30,000)	(70,339)
Other financial liabilities	-	(45,869)	(6,627)	(1)	(2)	(59)	-	(52,558)
Total non-derivative financial liabilities	-	(4,809,299)	(511,231)	(727,240)	(1,762,689)	(739,642)	(32,002)	(8,582,103)
Net position	1,261,713	(4,611,694)	18,613	205,893	232,371	1,615,005	3,033,617	1,755,518

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

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49. FINANCIAL RISK MANAGEMENT - continued

Liquidity risk - continued

Derivative cash flows

Derivatives settled on a net basis

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

THE GROUP AND THE BANK

	As at 30 June 2010					
	Less than <u>1 month</u>	1-3 <u>months</u>	3-12 <u>months</u>	1-5 <u>years</u>	Over <u>5 years</u>	<u>Total</u>
Interest rate derivatives	(50)	(49)	(282)	(513)	(130)	(1,024)

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

Derivatives settled on a gross basis

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

THE GROUP AND THE BANK

	As at 30 June 2010					
	<u>Less than 1 month</u>	<u>1-3 months</u>	<u>3-12 months</u>	<u>1-5 years</u>	<u>Over 5 years</u>	<u>Total</u>
Exchange rate derivatives						
- Inflow	62,225	71,319	147,507	9,324	1,326	291,701
- Outflow	<u>(62,129)</u>	<u>(71,596)</u>	<u>(147,216)</u>	<u>(10,220)</u>	<u>(2,411)</u>	<u>(293,572)</u>
Total	96	(277)	291	(896)	(1,085)	(1,871)

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49. FINANCIAL RISK MANAGEMENT - continued

Liquidity risk - continued

Derivative cash flows - continued

Derivatives settled on a gross basis - continued

THE GROUP AND THE BANK - continued

	As at 31 December 2009					<u>Total</u>
	Less than <u>1 month</u>	1-3 <u>months</u>	3-12 <u>months</u>	1-5 <u>years</u>	Over <u>5 years</u>	
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	<u>17</u>	<u>(128)</u>	<u>(56)</u>	<u>(920)</u>	<u>(1,273)</u>	<u>(2,360)</u>

Off-balance sheet items

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

THE GROUP AND THE BANK

	As at 30 June 2010			<u>Total</u>
	Less than <u>1 year</u>	<u>1-5 years</u>	Over <u>5 years</u>	
Loan commitments	764,527	34,383	199,570	998,480
Letters of credit	52,774	1,840	-	54,614
Letters of guarantee	48,702	51,449	68,493	168,644
Acceptances	284,762	-	-	284,762
Total	<u>1,150,765</u>	<u>87,672</u>	<u>268,063</u>	<u>1,506,500</u>

	As at 31 December 2009			<u>Total</u>
	Less than <u>1 year</u>	<u>1-5 years</u>	Over <u>5 years</u>	
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>

49. FINANCIAL RISK MANAGEMENT - continued

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.

Foreign currency risk

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

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

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49. FINANCIAL RISK MANAGEMENT - continued

Market risk - continued

Foreign currency risk - continued

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

THE GROUP

	As at 30 June 2010				
	RMB	USD RMB equivalent	HKD RMB equivalent	Other currencies RMB equivalent	Total
Cash and balances with central banks	1,819,072	5,717	1,037	649	1,826,475
Deposits with banks and other financial institutions	33,748	32,417	2,909	10,465	79,539
Placements with banks and other financial institutions	32,339	25,224	95	132	57,790
Financial assets held for trading	23,943	151	-	-	24,094
Financial assets designated as at fair value through profit or loss	63,567	5,358	3,753	415	73,093
Derivative financial assets	1,952	2,361	458	935	5,706
Financial assets held under resale agreements	430,875	412	20	-	431,307
Loans and advances to customers	4,288,336	167,081	18,467	4,346	4,478,230
Available-for-sale financial assets	563,198	40,767	1,420	1,292	606,677
Held-to-maturity investments	1,057,662	24,090	428	664	1,082,844
Debt securities classified as receivables	811,143	-	-	6	811,149
Other financial assets	50,198	1,658	514	105	52,475
Total financial assets	9,176,033	305,236	29,101	19,009	9,529,379
Borrowings from central bank	(30)	-	-	-	(30)
Deposits from banks and other financial institutions	(392,511)	(122,278)	(977)	(1,559)	(517,325)
Placements from banks and other financial institutions	(1,250)	(20,093)	(5,450)	(1,754)	(28,547)
Financial liabilities held for trading	-	(344)	-	-	(344)
Financial liabilities designated as at fair value through profit or loss	(63,802)	(1,895)	-	-	(65,697)
Derivative financial liabilities	(1,384)	(4,917)	(586)	(1,603)	(8,490)
Financial assets sold under repurchase agreements	(76,495)	(43,258)	(76)	(841)	(120,670)
Due to customers	(8,229,001)	(87,351)	(18,323)	(14,145)	(8,348,820)
Debt securities issued	(49,958)	(1,188)	(6,033)	-	(57,179)
Other financial liabilities	(107,211)	(5,272)	(132)	(130)	(112,745)
Total financial liabilities	(8,921,642)	(286,596)	(31,577)	(20,032)	(9,259,847)
Net position	254,391	18,640	(2,476)	(1,023)	269,532

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49. FINANCIAL RISK MANAGEMENT - continued

Market risk - continued

Foreign currency risk - continued

THE 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
Total financial assets	8,398,313	274,477	29,157	16,546	8,718,493
Borrowings from central bank	(58)	-	-	-	(58)
Deposits from banks and other financial institutions	(445,618)	(126,165)	(1,165)	(1,001)	(573,949)
Placements from banks and other financial institutions	(5,600)	(11,853)	(7,087)	(1,772)	(26,312)
Financial liabilities held for trading	(56)	-	-	-	(56)
Financial liabilities designated as at fair value through profit or loss	(109,385)	(4,367)	(84)	(7)	(113,843)
Derivative financial liabilities	(1,904)	(2,423)	(160)	(3,203)	(7,690)
Financial assets sold under repurchase agreements	(69,557)	(30,677)	(501)	(77)	(100,812)
Due to customers	(7,404,694)	(69,921)	(12,934)	(10,069)	(7,497,618)
Debt securities issued	(49,955)	(342)	(4,882)	-	(55,179)
Other financial liabilities	(118,388)	(804)	(409)	(115)	(119,716)
Total financial liabilities	(8,205,215)	(246,552)	(27,222)	(16,244)	(8,495,233)
Net position	193,098	27,925	1,935	302	223,260

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49. FINANCIAL RISK MANAGEMENT - continued

Market risk - continued

Foreign currency risk - continued

THE BANK

	As at 30 June 2010				
	RMB	USD RMB equivalent	HKD RMB equivalent	Other currencies RMB equivalent	Total
Cash and balances with central banks	1,818,967	5,717	1,037	649	1,826,370
Deposits with banks and other financial institutions	33,640	32,417	2,654	10,465	79,176
Placements with banks and other financial institutions	32,339	25,224	95	132	57,790
Financial assets held for trading	23,943	151	-	-	24,094
Financial assets designated as at fair value through profit or loss	63,567	5,358	3,753	415	73,093
Derivative financial assets	1,952	2,361	458	935	5,706
Financial assets held under resale agreements	430,875	412	-	-	431,287
Loans and advances to customers	4,288,092	167,081	18,467	4,346	4,477,986
Available-for-sale financial assets	563,198	40,767	1,345	1,292	606,602
Held-to-maturity investments	1,057,662	24,090	348	664	1,082,764
Debt securities classified as receivables	811,143	-	-	6	811,149
Other financial assets	50,144	1,937	73	105	52,259
Total financial assets	9,175,522	305,515	28,230	19,009	9,528,276
Borrowings from central bank	(30)	-	-	-	(30)
Deposits from banks and other financial institutions	(392,663)	(122,278)	(2,088)	(1,559)	(518,588)
Placements from banks and other financial institutions	(1,250)	(20,093)	(5,450)	(1,754)	(28,547)
Financial liabilities held for trading	-	(344)	-	-	(344)
Financial liabilities designated as at fair value through profit or loss	(63,802)	(1,895)	-	-	(65,697)
Derivative financial liabilities	(1,384)	(4,917)	(586)	(1,603)	(8,490)
Financial assets sold under repurchase agreements	(76,495)	(43,258)	(76)	(841)	(120,670)
Due to customers	(8,228,846)	(87,351)	(18,189)	(14,145)	(8,348,531)
Debt securities issued	(49,958)	(1,188)	(6,033)	-	(57,179)
Other financial liabilities	(105,585)	(6,288)	(29)	(130)	(112,032)
Total financial liabilities	(8,920,013)	(287,612)	(32,451)	(20,032)	(9,260,108)
Net position	255,509	17,903	(4,221)	(1,023)	268,168

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49. FINANCIAL RISK MANAGEMENT - continued

Market risk - continued

Foreign currency risk - continued

THE BANK - continued

	As at 31 December 2009				
	RMB	USD RMB equivalent	HKD RMB equivalent	Other currencies RMB equivalent	Total
Cash and balances with central banks	1,510,799	5,154	1,088	721	1,517,762
Deposit with banks and other financial institutions	19,710	37,272	545	3,758	61,285
Placements with banks and other financial institutions	19,591	29,522	87	235	49,435
Financial assets held for trading	15,346	-	-	-	15,346
Financial assets designated as at fair value through profit or loss	87,963	5,768	2,793	306	96,830
Derivative financial assets	1,421	1,281	178	1,798	4,678
Financial assets held under resale agreements	420,922	171	-	-	421,093
Loans and advances to customers	3,860,127	122,874	22,842	5,543	4,011,386
Available-for-sale financial assets	679,883	46,116	949	3,434	730,382
Held-to-maturity investments	858,168	24,682	393	672	883,915
Debt securities classified as receivables	890,193	-	-	6	890,199
Other financial assets	33,798	1,637	43	73	35,551
Total financial assets	8,397,921	274,477	28,918	16,546	8,717,862
Borrowings from central bank	(58)	-	-	-	(58)
Deposits from banks and other financial institutions	(445,759)	(126,165)	(1,869)	(1,001)	(574,794)
Placements from banks and other financial institutions	(5,600)	(11,853)	(7,087)	(1,772)	(26,312)
Financial liabilities held for trading	(56)	-	-	-	(56)
Financial liabilities designated as at fair value through profit or loss	(109,385)	(4,367)	(84)	(7)	(113,843)
Derivative financial liabilities	(1,904)	(2,423)	(160)	(3,203)	(7,690)
Financial assets sold under repurchase agreements	(69,557)	(30,677)	(501)	(77)	(100,812)
Due to customers	(7,404,518)	(69,921)	(12,934)	(10,069)	(7,497,442)
Debt securities issued	(49,955)	(342)	(4,882)	-	(55,179)
Other financial liabilities	(118,329)	(804)	(72)	(115)	(119,320)
Total financial liabilities	(8,205,121)	(246,552)	(27,589)	(16,244)	(8,495,506)
Net position	192,800	27,925	1,329	302	222,356

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49. FINANCIAL RISK MANAGEMENT - continued

Market risk - continued

Foreign currency risk - continued

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

THE GROUP

	<u>Profit before tax</u>	
	<u>30.6.2010</u>	<u>31.12.2009</u>
5% appreciation	(135)	(1,335)
5% depreciation	<u>135</u>	<u>1,335</u>

THE BANK

	<u>Profit before tax</u>	
	<u>30.6.2010</u>	<u>31.12.2009</u>
5% appreciation	(11)	(1,305)
5% depreciation	<u>11</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.

49. FINANCIAL RISK MANAGEMENT - continued

Market risk - continued

Interest rate risk

The Group's interest rate risk arises from the mis-matches between contractual maturities and repricing 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.

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

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49. FINANCIAL RISK MANAGEMENT - continued

Market risk - continued

Interest rate risk - continued

THE GROUP

	As at 30 June 2010						Total
	Less than 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	1,519,995	-	-	154,000	-	152,480	1,826,475
Deposits with banks and other financial institutions	46,921	19,364	11,250	14	-	1,990	79,539
Placements with banks and other financial institutions	34,977	4,463	15,350	3,000	-	-	57,790
Financial assets held for trading	318	833	12,906	8,942	1,095	-	24,094
Financial assets designated as at fair value through profit or loss	10,762	11,519	42,727	3,826	3,089	1,170	73,093
Derivative financial assets	-	-	-	-	-	5,706	5,706
Financial assets held under resale agreements	210,739	145,155	75,413	-	-	-	431,307
Loans and advances to customers	1,415,534	1,044,810	2,010,524	4,324	3,038	-	4,478,230
Available-for-sale financial assets	46,533	77,896	174,592	200,346	106,858	452	606,677
Held-to-maturity investments	117,878	106,165	275,066	356,197	227,538	-	1,082,844
Debt securities classified as receivables	19,000	57,013	8,885	21,506	704,739	6	811,149
Other financial assets	-	-	-	-	-	52,475	52,475
Total financial assets	3,422,657	1,467,218	2,626,713	752,155	1,046,357	214,279	9,529,379
Borrowings from central bank	-	-	-	-	-	(30)	(30)
Deposits from banks and other financial institutions	(354,716)	(5,450)	(20,768)	(128,161)	(7,000)	(1,230)	(517,325)
Placements from banks and other financial institutions	(13,208)	(10,678)	(4,535)	-	(126)	-	(28,547)
Financial liabilities held for trading	(344)	-	-	-	-	-	(344)
Financial liabilities designated as at fair value through profit or loss	(19,611)	(7,024)	(36,658)	(1,340)	(71)	(993)	(65,697)
Derivative financial liabilities	-	-	-	-	-	(8,490)	(8,490)
Financial assets sold under repurchase agreements	(91,700)	(23,675)	(5,295)	-	-	-	(120,670)
Due to customers	(5,326,088)	(568,428)	(1,903,877)	(450,950)	(735)	(98,742)	(8,348,820)
Debt securities issued	(1,564)	(3,397)	(5,615)	(21,625)	(24,978)	-	(57,179)
Other financial liabilities	-	-	-	-	-	(112,745)	(112,745)
Total financial liabilities	(5,807,231)	(618,652)	(1,976,748)	(602,076)	(32,910)	(222,230)	(9,259,847)
Interest rate gap	(2,384,574)	848,566	649,965	150,079	1,013,447	(7,951)	269,532

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49. FINANCIAL RISK MANAGEMENT - continued

Market risk - continued

Interest rate risk - continued

THE GROUP - continued

	As at 31 December 2009						Total
	Less than 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	1,241,274	-	-	154,000	-	122,532	1,517,806
Deposits with banks and other financial institutions	45,728	9,435	4,360	-	-	2,170	61,693
Placements with banks and other financial institutions	36,031	4,983	8,421	-	-	-	49,435
Financial assets held for trading	1,541	2,805	4,666	5,231	1,103	-	15,346
Financial assets designated as at fair value through profit or loss	1,710	8,844	34,761	37,115	14,379	21	96,830
Derivative financial assets	-	-	-	-	-	4,678	4,678
Financial assets held under resale agreements	147,267	229,551	44,275	-	-	-	421,093
Loans and advances to customers	1,490,928	1,051,095	1,466,940	2,274	258	-	4,011,495
Available-for-sale financial assets	114,824	92,144	154,616	246,819	121,492	487	730,382
Held-to-maturity investments	43,602	134,106	218,857	315,713	171,637	-	883,915
Debt securities classified as receivables	-	22,967	108,411	22,171	736,644	6	890,199
Other financial assets	-	-	-	-	-	35,621	35,621
Total financial assets	3,122,905	1,555,930	2,045,307	783,323	1,045,513	165,515	8,718,493
Borrowings from central bank	-	-	-	-	-	(58)	(58)
Deposits from banks and other financial institutions	(423,608)	(73,384)	(39,326)	(36,421)	-	(1,210)	(573,949)
Placements from banks and other financial institutions	(18,249)	(6,162)	(1,685)	(67)	(149)	-	(26,312)
Financial liabilities held for trading	-	-	-	-	-	(56)	(56)
Financial liabilities designated as at fair value through profit or loss	(46,283)	(18,602)	(46,341)	(1,768)	(80)	(769)	(113,843)
Derivative financial liabilities	-	-	-	-	-	(7,690)	(7,690)
Financial assets sold under repurchase agreements	(75,094)	(10,561)	(15,157)	-	-	-	(100,812)
Due to customers	(4,719,663)	(602,155)	(1,624,749)	(457,002)	(1,713)	(92,336)	(7,497,618)
Debt securities issued	(621)	(2,959)	(5,337)	(21,285)	(24,977)	-	(55,179)
Other financial liabilities	-	-	-	-	-	(119,716)	(119,716)
Total financial liabilities	(5,283,518)	(713,823)	(1,732,595)	(516,543)	(26,919)	(221,835)	(8,495,233)
Interest rate gap	(2,160,613)	842,107	312,712	266,780	1,018,594	(56,320)	223,260

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49. FINANCIAL RISK MANAGEMENT - continued

Market risk - continued

Interest rate risk - continued

THE BANK

	As at 30 June 2010						Total
	Less than 1 month	Between 1 to 3 months	Between 3 to 12 months	Between 1 to 5 years	Over 5 years	Non-interest bearing	
Cash and balances with central banks	1,519,979	-	-	154,000	-	152,391	1,826,370
Deposits with banks and other financial institutions	46,558	19,364	11,250	14	-	1,990	79,176
Placements with banks and other financial institutions	34,977	4,463	15,350	3,000	-	-	57,790
Financial assets held for trading	318	833	12,906	8,942	1,095	-	24,094
Financial assets designated as at fair value through profit or loss	10,762	11,519	42,727	3,826	3,089	1,170	73,093
Derivative financial assets	-	-	-	-	-	5,706	5,706
Financial assets held under resale agreements	210,739	145,155	75,393	-	-	-	431,287
Loans and advances to customers	1,415,534	1,044,810	2,010,280	4,324	3,038	-	4,477,986
Available-for-sale financial assets	46,533	77,896	174,579	200,346	106,858	390	606,602
Held-to-maturity investments	117,878	106,165	274,986	356,197	227,538	-	1,082,764
Debt securities classified as receivables	19,000	57,013	8,885	21,506	704,739	6	811,149
Other financial assets	-	-	-	-	-	52,259	52,259
Total assets	3,422,278	1,467,218	2,626,356	752,155	1,046,357	213,912	9,528,276
Borrowings from central bank	-	-	-	-	-	(30)	(30)
Deposits from banks and other financial institutions	(355,979)	(5,450)	(20,768)	(128,161)	(7,000)	(1,230)	(518,588)
Placements from banks and other financial institutions	(13,208)	(10,678)	(4,535)	-	(126)	-	(28,547)
Financial liabilities held for trading	(344)	-	-	-	-	-	(344)
Financial liabilities designated as at fair value through profit or loss	(19,611)	(7,024)	(36,658)	(1,340)	(71)	(993)	(65,697)
Derivative financial liabilities	-	-	-	-	-	(8,490)	(8,490)
Financial assets sold under repurchase agreements	(91,700)	(23,675)	(5,295)	-	-	-	(120,670)
Due to customers	(5,325,856)	(568,428)	(1,903,820)	(450,950)	(735)	(98,742)	(8,348,531)
Debt securities issued	(1,564)	(3,397)	(5,615)	(21,625)	(24,978)	-	(57,179)
Other financial liabilities	-	-	-	-	-	(112,032)	(112,032)
Total liabilities	(5,808,262)	(618,652)	(1,976,691)	(602,076)	(32,910)	(221,517)	(9,260,108)
Interest rate gap	(2,385,984)	848,566	649,665	150,079	1,013,447	(7,605)	268,168

AGRICULTURAL BANK OF CHINA LIMITED

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49. FINANCIAL RISK MANAGEMENT - continued

Market risk - continued

Interest rate risk - continued

THE BANK - continued

	As at 31 December 2009						Total
	Less than 1 month	Between 1 to 3 months	Between 3 to 12 months	Between 1 to 5 years	Over 5 years	Non-interest bearing	
Cash and balances with central banks	1,241,274	-	-	154,000	-	122,488	1,517,762
Deposits with banks and other financial institutions	45,320	9,435	4,360	-	-	2,170	61,285
Placements with banks and other financial institutions	36,031	4,983	8,421	-	-	-	49,435
Financial assets held for trading	1,541	2,805	4,666	5,231	1,103	-	15,346
Financial assets designated as at fair value through profit or loss	1,710	8,844	34,761	37,115	14,379	21	96,830
Derivative financial assets	-	-	-	-	-	4,678	4,678
Financial assets held under resale agreements	147,267	229,551	44,275	-	-	-	421,093
Loans and advances to customers	1,490,928	1,051,095	1,466,831	2,274	258	-	4,011,386
Available-for-sale financial assets	114,824	92,144	154,616	246,819	121,492	487	730,382
Held-to-maturity investments	43,602	134,106	218,857	315,713	171,637	-	883,915
Debt securities classified as receivables	-	22,967	108,411	22,171	736,644	6	890,199
Other financial assets	-	-	-	-	-	35,551	35,551
Total assets	3,122,497	1,555,930	2,045,198	783,323	1,045,513	165,401	8,717,862
Borrowings from central bank	-	-	-	-	-	(58)	(58)
Deposits from banks and other financial institutions	(424,453)	(73,384)	(39,326)	(36,421)	-	(1,210)	(574,794)
Placements from banks and other financial institutions	(18,249)	(6,162)	(1,685)	(67)	(149)	-	(26,312)
Financial liabilities held for trading	-	-	-	-	-	(56)	(56)
Financial liabilities designated as at fair value through profit or loss	(46,283)	(18,602)	(46,341)	(1,768)	(80)	(769)	(113,843)
Derivative financial liabilities	-	-	-	-	-	(7,690)	(7,690)
Financial assets sold under repurchase agreements	(75,094)	(10,561)	(15,157)	-	-	-	(100,812)
Due to customers	(4,719,536)	(602,155)	(1,624,700)	(457,002)	(1,713)	(92,336)	(7,497,442)
Debt securities issued	(621)	(2,959)	(5,337)	(21,285)	(24,977)	-	(55,179)
Other financial liabilities	-	-	-	-	-	(119,320)	(119,320)
Total liabilities	(5,284,236)	(713,823)	(1,732,546)	(516,543)	(26,919)	(221,439)	(8,495,506)
Interest rate gap	(2,161,739)	842,107	312,652	266,780	1,018,594	(56,038)	222,356

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49. FINANCIAL RISK MANAGEMENT - continued

Market risk - continued

Interest rate risk - continued

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

THE GROUP

	<u>30.6.2010</u>		<u>31.12.2009</u>	
	<u>Net</u>	<u>Equity</u>	<u>Net</u>	<u>Equity</u>
	<u>interest income</u>		<u>interest income</u>	
+100 basis points	(12,803)	(14,677)	(12,516)	(14,826)
- 100 basis points	<u>12,803</u>	<u>15,795</u>	<u>12,516</u>	<u>15,851</u>

THE BANK

	<u>30.6.2010</u>		<u>31.12.2009</u>	
	<u>Net</u>	<u>Equity</u>	<u>Net</u>	<u>Equity</u>
	<u>interest income</u>		<u>interest income</u>	
+100 basis points	(12,817)	(14,677)	(12,527)	(14,826)
- 100 basis points	<u>12,817</u>	<u>15,795</u>	<u>12,527</u>	<u>15,851</u>

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

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

The assumption does not represent the group's capital and interest rate risk management policy. Therefore the above analysis may differ to the actual situation.

In addition, the impact of interest rate fluctuation is only for illustrating purpose, showing the anticipated revenue under different situation and the anticipated interest income and other income of the group under the current interest rate risk situation. The result was not impacted from the potential interest rate risk control activities carried out by the management.

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49. FINANCIAL RISK MANAGEMENT - continued

Capital management

The Group's objectives on capital management are to:

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

The CBRC requires that the capital adequacy ratio and core capital adequacy ratio for commercial banks shall not fall below 8% and 4% respectively. For commercial banks, supplementary capital shall not exceed 100% of core capital while long-term subordinated liabilities included in the supplementary capital should not exceed 50% of the core capital. When total positions of trading accounts exceed 10% of the on and off-balance sheet total assets, or RMB8.5 billion, commercial banks must provide for market risk capital. At present, the Group is fully compliant with legal and regulatory requirements.

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

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

AGRICULTURAL BANK OF CHINA LIMITED

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49. FINANCIAL RISK MANAGEMENT - continued

Capital management - continued

		As at 30 June 2010		As at 31 December 2009	
		Group	Bank	Group	Bank
Core capital adequacy ratio	(1)	6.72%	6.68%	7.74%	7.69%
Capital adequacy ratio	(2)	8.31%	8.27%	10.07%	10.01%
Components of capital base					
Core capital:					
Share capital		270,000	270,000	260,000	260,000
Capital reserve		5,512	5,512	-	-
Surplus reserve and general and regulatory reserves		70,607	70,578	18,448	18,431
Unappropriated profit		1,421	34	59,817	58,385
Minority interest		154	-	106	-
		<u>347,694</u>	<u>346,124</u>	<u>338,371</u>	<u>336,816</u>
Supplementary capital:					
General allowance of impairment loans		45,550	45,550	66,057	66,056
Reserve of fair value changes of available-for-sale financial assets	(3)	3,410	3,410	2,312	2,312
Long-term subordinated bonds		<u>50,000</u>	<u>50,000</u>	<u>50,000</u>	<u>50,000</u>
		<u>98,960</u>	<u>98,960</u>	<u>118,369</u>	<u>118,368</u>
Total capital base before deductions		446,654	445,084	456,740	455,184
Deductions:					
Equity investments which are not consolidated		(197)	(1,333)	(197)	(1,333)
Other deductible item		<u>(16,490)</u>	<u>(16,490)</u>	<u>(16,194)</u>	<u>(16,194)</u>
Total capital base after deductions		<u>429,967</u>	<u>427,261</u>	<u>440,349</u>	<u>437,657</u>
Risk-weighted assets and market risk capital adjustment	(4)	<u>5,172,079</u>	<u>5,168,624</u>	<u>4,373,006</u>	<u>4,370,842</u>

(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.

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50. FAIR VALUE OF FINANCIAL INSTRUMENTS

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

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

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

THE GROUP

	<u>30.6.2010</u>		<u>31.12.2009</u>	
	<u>Carrying amount</u>	<u>Fair value</u>	<u>Carrying amount</u>	<u>Fair value</u>
<u>Financial assets</u>				
Loans and advances to customers	4,478,230	4,478,115	4,011,495	4,011,504
Held-to-maturity investments	1,082,844	1,098,093	883,915	894,861
Debt securities classified as receivables	811,149	811,684	890,199	891,458
	<u>6,372,223</u>	<u>6,387,892</u>	<u>5,785,609</u>	<u>5,797,823</u>
<u>Financial liabilities</u>				
Deposits from banks and other financial institutions	517,325	513,510	573,949	574,025
Due to customers	8,348,820	8,356,571	7,497,618	7,507,370
Subordinated bonds issued	49,958	48,882	49,955	47,155
	<u>8,916,103</u>	<u>8,918,963</u>	<u>8,121,522</u>	<u>8,128,550</u>

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50. FAIR VALUE OF FINANCIAL INSTRUMENTS - continued

THE BANK

	<u>30.6.2010</u>		<u>31.12.2009</u>	
	<u>Carrying amount</u>	<u>Fair value</u>	<u>Carrying amount</u>	<u>Fair value</u>
<u>Financial assets</u>				
Loans and advances to customers	4,477,986	4,477,871	4,011,386	4,011,395
Held-to-maturity investments	1,082,764	1,098,013	883,915	894,861
Debt securities classified as receivables	811,149	811,684	890,199	891,458
	<u>6,371,899</u>	<u>6,387,568</u>	<u>5,785,500</u>	<u>5,797,714</u>
<u>Financial liabilities</u>				
Deposits from banks and other financial institutions	518,588	514,774	574,794	574,870
Due to customers	8,348,531	8,356,282	7,497,442	7,507,194
Subordinated bonds issued	49,958	48,882	49,955	47,155
	<u>8,917,077</u>	<u>8,919,938</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).

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50. FAIR VALUE OF FINANCIAL INSTRUMENTS - continued

THE GROUP

	As at 30 June 2010			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Financial assets held for trading	16	24,078	-	24,094
Financial assets designated as at fair value through profit or loss	2,916	12,600	57,577	73,093
Available-for-sale financial assets	34,084	570,498	1,895	606,477
Derivative financial assets	31	2,417	3,258	5,706
Total assets	<u>37,047</u>	<u>609,593</u>	<u>62,730</u>	<u>709,370</u>
Financial liabilities held for trading	-	(344)	-	(344)
Financial liabilities designated as at fair value through profit or loss	-	(572)	(65,125)	(65,697)
Derivative financial liabilities	-	(1,622)	(6,868)	(8,490)
Total liabilities	<u>-</u>	<u>(2,538)</u>	<u>(71,993)</u>	<u>(74,531)</u>

THE BANK

	As at 30 June 2010			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Financial assets held for trading	16	24,078	-	24,094
Financial assets designated as at fair value through profit or loss	2,916	12,600	57,577	73,093
Available-for-sale financial assets	34,084	570,423	1,895	606,402
Derivative financial assets	31	2,417	3,258	5,706
Total assets	<u>37,047</u>	<u>609,518</u>	<u>62,730</u>	<u>709,295</u>
Financial liabilities held for trading	-	(344)	-	(344)
Financial liabilities designated as at fair value through profit or loss	-	(572)	(65,125)	(65,697)
Derivative financial liabilities	-	(1,622)	(6,868)	(8,490)
Total liabilities	<u>-</u>	<u>(2,538)</u>	<u>(71,993)</u>	<u>(74,531)</u>

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50. FAIR VALUE OF FINANCIAL INSTRUMENTS - continued

THE GROUP AND THE BANK

	As at 31 December 2009			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
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>

There were no transfers between Level 1 and 2 in the current period and the year ended 31 December 2009.

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

THE GROUP AND THE BANK

	Financial assets designated as at fair value through profit or loss	Available -for-sale financial assets	Derivatives financial instruments, net	Financial liabilities designated as at fair value through profit or loss
As at 1 January 2010	55,657	1,631	(2,977)	(111,821)
Recognised in	214	189	165	(820)
- Profit (loss)	214	-	165	(820)
- Other comprehensive income	-	189	-	-
Purchases/ Issues	37,863	222	-	(148,857)
Settlements	(35,610)	-	(798)	196,373
Transfers out of Level 3	<u>(547)</u>	<u>(147)</u>	<u>-</u>	<u>-</u>
As at 30 June 2010	<u>57,577</u>	<u>1,895</u>	<u>(3,610)</u>	<u>(65,125)</u>
Total gain or loss for the year included in the profit or loss for assets/ liabilities held as at 30 June 2010	<u>87</u>	<u>-</u>	<u>79</u>	<u>(406)</u>

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50. FAIR VALUE OF FINANCIAL INSTRUMENTS - continued

THE GROUP AND THE BANK - continued

	Financial assets designated as at fair value through profit or loss	Available -for-sale financial assets	Derivatives financial instruments, net	Financial liabilities designated as at fair value through profit or loss
As at 1 January 2009	8,346	9,657	(3,970)	(22,677)
Recognised in	448	3,750	901	1,468
- Profit	448	3,554	901	1,468
- Other comprehensive income	-	196	-	-
Purchases/ Issues	51,537	1,560	-	(106,498)
Settlements	(4,435)	(12,760)	92	15,886
Transfers out of Level 3	(239)	(576)	-	-
As at 31 December 2009	<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>

51. EVENT AFTER THE END OF THE INTERIM PERIOD

Upon the approval of The China Banking Regulatory Commission, China Securities Regulatory Commission and the Hong Kong Stock Exchange, the Bank has issued common stock of (A shares) 25,570,588,000 shares with RMB2.68 per A share of offer price and foreign listed foreign shares (H shares) 29,223,529,000 shares with HKD3.20 per H share of offer price from July to August. The above proceeds of share offering after deduction of the issue expenses was RMB147,849 million.

UNAUDITED SUPPLEMENTARY FINANCIAL INFORMATION
(Amounts in millions of Renminbi, unless otherwise stated)

According to Hong Kong Listing Rule and disclosure regulations of banking industry, the Group discloses the following supplementary information:

1. Liquidity ratios

	As at 30 June <u>2010</u>	As at 31 December <u>2009</u>
RMB current assets to RMB current liabilities	<u>40.77%</u>	<u>40.99%</u>
Foreign currency current assets to foreign currency current liabilities	<u>185.37%</u>	<u>122.54%</u>

2. Currency concentrations

	Equivalent in millions of Renminbi			
	<u>USD</u>	<u>HKD</u>	<u>Other</u>	<u>Total</u>
As at 30 June 2010				
Spot assets	168,662	57,378	26,662	252,702
Spot liabilities	(125,864)	(56,437)	(23,353)	(205,654)
Forward purchases	108,027	3,430	14,856	126,313
Forward sales	(81,599)	(23,920)	(12,439)	(117,958)
Net options position	<u>4,578</u>	<u>-</u>	<u>12</u>	<u>4,590</u>
Net (short)/long position	<u>31,006</u>	<u>(20,490)</u>	<u>2,429</u>	<u>12,945</u>
Net structural position	<u>(36,011)</u>	<u>76</u>	<u>(1,469)</u>	<u>(37,404)</u>

	Equivalent in millions of Renminbi			
	<u>USD</u>	<u>HKD</u>	<u>Other</u>	<u>Total</u>
As at 31 December 2009				
Spot assets	256,865	41,615	22,417	320,897
Spot liabilities	(207,227)	(41,031)	(17,763)	(266,021)
Forward purchases	61,405	5,358	3,435	70,198
Forward sales	(58,759)	(3,859)	(6,465)	(69,083)
Net options position	<u>41</u>	<u>-</u>	<u>(10)</u>	<u>31</u>
Net long position	<u>52,325</u>	<u>2,083</u>	<u>1,614</u>	<u>56,022</u>
Net structural position	<u>(36,212)</u>	<u>75</u>	<u>(1,442)</u>	<u>(37,579)</u>

3. Cross-border claims

The Group is principally engaged in business operations within Chinese Mainland, and regards all claims on third parties outside Chinese Mainland as cross-border claims.

Cross-border claims include deposits with central banks, deposits and placements with banks and other financial institutions, financial assets held for trading, financial assets designated as at fair value through profit or loss, loans and advances to customers, financial assets held under resale agreements, available-for-sale financial assets, held-to-maturity investments and debt securities classified as receivables.

Cross-border claims have been disclosed by different country or geographical areas. A country or geographical area is reported where it constitutes 10% or more of the aggregate amount of cross-border claims, after taking into account any risk transfers. Risk transfer is only made if the claims are guaranteed by a party in a country which is different from that of the counterparty or if the claims are on an overseas branch of a bank whose head office is located in another country.

	Banks and other financial <u>institutions</u>	Public <u>sector entities</u>	<u>Others</u>	<u>Total</u>
As at 30 June 2010				
Asia Pacific excluding Mainland China	19,603	76	46,167	65,846
-of which attributed to Hong Kong	4,186	76	39,445	43,707
Europe	19,945	1,778	-	21,723
North and South America	31,529	23,225	73	54,827
Africa	27,340	-	-	27,340
Total	<u>98,417</u>	<u>25,079</u>	<u>46,240</u>	<u>169,736</u>

	Banks and other financial <u>institutions</u>	Public <u>sector entities</u>	<u>Others</u>	<u>Total</u>
As at 31 December 2009				
Asia Pacific excluding Mainland China	20,732	269	32,533	53,534
-of which attributed to Hong Kong	2,302	77	25,631	28,010
Europe	28,554	3,749	652	32,955
North and South America	57,525	28,823	898	87,246
Africa	81	-	-	81
Total	<u>106,892</u>	<u>32,841</u>	<u>34,083</u>	<u>173,816</u>

4. Overdue assets

(1) Gross amount of overdue loans and advances to customers

	As at 30 June <u>2010</u>	As at 31 December <u>2009</u>
Gross loans and advances to customers which have been overdue for		
below 3 months	25,695	20,417
between 3 and 6 months	3,282	3,873
between 6 and 12 months	6,060	12,426
over 12 months	<u>47,244</u>	<u>41,434</u>
Total	<u>82,281</u>	<u>78,150</u>
Percentage		
below 3 months	31.22%	26.12%
between 3 and 6 months	3.99%	4.96%
between 6 and 12 months	7.37%	15.90%
over 12 months	<u>57.42%</u>	<u>53.02%</u>
Total	<u>100.00%</u>	<u>100.00%</u>