


2008 Annual Report

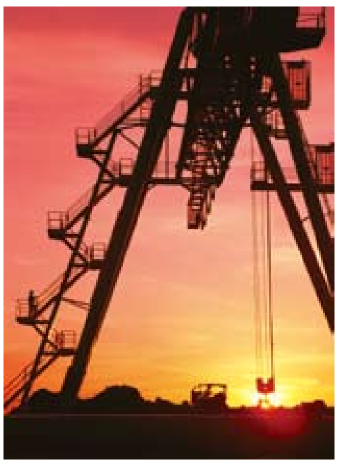
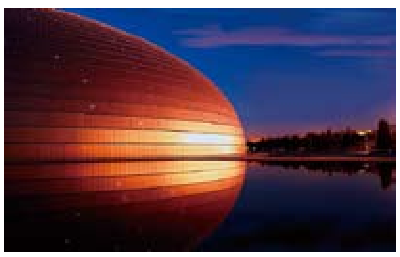
中国建设银行
China Construction Bank

Stock Code: 939

China Construction Bank Corporation

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



Financial Highlights

Indicator	2008	2007	Change
Total assets (In millions of RMB)	7,555,452	2007: 6,598,177	14.51%
Operating income (In millions of RMB)	269,747	2007: 220,717	22.21%
Net profit (In millions of RMB)	92,642	2007: 69,142	33.99%
Return on average assets (%)	1.31	2007: 1.15	0.16
Return on average equity (%)	20.68	2007: 19.50	1.18
Net interest margin (%)	3.24	2007: 3.18	0.06
Net fee and commission income to operating income (%)	14.25	2007: 14.19	0.06
Cost-to-income ratio (%)	36.77	2007: 41.83	5.06
Non-performing loan ratio (%)	2.21	2007: 2.60	0.39

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China Construction Bank

Headquartered in Beijing, **China Construction Bank Corporation** has an operation history of 54 years, and ranks 2nd in the PRC in terms of assets. The Bank was listed on Hong Kong Stock Exchange in October 2005 (stock code: 939) and listed on the Shanghai Stock Exchange in September 2007 (stock code: 601939). At the end of 2008, the market capitalisation of the Bank reached US$128,266 million, ranking 2nd among listed banks in the world. The Bank had a network of 13,374 branches and sub-branches in Mainland China, maintained overseas branches in Hong Kong, Singapore, Frankfurt, Johannesburg, Tokyo and Seoul and representative offices in New York, London and Sydney. The Bank also maintained 31,896 ATMs and 3,595 self-service banks in Mainland China. A total of 298,581 associates hold on to the customer-focused philosophy of the Bank, and strive to provide best financial services to its customers.

Stock Code: 939

Contents

Definitions

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

"Bank"	China Construction Bank Corporation
"Bank of America"	Bank of America Corporation
"Baosteel Group"	Baosteel Group Corporation
"Board"	Board of directors
"CBRC"	China Banking Regulatory Commission
"CCB Asia"	China Construction Bank (Asia) Corporation Limited
"CCB Financial Leasing"	CCB Financial Leasing Corporation Limited
"CCB International"	CCB International (Holdings) Limited
"CCB Principal Asset Management"	CCB Principal Asset Management Co., Ltd.
"Company Law"	The Company Law of the People's Republic of China
"CSRC"	China Securities Regulatory Commission
"Fullerton Financial"	Fullerton Financial Holdings Pte Ltd
"Group"	China Construction Bank Corporation and its subsidiaries
"Hong Kong Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Huijin"	China SAFE Investments Limited
"IFRS"	International Financial Reporting Standards
"Jianyin"	China Jianyin Investment Limited

"Listing Rules of Hong Kong Stock Exchange"	Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
"MOF"	Ministry of Finance of the People's Republic of China
"PBC"	People's Bank of China
"PRC GAAP"	*Accounting Standards for Business Enterprises* promulgated by the MOF on 15 February 2006 and other relevant requirements
"RMB"	Renminbi
"SAFE"	State Administration of Foreign Exchange
"SFO"	Securities and Futures Ordinance
"Sino-German Bausparkasse"	Sino-German Bausparkasse Corporation Limited
"State Grid"	State Grid Corporation of China
"Temasek"	Temasek Holdings (Private) Limited
"Yangtze Power"	China Yangtze Power Co., Limited

Corporate Information

Legal name and abbreviation in Chinese	中國建設銀行股份有限公司 (abbreviated as “中國建設銀行”)
Legal name and abbreviation in English	China Construction Bank Corporation (abbreviated as “CCB”)
Legal representative	Guo Shuqing
Authorised representatives	Zhang Jianguo Chan Mei Sheung
Secretary to the Board	Chen Caihong Contact Address: No. 25, Finance Street, Xicheng District, Beijing Telephone: 86-10-66215533 Facsimile: 86-10-66218888 Email: ir@ccb.com
Company secretary	Chan Mei Sheung
Qualified accountant	Yuen Yiu Leung
Registered address and postcode	No. 25, Finance Street, Xicheng District, Beijing 100032
Internet website	www.ccb.com
Email address	ir@ccb.com
Principal place of business in Hong Kong	44–45/F, Tower One, Lippo Centre, 89 Queensway, Admiralty, Hong Kong
Newspapers for information disclosure	China Securities Journal and Shanghai Securities News
Website of the Shanghai Stock Exchange for publishing the annual report prepared in accordance with PRC GAAP	www.sse.com.cn
Website of Hong Kong Stock Exchange for publishing the annual report prepared in accordance with IFRS	www.hkex.com.hk

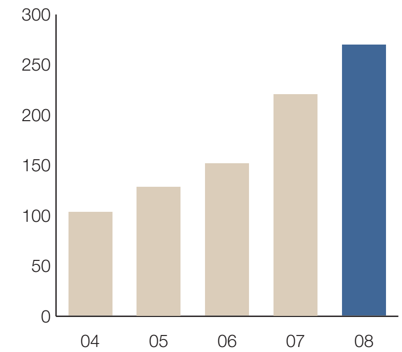
Place where copies of this annual report are kept	Board of directors office of the Bank
Listing stock exchanges, stock abbreviations and stock codes	A-share: Shanghai Stock Exchange Stock abbreviation: 建設銀行 Stock code: 601939 H-share: The Stock Exchange of Hong Kong Limited Stock abbreviation: CCB Stock code: 939
Date and place of first incorporation	17 September 2004 State Administration for Industry & Commerce of the People's Republic of China
Registration number of the corporate legal person business license	1000001003912
Organisation code	10000444-7
Financial license institution number	B0004H111000001
Taxation registration number	京稅證字 110102100004447
Certified public accountants	KPMG Huazhen Address: 8/F, Office Tower E2, Oriental Plaza, Dongcheng District, Beijing KPMG Address: 8/F, Prince's Building, 10 Chater Road, Central, Hong Kong
Legal advisor as to PRC laws	Beijing Commerce & Finance Law Offices Address: 6/F, NCI Tower, A12 Jianguomenwai Avenue, Beijing
Legal advisor as to Hong Kong laws	Freshfields Bruckhaus Deringer Address: 11/F, Two Exchange Square, Central, Hong Kong
A-share registrar	China Securities Depository and Clearing Corporation Limited, Shanghai Branch Address: 36/F, China Insurance Building, 166 East Lujiazui Road, Pudong New District, Shanghai
H-share registrar	Computershare Hong Kong Investor Services Limited Address: Rooms 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong

Rankings and Awards

The Banker	Ranked 13th in the "Top 1000 World Banks"
Fortune	Ranked 171st among the "Fortune Global 500"
Financial Times	Ranked 20th among the "FT Global 500"
Forbes Asia	One of the "Asia Fabulous 50"
亚洲週刊 Yazhou Zhoukan	Ranked 3rd among the "Top 300 Asian Banks"; "One of the Most Profitable Banks in China"
21世纪经济报道	Ranked 3rd in the "Asian Bank Competitiveness Rankings"
银行家 The Chinese Banker	Ranked 1st on the "Competitiveness of Chinese Commercial Banks (Financial Valuation)" and 3rd on the "Core Competitiveness of Commercial Banks"; Best Commercial Bank
搜狐 SOHU.com	Best Domestic Bank Award
Hong Kong Corporate Governance Excellence Awards 2008	Hong Kong Corporate Governance Excellence Award
LACP	Platinum Award in Annual Report Competition 2007 hosted by League of American Communications Professionals
Hong Kong Institute of Certified Public Accountants	Special Mention Award in "Best Corporate Governance Disclosure Awards"
中华人民共和国民政部	China Charity Awards 2008 — Domestic Enterprise with Greatest Social Cares
中国红十字会 RED CROSS SOCIETY OF CHINA	One of the "Top 50 Chinese Public Welfare Enterprises 2008"
CSR ASIA	Ranked 12th on "CSR Asia Business Barometer"
中国妇女发展基金会 CHINA WOMEN'S DEVELOPMENT FOUNDATION	Best Social Responsibility Enterprise Award

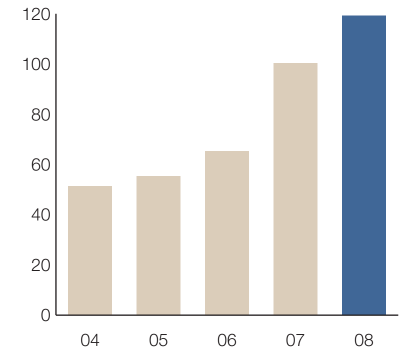
Operating income

In billions of RMB



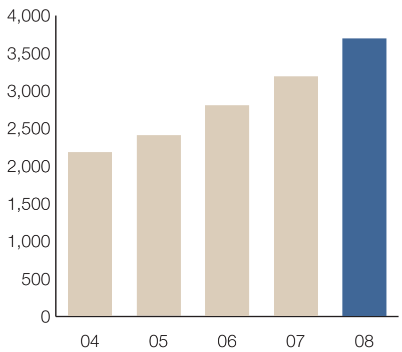
Profit before tax

In billions of RMB



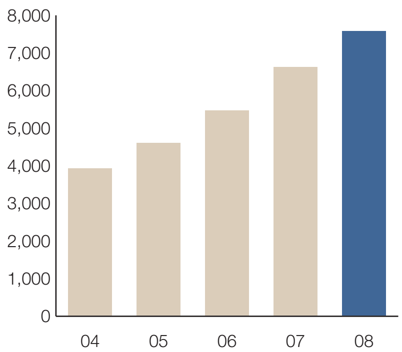
Net loans and advances to customers

In billions of RMB



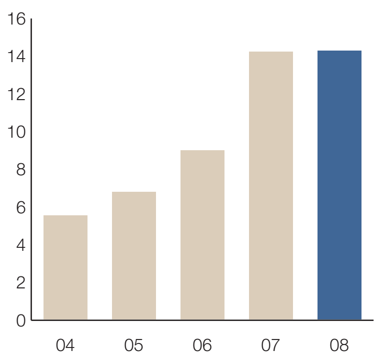
Total assets

In billions of RMB



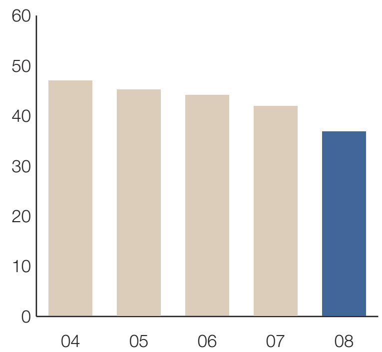
Net fee and commission income to operating income

%



Cost-to-income ratio

%



Financial Highlights

The financial information set forth in this annual report is prepared on a consolidated basis in accordance with the IFRS, unless otherwise stated.

(Expressed in millions of RMB unless otherwise stated)	2008	2007	Change (%)	2006	2005	2004
For the year						
Operating income	**269,747**	220,717	22.21	151,593	128,714	113,976
Profit before tax	**119,741**	100,816	18.77	65,717	55,364	51,199
Net profit	**92,642**	69,142	33.99	46,319	47,096	49,040
Net profit attributable to shareholders of the Bank	**92,599**	69,053	34.10	46,322	47,103	49,042
As at 31 December						
Net loans and advances to customers	**3,683,575**	3,183,229	15.72	2,795,976	2,395,313	2,173,562
Total assets	**7,555,452**	6,598,177	14.51	5,448,511	4,585,742	3,909,920
Deposits from customers	**6,375,915**	5,329,507	19.63	4,721,256	4,006,046	3,491,121
Total liabilities	**7,087,890**	6,175,896	14.77	5,118,307	4,298,065	3,714,369
Total equity attributable to shareholders of the Bank	**465,966**	420,977	10.69	330,109	287,579	195,516
Issued and paid-in capital	**233,689**	233,689	—	224,689	224,689	194,230
Per share (In RMB)						
Basic and diluted earnings per share	**0.40**	0.30	33.33	0.21	0.24	0.26
Interim cash dividend declared during the year	**0.1105**	0.067	64.93	—	NA	NA
Final cash dividend proposed after the balance sheet date	**0.0837**	0.065	28.77	0.092	0.015	NA
Special cash dividend declared during the year	**NA**	0.072716	NA	—	NA	NA
Net assets per share	**2.00**	1.81	10.50	1.47	1.28	1.01

	2008	2007	Change +/(–)	2006	2005	2004
Financial ratios (%)						
Profitability indicators						
Return on average assets[1]	**1.31**	1.15	0.16	0.92	1.11	1.31
Return on average equity	**20.68**	19.50	1.18	15.00	21.75	22.99
Net interest spread	**3.10**	3.07	0.03	2.69	2.70	2.77
Net interest margin	**3.24**	3.18	0.06	2.79	2.78	2.82
Net fee and commission income to operating income	**14.25**	14.19	0.06	8.95	6.57	5.68
Cost-to-income ratio	**36.77**	41.83	(5.06)	43.97	45.13	46.87
Loan-to-deposit ratio	**59.50**	61.40	(1.90)	60.87	61.37	63.80
Capital adequacy indicators						
Core capital adequacy ratio[2]	**10.17**	10.37	(0.20)	9.92	11.08	8.60
Capital adequacy ratio[2]	**12.16**	12.58	(0.42)	12.11	13.59	11.32
Total equity to total assets	**6.19**	6.40	(0.21)	6.06	6.27	5.00
Asset quality indicators						
Non-performing loan ratio	**2.21**	2.60	(0.39)	3.29	3.84	3.92
Allowances to non-performing loans	**131.58**	104.41	27.17	82.24	66.78	61.64
Allowances to total loans	**2.91**	2.72	0.19	2.70	2.57	2.42

1. Calculated by dividing net profit by the average of total assets at the beginning and end of the year.
2. Calculated in accordance with the guidelines issued by the CBRC.

Chairman's Statement

Dear shareholders,

In 2008, we overcame enormous difficulties brought by the global financial crisis and severe domestic natural disasters through massive fruitful work, and achieved outstanding operating results, continuing to outperform our peers in terms of overall competitiveness and value creation capabilities.

Guo Shuqing
Chairman

The Bank kept a close eye on the development of economy, timely adjusted its operating strategies, and continued to optimise its credit structure. It pushed forward fundamental reforms in the business processes in line with its customer-focused philosophy. With improved personal banking services and customer satisfaction, it succeeded in becoming a first class retail bank in China. The Bank set up specialised units for new types of businesses such as small enterprise business, cash management, investment banking and financial leasing on a gradual basis, and spurred wholesale banking to be more comprehensive, differentiated and sophisticated. Internal controls were further tightened with improved risk management and internal audit systems. We also strengthened business and technical cooperation with our strategic partners, and made remarkable achievements in many aspects.

The Bank continued to take strategic transformation as the key to improving its core competitiveness, and further strengthened its advantage businesses. The Bank maintained a leading position in loans to infrastructure investment projects, and dominated the domestic market in residential mortgage loans; the spending amount through credit card and income from credit card business both doubled, and the quality of credit card loans remained good; the growth rate of net fee and commission income led in domestic large banks for the third consecutive year with a rising proportion of net fee and commission income in operating income. Comprehensive operations made substantial progress; overseas presence continued to expand, and our New York Branch and subsidiary bank in London will soon open with newly awarded licences.

Our profitability and key financial indicators led in the global banking industry. In 2008, the Group recorded a net profit of RMB92,642 million, representing an increase of 33.99% over the previous year. Return on average assets was 1.31%, and return on average equity was 20.68%, with an increase of 0.16 and 1.18 percentage points respectively over last year. Earnings per share for the year were RMB0.40. Asset quality improved steadily as evidenced by declining non-performing loans in both percentage and amount. Following the declaration of an interim dividend in October 2008, our board of directors has recommended a final cash dividend of RMB0.0837 per share.

Albeit the Bank's sound operating results in 2008, in order to take the lead to cut down on the expenses, the chairman, president, chairman of the board of supervisors and other senior executives of the Bank all agree not to increase their bonuses, and reduce their emoluments by around 10% compared to 2007 on a voluntary basis, in consideration of the declining income level of many customers and employees as a result of the current severe economic and financial situation at home and abroad.

The Bank's outstanding performance was fully recognised by the market and the financial industry. It ranked 2nd in terms of both market capitalisation and net profit among banks worldwide, and 20th in *Financial Times's* Global 500. Its ranking in *Fortune's* Global 500 leaped to 171st from 230th in 2007. The Bank also received "Best Bank for Corporate Lending" and "Best Bank for Mortgage Lending" awards from *Global Finance*.

We are fully committed to fulfil our social responsibilities. In the wake of the snowstorms and the devastating Wenchuan earthquake, the Bank quickly created "green channels" to provide prompt financial services and fund support for disaster relief and post-disaster reconstruction efforts. In 2008, we donated over RMB200 million for public welfare purposes, of which RMB149 million was contributed by our staff. The Bank was presented "China Charity Awards 2008 — Domestic Enterprise with Greatest Social Cares" by the Ministry of Civil Affairs of China and the "Best Social Responsibility Enterprise Award" by the China Women's Development Foundation.

The Bank's achievements in 2008 relied on the support of all our customers and shareholders, and the hard work of the Board, the board of supervisors, the management and all our staff. I would like to extend my sincere gratitude to all of you.

Looking ahead to 2009, the global financial crisis has yet to reach its bottom, and domestic economic growth will slow down, imposing certain pressure on the Bank's profitability and asset quality. Nevertheless, given the timely adjustments of macroeconomic policies by the Chinese government, the domestic economy will continue to grow steadily in 2009. We have full confidence in meeting our targets for the coming year, as we have leading advantages in infrastructure lending, housing finance and small and medium-sized enterprise finance in PRC market, as well as remarkable capabilities in terms of risk management and non-performing assets disposals. We will thoroughly analyse economic conditions lying ahead, stick to proactive and steady operational strategies by leveraging our advantage businesses as well as innovating in new services, and work hard in order to deliver better operating performance.

Guo Shuqing
Chairman

27 March 2009

President's Report

Dear Shareholders,

I am pleased to announce that, while facing the challenges of the global financial crisis and severe domestic natural disasters and economic fluctuation in 2008, the Bank accomplished again the business goals and missions set by the shareholders' general meeting and the Board. The Bank achieved excellent financial results, steady business growth, as well as enhanced customer services and risk management.

Zhang Jianguo

Vice chairman, executive director and president

Outstanding Performance in 2008

- **Sustained excellent operating results**

In 2008, the Group achieved a profit before tax of RMB119,741 million and a net profit of RMB92,642 million, representing increases of 18.77% and 33.99% respectively. With return on average assets of 1.31% and return on average equity of 20.68%, the bank became one of the most profitable large banks in the world.

The Group's operating income was RMB269,747 million, representing an increase of 22.21% compared to the previous year. As net interest income grew at a faster rate than total interest-earning assets, the net interest margin grew by 6 basis points to 3.24%. Net fee and commission income for the year rose by 22.78% to RMB38,446 million, outperforming the other large domestic banks in terms of growth rate for the third consecutive year. The cost-to-income ratio further dropped to 36.77%.

At the end of 2008, the Group's total assets rose by 14.51% year-on-year to RMB7,555,452 million. Gross loans and advances to customers amounted to RMB3,793,943 million, 15.95% higher than at the end of 2007. Loans were largely granted to infrastructure industries, high-rated corporate customers and prime small businesses. Total liabilities increased by 14.77% year-on-year to RMB7,087,890 million. Deposits from customers grew by 19.63% to RMB6,375,915 million, providing ample liquidity to the Bank. The Bank also tried a new financing method by issuing RMB bonds of RMB3 billion in Hong Kong in September 2008.

The non-performing loan ratio dropped by 0.39 percentage points compared to 2007 to 2.21%, as the Bank continued to maintain good asset quality amid rapid business expansion. The allowances to non-performing loan ratio was 131.58%, an increase of 27.17 percentage points over the previous year, reflecting the Bank's prudent stance in the face of the global financial crisis and economic downturn.

The Group's capital adequacy ratio was 12.16% and the core capital adequacy ratio was 10.17%, down by 0.42 and 0.20 percentage points respectively over 2007, but still within the management targets.

- **Successful business development**

During 2008, the Group seized development opportunities in the challenging operating environment, and attained satisfactory results in various business segments.

Corporate banking performed well. The profit before tax from corporate banking was RMB67,368 million, up 9.74% over 2007, accounting for 56.26% of the Group's total profit. At the end of 2008, corporate loans and advances to customers rose by 14.71% to RMB2,689,784 million, accounting for 70.90% of gross loans and advances to customers. The Bank continued to optimise its credit structure. At the end of 2008, the loans to infrastructure industries amounted to RMB1,188,487 million, up 19.52% over the end of 2007. The loans to customers with internal ratings of A or above represented 89.34% of total loans and advances to corporate customers, up 0.73 percentage points from 2007, and the lending business to small enterprises made rapid progress with specialised operation in place. Loans with a total amount of RMB64,459 million were exited from sectors that did not meet the government's industrial policies or the Bank's risk preference. The net fee and commission income from corporate banking reached RMB15,350 million, 105.46% higher than that in 2007, and became a major source of growth for corporate banking.

Personal banking achieved steady growth. Personal banking made a profit before tax of RMB20,249 million, accounting for 16.91% of the Group's total profit before tax. Personal deposits grew to nearly RMB3 trillion. Personal loans rose by 13.50% to RMB821,531 million, accounting for 21.65% of gross loans and advances to customers. Of these, residential mortgage loans increased by 14.26% to RMB603,147 million, ranking first in both balance and growth in domestic peers. Wealth management and insurance agency services became new driving forces behind the growth of net fee and commission income for personal banking, with leading market shares in the PRC. The number of credit cards issued by the Bank increased to 18.71 million, and the total spending through these cards surged to RMB157,911 million. In 2008, the Bank set up private banking centres in Beijing, Shanghai, and Guangdong to offer customised private banking services to high net worth individuals.

Structural adjustments in assets were made in treasury business. In response to the global financial crisis, the Bank promptly downsized its foreign currency debt securities investment portfolio, and made provisions for impairment losses on these securities on a prudent basis, substantially reducing the Bank's exposure to high-risk debt securities. Its RMB-denominated debt securities investment portfolio continued to grow, with the rate of return increasing by 68 basis points over 2007. The volume of its customer-driven purchases and sales of foreign exchange and foreign exchange trading rose by 31% to US$261.5 billion. The market share of the spot purchases and sales of foreign exchange increased by 0.3 percentage points to 10.90%. The market share of the Bank's gold business increased rapidly, and its physical gold sales and gold leasing business maintained a leading market position.

Overseas business achieved major breakthroughs. The total assets of the Group's overseas entities amounted to RMB121,593 million. The US Federal Reserve approved the Bank's application to establish a branch in New York, which will be the Bank's first operating entity in America. The Bank' application to set up a subsidiary bank in London was approved by the Financial Services Authority of the UK. The bank also won approval from the CBRC to upgrade its representative office in Sydney to a branch. All these paved the way for the Group to strengthen its global presence and enhance the competitiveness of its overseas operations.

Comprehensive operations made progress. Investment banking enjoyed robust growth, and raised a total amount of RMB247.1 billion for the investment and financing activities of corporate customers in 2008 by issuing bonds, trust plans and wealth management products. Its Hong Kong-based wholly-owned subsidiary, CCB International, made a profit before tax of HK$1,042 million in 2008, outperforming its local competitors. With forceful marketing efforts, CCB Financial Leasing had leased assets of RMB3.6 billion at the end of 2008, generating a profit before tax of RMB141 million. An enterprise annuity centre was launched with assets under custody of RMB7.34 billion. The first rural bank sponsored by the Bank, Hunan Taojiang Jianxin Rural Bank Ltd., officially commenced business. Furthermore, the Bank's application to increase its holding in Hefei Xingtai Trust Co., Ltd was approved by the CBRC.

- ## Enhanced customer services

The Bank held on to its customer-focused philosophy, and provided excellent and efficient banking services to its customers by upgrading channels and improving services.

By the end of 2008, the Bank had successfully transformed 11,610 retail outlets, or 86.81% of its total outlets, from a transaction and accounting focus to marketing and service orientated functions. Following the transformation, sales rose by 85% at these outlets, while customer waiting time fell by 35%. The number of the Bank's ATMs in operation reached 31,896, representing the largest ATM network in the world. The Bank continued to upgrade its electronic banking service capabilities, with a customer base of 111.82 million, up 58.16% over 2007; the transaction volume reached RMB110.38 trillion, and the ratio of transaction volume through electronic banking to that through front desk reached 45.01%.

The Bank established customer experience centres in Beijing, Shanghai, Xiamen and Guangzhou, in order to improve its service from customers' perspective. It also introduced an "open day" system to receive customers' opinions and suggestions. During the Olympics, the Bank launched a multi-language 95533 call centre banking services with higher service standards. In recognition of its excellent financial services to domestic and foreign customers, the CBRC presented the Bank with the "Welcoming Olympics Organisation Award for Standardised Banking Services in China".

After the snowstorm in Southern China and devastating earthquake in Wenchuan, Sichuan Province, the Bank acted promptly to offer "green channels" of various financial services to support disaster relief efforts. Tent or makeshift bank offices were set up quickly to provide timely service to our customers in disaster-stricken areas.

• Upgraded management fundamentals

In 2008, the Bank continued to deepen the reform of its risk management system by actively pursuing centralised risk management in the cities where tier-one branches are located and improving its parallel operation processes. It withdrew credit facilities at an appropriate time and pace on a differentiated basis, in order to counter the economic downturn. The Bank also adopted stringent market risk limits, tightened bond investment management, and took timely reinforcement measures to overcome weaknesses discovered during the financial crisis. With strengthened supervision and inspections of key risk points at branch level, the overall risk management level of the Bank rose steadily. In 2008, the Bank was awarded "Excellence in Retail Risk Management Award" by *The Asian Banker* and "Best Bank in Risk Management in China" by *The Economic Observer*.

The Bank further pushed forward business process optimisation and product innovation; improved human resources allocations, explored better remuneration models and carried out more trainings for its staff. The support capabilities of information technology for product innovation, business process optimisation and overall risk management improved steadily, with optimised core business system and upgraded information systems for customer management, credit management and risk management.

• Fruitful strategic cooperation

Through over three years of cooperation with its strategic investors, the Bank not only introduced advanced technology, methodology, processes and products from the investors, but also successfully pushed forward the deployment of solutions in pilot projects, the application of shared experience and the cultivation of human resources. In 2008, the Bank continued to engage in an all-around cooperation with its strategic investors in key areas, and achieved fruitful results.

The Bank has partnered with Bank of America in 16 collaborative projects (covering retail and corporate banking, electronic banking, information technology, and risk management) and 42 experience-sharing and training projects. Following the Bank's successful deployment of branch transformation, pilot projects for improvements to personal finance centres and wealth management centres achieved success and started deployment. As a result, the personal banking service and sales process at the branches were fully upgraded, and the services became more specialised and differentiated. The Bank took insurance agency service as a pilot to improve its online banking customer experience, as the first domestic bank to conduct user testing before launching products or services, which increased the effectiveness, efficiency and satisfaction of our customers. The launch of research and development project for small amount unsecured revolving credit loans sped up the Bank's innovation for small and medium-sized enterprise products and services. In addition, cooperations in data governance, information technology strategic planning, network transformation and disaster recovery all strengthened the Bank's fundamental management capabilities.

Fullerton Financial, a subsidiary of Temasek, provided the Bank with advisory and training support on wealth management, private banking, investment banking and risk management.

Outlook for 2009

In 2009, the negative impact of the global financial crisis will continue to be felt and China's economic growth will inevitably slow down, imposing pressure on the operation and development of commercial banks. Nonetheless, the fundamentals and long-term prospects for the stable development of Chinese economy remain unchanged. Chinese government's timely adjustments in macroeconomic and financial policies, which are aimed at maintaining growth and boosting domestic demand, are also conducive to the Bank's sustainable growth. The Bank will thoroughly examine and closely follow the market changes, and make prompt adjustments to its operating strategies to ensure the Bank's sound and stable business development.

- The Bank will grasp every opportunity for business growth and achieve balanced development. It will prudently monitor the size and pace of lending, leverage its traditional strength in infrastructure lending and housing finance, and step up marketing activities targeted at priority customers and projects. It will also try to raise the contribution of intermediary business to the total profit by promoting key fee-based products. Efforts will be made to explore ways of innovation, including pushing forward syndicated finance, and deploying success practices with small business services. Moreover, the Bank will try to maintain and raise the market share of its institutional business, and build the Bank's brand for enterprise annuity service. Efforts will be also made in financial services concerning people's livelihood.

- The Bank will tighten risk management to ensure the sound operation. Different credit policies shall be applied to different industries, regions, customers and products, with an aim to further improving the credit structure of the Bank. With more stringent lending and approval criteria as well as post-lending management in place, the Bank will be confident to maintain its asset quality. It will also improve internal control by rectifying business operations, and mitigating every possible risk lurking in business processes.

- The Bank will strengthen its fundamental management and tighten cost control. It will step up its organisational reform, and manage its middle and back offices in a specialised and centralised manner. More will be done in business process optimisation and product innovation. While endeavouring to make more profits, the Bank will tighten cost control, cut down on administrative expenses, and prioritise business growth in resources allocation.

Zhang Jianguo
Vice chairman, executive director and president

27 March 2009

Xie Duyang

Chairman of the board of supervisors

Management Discussion and Analysis

The Group kept abreast of changes in the macroeconomic and financial situation, took active measures and continued to implement structural adjustment and business transformation, achieving outstanding operating results.

Financial Review

2008 witnessed a volatile international financial market and the global economic growth slowed down remarkably, as a result of the global financial crisis triggered by the US sub-prime mortgage crisis. As reported by the International Monetary Fund, the world economy grew by only 3.4% during the year, with 1.1% for the US and 1.0% for Europe, compared to 5.2% in 2007. Against this backdrop, the US and Europe administrations have rapidly intervened in the financial markets with massive capital injections, while major economies have jointly lowered their interest rates to stabilise the financial markets.

In 2008, China suffered severe natural disasters including snowstorms and Wenchuan earthquake, and experienced a slowdown in its economic growth due to the global economic and financial markets turmoil. To address the international and domestic economic changes, the Chinese government promptly adjusted its macroeconomic policies, implemented proactive fiscal policies and moderately loose monetary policies, and launched a series of measures to expand domestic demand. Thanks to these efforts, China sustained a steady and rapid economic growth on the whole though the growth rate was slightly lower than before, and its GDP increased by 9.0 % to RMB30.10 trillion over the previous year.

In 2008, the Chinese government made timely adjustments to its monetary policies in line with the changes in the international and domestic macroeconomic conditions. In early 2008, the PBC adopted tight monetary policies to prevent fast economic growth from becoming overheated and prevent structural price increases from turning into significant inflation; in mid-2008, as a result of the deepening impacts of US sub-prime mortgage crisis, adjustments were made in Chinese macroeconomic policies, in order to maintain a sound and rapid economic development while containing inflation; prompted by the escalating global financial crisis and ebbing domestic inflationary pressures, the PBC implemented moderately loose monetary policies since September 2008 with various measures, including four cuts in the statutory deposit reserve rate, five cuts in benchmark lending rates, four cuts in benchmark deposit rates, and the cancellation of the restriction on the amount of lending made by financial institutions.

China's financial market performed in a sound manner on the whole in 2008. Money market transactions in RMB were active with a marked decrease in interest rates. Trading in the bond market was active while bond yield curve fell substantially as a whole as the primary market yield rose first and then declined. The stock market prices dropped sharply with fluctuations, while demand in the insurance market increased substantially. The foreign exchange market remained stable. The RMB appreciated by 6.9% cumulatively against the US dollar during 2008. It appreciated rapidly in the first half of the year while remained relatively stable in the second half of 2008. Money supply and credit grew steadily. At the end of 2008, the outstanding broad money M2 rose by 17.8% to RMB47.5 trillion, and the narrow money M1 rose by 9.1% to RMB16.6 trillion. Loans made in RMB rose by 18.8% to RMB30.3 trillion over the previous year.

The Group kept abreast of changes in the macroeconomic and financial situation, took active measures and continued to implement structural adjustment and business transformation, achieving outstanding operating results.

- Operating income was RMB269,747 million, an increase of 22.21% compared to 2007. Net interest income grew by 16.67% to RMB224,920 million and net fee and commission income rose by 22.78% to RMB38,446 million.

- Profit before tax reached RMB119,741 million, up 18.77% from 2007, while net profit was RMB92,642 million, an increase of 33.99%.

- Return on average assets was 1.31% and return on average equity was 20.68%, an increase of 0.16 and 1.18 percentage points respectively over the previous year.

- Basic and diluted earnings per share were RMB0.40, up RMB0.10 from the previous year.

- Total assets amounted to RMB7,555,452 million and total liabilities amounted to RMB7,087,890 million, an increase of 14.51% and 14.77% respectively over the previous year.

- Gross loans and advances to customers amounted to RMB3,793,943 million, an increase of 15.95% over the previous year. Loans extended to infrastructure industries increased by RMB194,106 million, accounting for 56.26% of the corporate loan increase.

- The non-performing loan (NPL) ratio was 2.21%, a decrease of 0.39 percentage points over the previous year. The NPLs decreased by RMB1,288 million year-on-year to RMB83,882 million. The ratio of allowances to NPLs was 131.58%, up 27.17 percentage points from 2007.

Income Statement Analysis

The increase in profit before tax was mainly attributable to continued fast growth in net interest income and net fee and commission income. As the PRC enterprise income tax rate dropped from 33% to 25% starting from 1 January 2008, the growth rate of net profit was higher than that of profit before tax.

Net interest income

In 2008, the Group's net interest income was RMB224,920 million, an increase of RMB32,145 million, or 16.67%, over the previous year.

The following table shows the Group's average balances of assets and liabilities, related interest income or expense, and average yields or costs during the respective periods.

(In millions of RMB, except percentages)	Year ended 31 December 2008 Average balance	Interest income/ expense	Average yield/cost (%)	Year ended 31 December 2007 Average balance	Interest income/ expense	Average yield/cost (%)
Assets						
Gross loans and advances to customers	**3,520,537**	**251,943**	**7.16**	3,140,118	198,278	6.31
Investment in debt securities[1]	**2,193,646**	**79,877**	**3.64**	2,112,620	69,610	3.29
Deposits with central banks	**1,016,396**	**17,960**	**1.77**	650,496	11,272	1.73
Deposits and placements with banks and non-bank financial institutions	**77,759**	**1,971**	**2.53**	60,971	2,127	3.49
Financial assets held under resale agreements	**136,428**	**4,749**	**3.48**	100,689	3,536	3.51
Total interest-earning assets	**6,944,766**	**356,500**	**5.13**	6,064,894	284,823	4.70
Total allowances for impairment losses	**(112,408)**			(86,886)		
Non-interest-earning assets	**219,833**			186,750		
Total assets	**7,052,191**	**356,500**		6,164,758	284,823	
Liabilities						
Deposits from customers	**5,778,316**	**117,160**	**2.03**	5,003,903	78,180	1.56
Deposits and placements from banks and non-bank financial institutions	**606,592**	**11,124**	**1.83**	550,243	9,102	1.65
Financial assets sold under repurchase agreements	**18,468**	**571**	**3.09**	32,850	1,566	4.77
Debt securities issued	**51,332**	**2,426**	**4.73**	48,682	2,363	4.85
Other interest-bearing liabilities	**8,224**	**299**	**3.64**	14,186	837	5.90
Total interest-bearing liabilities	**6,462,932**	**131,580**	**2.03**	5,649,864	92,048	1.63
Non-interest-bearing liabilities	**146,025**			117,144		
Total liabilities	**6,608,957**	**131,580**		5,767,008	92,048	
Net interest income		**224,920**			192,775	
Net interest spread			**3.10**			3.07
Net interest margin			**3.24**			3.18

1. These include investments in trading debt securities and investment debt securities. Investment debt securities refer to debt securities in available-for-sale financial assets, held-to-maturity investments and debt securities classified as receivables.

Higher average yields on loans and advances to customers and investments in debt securities over the previous year were offset by the increased proportion of the average balance of low-yielding deposits with central banks in total interest-earning assets. This resulted in a rise of 43 basis points in the overall average yield on interest-earning assets over 2007 to 5.13%.

As a result of the higher average costs of deposits from customers and deposits and placements from banks and non-bank financial institutions, as well as the larger proportion of the average balance of deposits from customers in that of total interest-bearing liabilities, the overall average cost of interest-bearing liabilities rose by 40 basis points over the previous year to 2.03%.

As the increase in the average yield of interest-earning assets was higher than that of the average cost for interest-bearing liabilities, net interest spread rose by 3 basis points to 3.10% over 2007. Net interest income for the year increased by 16.67%, higher than the 14.51% growth of total interest-earning assets, pushing up the net interest margin by 6 basis points to 3.24%.

The following table shows the effects of the movement of the average balances and average interest rates of the Group's assets and liabilities on the change in interest income or expense for 2008 versus 2007.

(In millions of RMB)	Volume factor[1]	Interest rate factor	Change in interest income/expense
Assets			
Gross loans and advances to customers	27,224	26,441	53,665
Investment in debt securities	3,092	7,175	10,267
Deposits with central banks	6,466	222	6,688
Deposits and placements with banks and non-bank financial institutions	426	(582)	(156)
Financial assets held under resale agreements	1,244	(31)	1,213
Change in interest income	38,452	33,225	71,677
Liabilities			
Deposits from customers	15,702	23,278	38,980
deposits and placements from banks and non-bank financial institutions	1,033	989	2,022
Financial assets sold under repurchase agreements	(445)	(550)	(995)
Debt securities issued	91	(28)	63
Other interest-bearing liabilities	(244)	(294)	(538)
Change in interest expenses	16,137	23,395	39,532
Change in net interest income	22,315	9,830	32,145

1. Change caused by both average balances and average interest rates has been allocated to change in interest income or expense due to volume factor.

Net interest income increased by RMB32,145 million over the previous year, in which RMB22,315 million was due to the movement of average balances of assets and liabilities, and RMB9,830 million was due to the movement of average yields or costs. The contributions to the increase in net interest income from the volume factor and the interest rate factor were 69.42% and 30.58%, respectively.

Interest income

The Group's interest income in 2008 was RMB356,500 million, an increase of RMB71,677 million, or 25.17%, over 2007. This was largely attributable to the increase in average balances of loans and advances to customers and investments in debt securities as well as the increase of their respective average yields.

Interest income from loans and advances to customers

The table below shows the average balance, interest income and average yield of each component of the Group's loans and advances to customers.

(In millions of RMB, except percentages)	**Year ended 31 December 2008** Average balance	Interest income	Average yield (%)	Year ended 31 December 2007 Average balance	Interest income	Average yield (%)
Corporate loans	**2,515,553**	**184,797**	**7.35**	2,233,195	147,230	6.59
Short-term loans maturing within 1 year	**844,425**	**60,829**	**7.20**	804,809	51,995	6.46
Medium to long-term loans	**1,671,128**	**123,968**	**7.42**	1,428,386	95,235	6.67
Personal loans	**771,646**	**54,345**	**7.04**	673,726	40,793	6.05
Discounted bills	**118,954**	**7,586**	**6.38**	147,505	5,403	3.66
Overseas operations	**114,384**	**5,215**	**4.56**	85,692	4,852	5.66
Gross loans and advances to customers	**3,520,537**	**251,943**	**7.16**	3,140,118	198,278	6.31

Interest income from loans and advances to customers surged to RMB251,943 million, an increase of RMB53,665 million, or 27.07%, over the previous year, mostly as a result of the expansion of corporate and personal loan businesses and the increased average yields on domestic loans. Average yield on loans and advances to customers rose by 0.85 percentage points over 2007, largely because with the persisting effect of the PBC's six consecutive hikes in benchmark lending rates in 2007 and the Group's enhanced bargaining power, average yields on corporate loans, personal loans and bill discounting business climbed by 76, 99 and 272 basis points, respectively, over the previous year. Meanwhile, the average yield on short-term corporate loans maturing within one year rose by 74 basis points year-on-year to 7.20%, while average yield on medium to long-term corporate loans was 7.42%, 75 basis points higher than in 2007.

Interest income from investments in debt securities

Interest income from investments in debt securities was RMB79,877 million, up RMB10,267 million, or 14.75%, over 2007. Interest income from investment debt securities grew by 12.05% to RMB77,494 million; interest income from trading debt securities surged by 430% to RMB2,383 million. The expanded interest income from investments in debt securities was mainly due to the Group's timely adjustments to its asset structure at the appropriate market moment, which pushed up the yield on RMB-denominated investments in debt securities by 68 basis points to 3.84%. In order to mitigate risks associated with its foreign currency investment portfolio, the Group cut down on its holding of risky debt securities at appropriate time, leading to a sharp decline in the amount of foreign currency debt securities held.

Interest income from deposits with central banks

Interest income from deposits with central banks amounted to RMB17,960 million, a rise of RMB6,688 million, or 59.33%, over 2007. This was mainly because the average balance increased by 56.25% over the previous year, as the PBC lifted the statutory deposit reserve rate consecutively in the first half of 2008, which hit a record high of 17.50%. It dropped gradually to 15.50% since October, but remained one percentage point higher than in 2007.

Interest income from deposits and placements with banks and non-bank financial institutions

Interest income from deposits and placements with banks and non-bank financial institutions decreased by RMB156 million to RMB1,971 million over 2007. This was largely due to the continuing decrease of interest rates in the money market, which drove the average yield down by 96 basis points to 2.53%.

Interest income from financial assets held under resale agreements

Interest income from financial assets held under resale agreements rose by RMB1,213 million, or 34.30%, year-on-year to RMB4,749 million. This mainly resulted from the 35.49% increase in the average balance as the Group increased bonds and bills held under resale agreements to raise short-term fund utilisation efficiency.

Interest expense

In 2008, the Group's interest expense was RMB131,580 million, an increase of RMB39,532 million, or 42.95%, over 2007. This was primarily due to increases in average balances and costs of deposits from customers as well as deposits and placements from banks and non-bank financial institutions.

Interest expense on deposits from customers

The table below shows the average balance, interest expense and average cost of each component of the Group's deposits from customers.

(In millions of RMB, except percentages)	Year ended 31 December 2008 Average balance	Interest expense	Average cost (%)	Year ended 31 December 2007 Average balance	Interest expense	Average cost (%)
Corporate deposits	**3,068,572**	**53,646**	**1.75**	2,670,009	37,681	1.41
Demand deposits	**2,073,951**	**20,207**	**0.97**	1,889,923	18,824	1.00
Time deposits	**994,621**	**33,439**	**3.36**	780,086	18,857	2.42
Personal deposits	**2,641,783**	**61,725**	**2.34**	2,276,334	38,327	1.68
Demand deposits	**1,029,051**	**6,451**	**0.63**	923,206	7,314	0.79
Time deposits	**1,612,732**	**55,274**	**3.43**	1,353,128	31,013	2.29
Overseas operations	**67,961**	**1,789**	**2.63**	57,560	2,172	3.77
Total deposits from customers	**5,778,316**	**117,160**	**2.03**	5,003,903	78,180	1.56

Interest expense on deposits from customers rose to RMB117,160 million, with an increase of RMB38,980 million, or 49.86%, over 2007, mainly as a result of the higher average balance and rising average cost of deposits. Due to the persisting effect of the PBC's six consecutive hikes in benchmark deposit rates in 2007, the average cost of deposits was 2.03%, 47 basis points higher than in the previous year. As the domestic capital market became more volatile and the interest spread between time and demand deposits widened, coupled with expectation of further rate cuts, the proportion of average balance of the domestic time deposits in total deposits from customers rose by 2.49 percentage points over 2007, pushing up the average cost of deposits from customers.

Interest expense on deposits and placements from banks and non-bank financial institutions

Interest expense on deposits and placements from banks and non-bank financial institutions reached RMB11,124 million, a rise of RMB2,022 million, or 22.21%, over 2007, largely because the average balance increased by 10.24% over 2007, and the average cost rose by 18 basis points to 1.83%, due to the rapid increase in time deposits from banks.

Interest expense on financial assets sold under repurchase agreements

Interest expense on financial assets sold under repurchase agreements decreased by RMB995 million year-on-year to RMB571 million. This was primarily because of drops in the average balance and cost. Average cost dropped by 168 basis points, as repos denominated in foreign currency, mostly US dollars, priced less substantially as a result of the falling London interbank offered rate.

Net Fee and Commission Income

(In millions of RMB)	Year ended 31 December 2008	Year ended 31 December 2007
Fee and commission income	**40,056**	32,731
Agency service fees	**10,289**	16,439
Bank card fees	**7,153**	5,254
Consultancy and advisory fees	**6,998**	2,792
Settlement and clearing fees	**4,797**	3,261
Commission on trust and fiduciary activities	**4,759**	3,267
Guarantee and credit commitment fees	**3,102**	1,063
Others	**2,958**	655
Fee and commission expenses	**1,610**	1,418
Net fee and commission income	**38,446**	31,313

The Group continued to improve the incentive and disciplinary mechanism with an aim to spurring intermediary business development, and intensified its product innovation and market expansion efforts. Despite the volatile domestic capital market, the Group realised a net fee and commission income of RMB38,446 million, an increase of RMB7,133 million, or 22.78%, over 2007. The ratio of net fee and commission income to operating income rose by 0.06 percentage points over 2007 to 14.25%.

Agency service fees decreased by RMB6,150 million to RMB10,289 million over the previous year, largely because fees from fund agency service dropped sharply due to the slide of domestic capital market. The Group worked against the adverse impact brought by the market slump, followed the changes in market demand on a timely basis, and actively pushed forward businesses such as insurance agency, customer-driven foreign exchange trading, and settlement agency services by improving business process and incentive mechanism, strengthening sales capability and risk awareness of its staff, as well as leveraging its wide network of operations. Of these businesses, fees for insurance agency service surged by 193.57% to RMB2,830 million.

Bank card fees grew by RMB1,899 million, or 36.14%, to RMB7,153 million, largely due to the continued stable growth in the number of cards issued, consumer spending, and transactions through self-service facilities, following increased marketing efforts and invested resources.

Consultancy and advisory fees increased by RMB4,206 million, or 150.64%, to RMB6,998 million. In this amount, financial advisory fees surged by 143.94% to RMB4,869 million as a result of enhanced service standards and quality.

Settlement and clearing fees climbed by RMB1,536 million, or 47.10%, to RMB4,797 million. The Group seized market opportunities for international settlement business with innovated products and increased marketing, which generated fees of RMB2,006 million with an increase of 135.17%.

Commission on trust and fiduciary business rose by RMB1,492 million, or 45.67%, to RMB4,759 million. In this amount, fees from custodial service for securities investment funds climbed by 32.33% to RMB1,269 million, as a result of marketing targeted at premium customers and adjustments to the product mix.

Guarantee and credit commitment fees increased by RMB2,039 million, or 191.82%, to RMB3,102 million, mostly due to the rapid growth of commitment and guarantee services.

Others fees increased by RMB2,303 million, or 3.52 times, to RMB2,958 million, of which fees from customer-driven wealth management products increased by 245.33%, to RMB998 million.

Net Loss on Investment Securities

In 2008, net loss on investment securities was RMB2,252 million, largely because of the losses incurred on disposal of certain debt securities when the Group downsized its foreign currency investment portfolio and reduced the holding of high-risk debt securities to mitigate the associated credit risk amid the global financial turmoil.

Other Net Operating Income

In 2008, the Group recorded other net operating income of RMB5,270 million, in which there was a net foreign exchange gain of RMB2,642 million, a net gain of RMB99 million on disposals of fixed assets, a net gain of RMB197 million on disposals of repossessed assets, and other income of RMB2,332 million.

The specific composition of foreign exchange exposures as at 31 December 2008 and the respective gain for 2008 are set out below:

(In millions of RMB)	As at 31 December 2008 Composition of foreign exchange exposures On balance sheet	Off-balance sheet	Total	Year ended 31 December 2008 Foreign exchange gain
Foreign currency assets and proprietary financial derivatives	114,048	(114,048)	–	1,967
Others	(341)	16,102	15,761	675
Net foreign exchange exposure	113,707	(97,946)	15,761	
Net foreign exchange gain				2,642

1. Foreign exchange exposures are expressed in RMB. Positive and negative figures represent long and short positions respectively.
2. Financial derivatives represent currency derivatives.
3. The net foreign exchange exposures represent the position shown in "Currency Concentrations" of the unaudited supplementary financial information.

Foreign currency assets and proprietary financial derivatives

In order to minimise the risk associated with foreign exchange, the Group entered into relevant derivative financial instrument transactions. In 2008, the net gain and revaluation gain on foreign currency assets was RMB1,967 million, after taking into account the effect of the financial derivatives for hedging purposes. This was mainly because the net gain on cross-currency interest rate swap increased, as the RMB interest rates were generally higher than USD interest rates for the year; meanwhile, the revaluation gain of cross-currency interest rate swaps continued to increase as a result of favourable market movements. In addition, certain cross-currency interest rate swaps the Bank entered into were based on Euro versus RMB, and the accompanying foreign exchange swaps based on Euro versus US dollars were completed at a time when the interest rates of Euro were at a high level and those of US dollars were at a relatively low level, leading to a revaluation gain on proprietary foreign exchange swaps.

Other net exchange gains

The net gain from customer-driven forex trading and revaluation of net foreign exchange exposures of the Group was RMB675 million, in which the net gain from customer-driven forex trading reached RMB2,575 million, mainly because of the rapid development of customer-driven forward forex purchases and sales business and the increase in the net revaluation gain.

Operating Expenses

(In millions of RMB, except percentages)	**Year ended 31 December 2008**	Year ended 31 December 2007
Staff costs	**46,657**	49,907
Premises and equipment expenses	**14,957**	13,217
Business tax and surcharge	**15,793**	12,337
Others	**21,786**	16,866
Total operating expenses	**99,193**	92,327
Cost-to-income ratio	**36.77%**	41.83%

In 2008, the total operating expenses increased by RMB6,866 million, or 7.44%, year-on-year to RMB99,193 million. The Group continued to strengthen cost controls, and the cost-to-income ratio was further reduced to 36.77% with improved cost efficiency.

Staff costs dropped by RMB3,250 million year-on-year to RMB46,657 million. Excluding the effect of an accrual of RMB8,998 million in 2007 for the benefits expected to be paid to early retired staff pursuant to relevant laws and regulations, staff costs went up by 14.05% to RMB5,748 million. The rise of cost was lower than that of operating income. Premises and equipment expenses rose by 13.16%, largely because of higher utility expenses, rents and property management fees accompanying overall price increases. Business tax and surcharges increased by 28.01% in line with higher operating income. Other operating expenses climbed by 29.17%, mainly because the Group strengthened marketing initiatives, which led to increased expenditure in business expansion and advertising.

Provisions for Impairment Losses

(In millions of RMB)	Year ended 31 December 2008	Year ended 31 December 2007
Loans and advances to customers	**36,246**	20,106
Investments	**13,237**	7,075
Available-for-sale financial assets	**10,756**	2,113
Held-to-maturity investments	**3,126**	4,853
Debt securities classified as receivables	**(645)**	109
Fixed assets	**28**	34
Others	**1,318**	380
Total provisions for impairment losses	**50,829**	27,595

In 2008, the provisions for impairment losses totalled RMB50,829 million, an increase of RMB23,234 million over 2007. In this amount, the provisions for impairment losses on loans and advances to customers were RMB36,246 million; those on investments were RMB13,237 million; other provisions were RMB1,318 million, in which provisions for impairment losses on repossessed assets were RMB1,266 million.

Provisions for impairment losses on loans and advances to customers

(In millions of RMB)	Year ended 31 December 2008 Allowances for loans and advances which are collectively assessed	Allowances for impaired loans and advances which are collectively assessed	Allowances for impaired loans and advances which are individually assessed	Total
As at 1 January	35,785	4,928	48,215	88,928
Charge for the year	18,337	1,404	25,128	44,869
Release during the year	–	–	(8,623)	(8,623)
Unwinding of discount	–	–	(1,564)	(1,564)
Transfers out	–	(20)	(6,825)	(6,845)
Write-offs	–	(623)	(5,956)	(6,579)
Recoveries	–	9	173	182
As at 31 December	54,122	5,698	50,548	110,368

During 2008, the Group reasonably assessed the impacts of economic and financial changes at home and abroad as well as domestic natural disasters, and made prudent provisions for impairment losses, with an increase of RMB16,140 million in provisions for impairment losses on loans and advances over 2007. As at 31 December 2008, the balance of the allowances for impairment losses on loans and advances to customers increased by RMB21,440 million to RMB110,368 million over the previous year, while the ratio of allowances to non-performing loans was 131.58%, up 27.17 percentage points.

Provisions for impairment losses on investments

During 2008, provisions for impairment losses on investments increased by RMB6,162 million over the previous year. In this amount, the provisions for impairment losses on available-for-sale financial assets increased by RMB8,643 million over 2007, which was mainly because the Group provided US$1,557 million (equivalent to RMB10,622 million) for its debt securities investments in foreign currency based on certain indicators of impairment including their credit position and market factors; an amount of RMB645 million was released from the provisions for impairment losses on debt securities classified as receivables, as a bond which was issued by a non-bank financial institution acquired in prior years was fully recovered during the year.

Income Tax

In 2008, the Group's income tax reached RMB27,099 million, RMB4,575 million lower than in 2007, which was mainly because the income tax rate of the PRC enterprises decreased from 33% to 25% since 1 January 2008. If the effect of the tax cut is excluded, income tax would have increased by RMB4,097 million. The Group's effective income tax rate was 22.63%, lower than the 25% statutory rate, largely because the interest income from the PRC government bonds held by the Group was non-taxable in accordance with tax regulations.

Balance Sheet Analysis

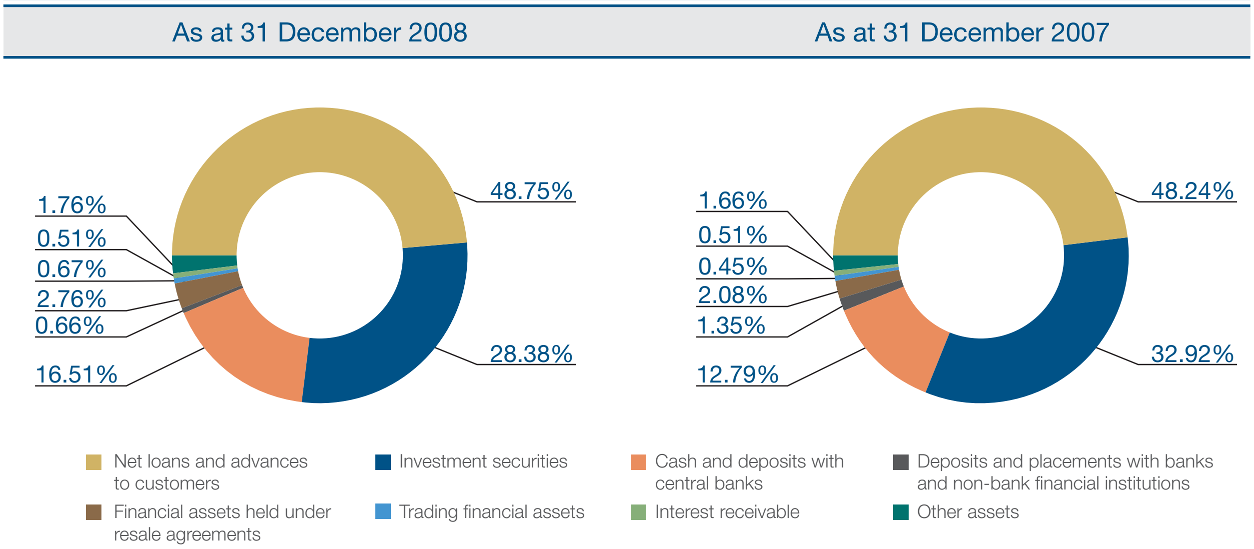
Assets

The following table shows the composition of the Group's total assets as at the dates indicated.

	As at 31 December 2008		As at 31 December 2007	
(In millions of RMB, except percentages)	Amount	% of total	Amount	% of total
Gross loans and advances to customers	3,793,943		3,272,157	
Allowances for impairment losses on loans	(110,368)		(88,928)	
Net loans and advances to customers	3,683,575	48.75	3,183,229	48.24
Investment securities[1]	2,144,439	28.38	2,171,991	32.92
Cash and deposits with central banks	1,247,450	16.51	843,724	12.79
Deposits and placements with banks and non-bank financial institutions	49,932	0.66	88,798	1.35
Financial assets held under resale agreements	208,548	2.76	137,245	2.08
Trading financial assets	50,309	0.67	29,819	0.45
Interest receivable	38,317	0.51	33,900	0.51
Other assets[2]	132,882	1.76	109,471	1.66
Total assets	7,555,452	100.00	6,598,177	100.00

1. These comprise available-for-sale financial assets, held-to-maturity investments, and debt securities classified as receivables.
2. These comprise precious metals, positive fair value of derivatives, investments in associate and jointly controlled entities, fixed assets, long-term lease prepayments, intangible assets, goodwill, deferred tax assets and other assets.

COMPOSITION OF TOTAL ASSETS



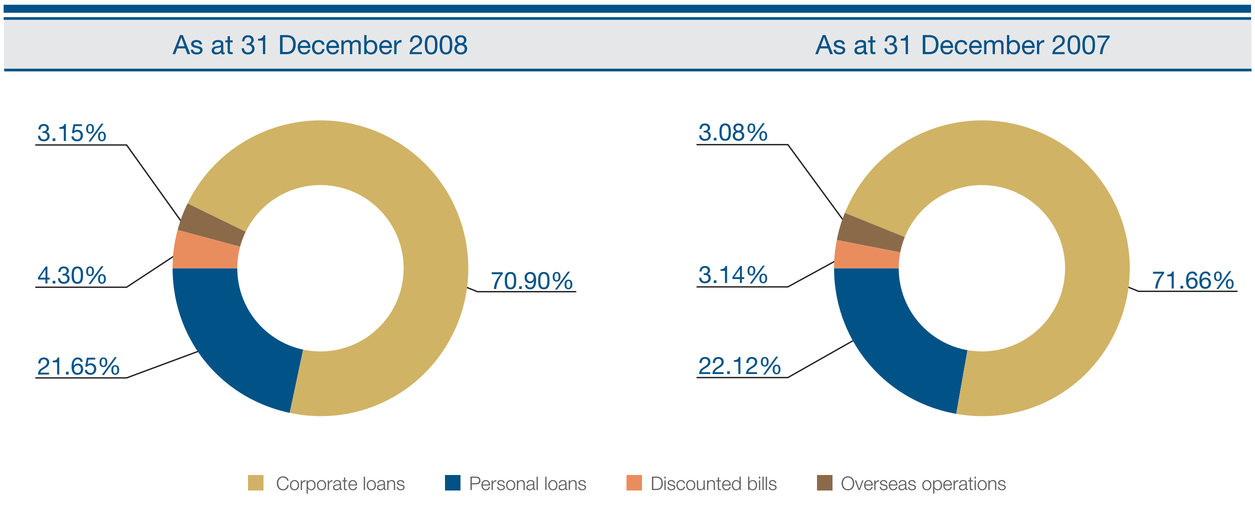
As at 31 December 2008, the Group's total assets amounted to RMB7,555,452 million, an increase of RMB957,275 million, or 14.51%, over 2007. Gross loans and advances to customers grew by RMB521,786 million, or 15.95% over the previous year, which was 2.08 percentage points higher than in 2007. This was mainly because in line with the macroeconomic policy of securing growth and boosting domestic demand, the Group increased loans to key customers and industries under effective risk control by capitalising on quality project reserves, and its large branch network and clientele. Investment securities decreased by RMB27,552 million, largely due to the reduction of debt securities investments in foreign currency. The statutory deposit reserve rate was one percentage point higher than at the end of 2007, and the PBC reduced the issuance of central bank bills to provide liquidity to the market, leading to the Group's higher surplus reserve. As a result, the Group's cash and balances with central banks increased by RMB403,726 million, or 47.85%, over the previous year, with their proportion in total assets up by 3.72 percentage points. The Group's deposits and placements with banks and non-bank financial institutions dropped by RMB38,866 million, largely because the Group contracted placements with overseas banks in response to the global financial crisis. Financial assets held under resale agreements surged by RMB71,303 million, primarily because the Group increased bonds and bills held under resale agreements in order to enhance fund utilisation efficiency. Thanks to the growth of customer-driven debt securities transactions for wealth management, the Group's trading financial assets rose by RMB20,490 million, or 68.71%.

Loans and advances to customers

(In millions of RMB, except percentages)	As at 31 December 2008 Amount	% of total	As at 31 December 2007 Amount	% of total
Corporate loans	**2,689,784**	**70.90**	2,344,757	71.66
Short-term loans	**855,397**	**22.55**	820,908	25.09
Medium to long-term loans	**1,834,387**	**48.35**	1,523,849	46.57
Personal loans	**821,531**	**21.65**	723,805	22.12
Residential mortgage loans	**603,147**	**15.90**	527,888	16.13
Personal consumer loans	**74,964**	**1.98**	66,573	2.03
Other loans[1]	**143,420**	**3.77**	129,344	3.96
Discounted bills	**163,161**	**4.30**	102,826	3.14
Overseas operations	**119,467**	**3.15**	100,769	3.08
Gross loans and advances to customers	**3,793,943**	**100.00**	3,272,157	100.00

1. These comprise individual commercial property mortgage loans, personal business loans, home equity loans, credit card loans and education loans.

COMPOSITION OF LOANS AND ADVANCES TO CUSTOMERS



As at 31 December 2008, the Group's gross loans and advances to customers rose by RMB521,786 million, or 15.95% over 2007, to RMB3,793,943 million.

Corporate loans reached RMB2,689,784 million, an increase of RMB345,027 million, or 14.71%, over 2007. Corporate loans accounted for 70.90% of the total loans and advances to customers, 0.76 percentage points lower than at the end of the previous year. In this amount, infrastructure loans climbed by 19.52% to RMB1,188,487 million, with the new infrastructure loans accounting for 56.26% of the new corporate loans. This was mainly because the Group capitalised on its historical strength in infrastructure financing, and increased loans to major infrastructure projects to meet the strong demand for infrastructure loans triggered by the government policy of boosting domestic demand. The Group also reinforced credit structure adjustment and risk control, by studying general directions and development trends of various industries and adopting differentiated strategies (including promoting, controlling, curtailing, and exiting) based on different regions, customers and industries. By improving its credit entry and exit system and implementing stringent lending criteria and selecting the best possible customers, the balance of corporate loans under the "exit" category decreased by RMB64,459 million compared to the previous year. Furthermore, the Group improved its customer base, and the proportion of customers with internal credit ratings of A or above went up 0.73 percentage points to 89.34% compared to the previous year.

Personal loans increased by RMB97,726 million, or 13.50% over 2007, to RMB821,531 million, which accounted for 21.65% of the gross loans and advances to customers with a decrease of 0.47 percentage points. In this amount, the residential mortgage loans rose by RMB75,259 million, or 14.26%; personal consumer loans grew by RMB8,391 million, or 12.60%; other loans rose by RMB14,076 million, or 10.88%. Amid complicated market changes, the Group implemented differentiated development strategies for regions, products and customers to meet credit needs of premium personal customers, and took active measures to avoid systemic risk in regional markets.

Discounted bills increased by RMB60,335 million, or 58.68%, year-on-year to RMB163,161 million. This was chiefly because the Group expanded discounting business for bills with short maturities to meet customer needs.

Overseas loans and advances rose by RMB18,698 million, or 18.56% over 2007, to RMB119,467 million. The rapid growth of these loans was mainly because the Group continued to support its overseas branches in terms of resources, which in turn proactively increased their marketing efforts.

Distribution of loans by type of collateral

The table below sets forth the distribution of loans and advances by type of collateral as at the dates indicated.

(In millions of RMB, except percentages)	As at 31 December 2008 Amount	As at 31 December 2008 % of total	As at 31 December 2007 Amount	As at 31 December 2007 % of total
Unsecured loans	947,785	24.98	744,682	22.76
Guaranteed loans	795,135	20.96	748,904	22.89
Loans secured by tangible assets other than monetary assets	1,650,208	43.50	1,453,056	44.41
Loans secured by monetary assets	400,815	10.56	325,515	9.94
Gross loans and advances to customers	3,793,943	100.00	3,272,157	100.00

Investments

The following table shows the composition of the Group's investments as at the dates indicated.

(In millions of RMB, except percentages)	As at 31 December 2008 Amount	As at 31 December 2008 % of total	As at 31 December 2007 Amount	As at 31 December 2007 % of total
Trading financial assets	50,309	2.29	29,819	1.35
Available-for-sale financial assets	550,838	25.10	429,620	19.51
Held-to-maturity investments	1,041,783	47.47	1,191,035	54.10
Debt securities classified as receivables	551,818	25.14	551,336	25.04
Total investments	2,194,748	100.00	2,201,810	100.00

As at 31 December 2008, total investments decreased by RMB7,062 million to RMB2,194,748 million over 2007. Trading financial assets rose by RMB20,490 million, or 68.71%. Available-for-sale financial assets climbed by RMB121,218 million, in which available-for-sale debt securities investments increased by RMB140,328 million, mainly because the Group held more debt securities issued by the PBC, banks and non-bank financial institutions; available-for-sale equity investments dropped by RMB19,110 million, primarily because of a reduction in the fair value of the listed shares held through debt equity swaps (including those subject to selling restriction) in the volatile domestic capital market. Held-to-maturity investments decreased by RMB149,252 million, largely due to the disposal of debt securities investments in foreign currency. Debt securities classified as receivables increased slightly over the previous year.

Debt securities investments

The following table sets forth the composition of the Group's debt securities investments by currency as at the dates indicated.

	As at 31 December 2008		As at 31 December 2007	
(In millions of RMB, except percentages)	Amount	% of total	Amount	% of total
Debt securities investments in RMB	2,068,230	95.04	1,886,565	87.14
Debt securities investments in foreign currency	107,890	4.96	278,450	12.86
Total debt securities investments	2,176,120	100.00	2,165,015	100.00

Debt securities investments in foreign currency

The Group attached great importance to credit risk control in debt securities investment management. It downsized its foreign currency debt securities investment portfolio and reduced holding of higher-risk debt securities to minimise losses. As at 31 December 2008, the carrying amount of the foreign currency debt securities investment portfolio held by the Group was US$15,814 million (or RMB107,890 million), a decrease of US$22,309 million (or RMB170,560 million) over 2007. The allowances for impairment losses on such securities were US$2,732 million (or RMB18,639 million).

The following table shows the composition of the US sub-prime mortgage loan backed securities held by the Group at the end of 2008.

(In million of US dollars)	Allowances for impairment losses	Carrying amount[1]
US sub-prime mortgage debts	275	162
First lien debt securities	195	153
Second lien debt securities	80	9
Related residential mortgage collateralised debt obligations (CDO)	455	–
Total	730	162

1. Carrying amount after deducting the allowances for impairment losses.

As at 31 December 2008, the carrying amount of US sub-prime mortgage loan backed securities held by the Group was US$162 million (or RMB1,105 million), accounting for 1.02% of the foreign currency debt securities investment portfolio. Based on the Bloomberg composite rating, the percentages of securities rated AAA and AA were 77.66% and 4.31% respectively. The allowances for impairment losses on such securities were US$730 million (or RMB4,978 million).

As at 31 December 2008, the carrying amount of the Alt-A bonds held by the Group was US$230 million (or RMB1,570 million), accounting for 1.45% of the foreign currency debt securities investment portfolio. The percentage of securities rated AAA based on the Bloomberg composite rating was 43.05%. The allowances for impairment losses on such securities were US$283 million (or RMB1,929 million).

The Group had prudently made provisions for impairment losses on the above debt securities investments based on their credit profile and market factors. Given the credit profile and market factors of the above debt securities investments, the Group prudently made provisions for impairment losses on them. As the above debt securities represent only a very small proportion of the Group's total assets, market fluctuations for such debt securities will not have significant effect on earnings.

The Group had fully provided for the debt securities related to Lehman Brothers Holdings Inc of US$190 million (or RMB1,299 million). The Group reduced its holding of these debt securities at appropriate market time, and is keeping a close eye on the development of relevant events to safeguard its legal rights.

As at 31 December 2008, the carrying amount of the securities related to Fannie Mae and Freddie Mac held by the Group was US$1,191 million (or RMB8,124 million). Principal repayments and interest due on these debt securities had been received.

Interest receivable

As at 31 December 2008, the Group's interest receivable was RMB38,317 million, an increase of RMB4,417 million, or 13.03%, over 2007. The allowances for impairment losses on interest receivable was RMB1 million, which was made in full against interest receivable arising from debt securities investments overdue for more than three years.

Liabilities

The following table shows the composition of the Group's total liabilities as at the dates indicated.

(In millions of RMB, except percentages)	**As at 31 December 2008**		As at 31 December 2007	
	Amount	**% of total**	Amount	% of total
Deposits from customers	**6,375,915**	**89.96**	5,329,507	86.30
Deposits and placements from banks and non-bank financial institutions	**490,572**	**6.92**	547,487	8.86
Financial assets sold under repurchase agreements	**864**	**0.01**	109,541	1.77
Debt securities issued	**53,810**	**0.76**	49,212	0.80
Other liabilities[1]	**166,729**	**2.35**	140,149	2.27
Total liabilities	**7,087,890**	**100.00**	6,175,896	100.00

1. These comprise borrowings from central banks, trading financial liabilities, negative fair value of derivatives, accrued staff costs, taxes payable, interest payable, provisions, deferred tax liabilities and other liabilities.

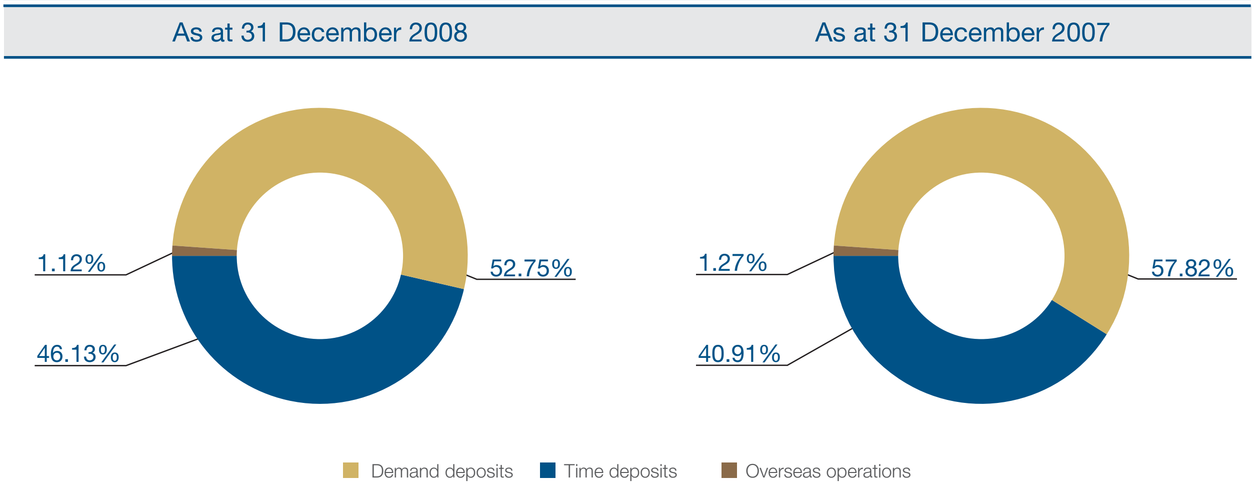
As at 31 December 2008, the Group's total liabilities were RMB7,087,890 million, an increase of RMB911,994 million, or 14.77%, over 2007. Deposits from customers remained the Group's primary source of funding, and grew by RMB1,046,408 million, or 19.63%. Deposits from customers accounted for 89.96% of the total liabilities, up 3.66 percentage points over 2007. Deposits and placements from banks and non-bank financial institutions decreased by RMB56,915 million, with their proportion in total liabilities down 1.94 percentage points to 6.92%. This was mainly because the deposits from securities brokerages and funds dropped significantly with the volatile capital market. Financial assets sold under repurchase agreements decreased by RMB108,677 million, largely because the repos conducted with the PBC in 2007 matured and those conducted with other banks shrank with the Group's ample liquidity. Debt securities issued increased by RMB4,598 million, mainly because the Bank issued RMB-denominated financial bonds in September 2008 in Hong Kong and its Hong Kong branch increased issuance of certificates of deposit.

Deposits from customers

The following table sets forth the Group's deposits from customers by product type as at the dates indicated.

(In millions of RMB, except percentages)	As at 31 December 2008 Amount	As at 31 December 2008 % of total	As at 31 December 2007 Amount	As at 31 December 2007 % of total
Corporate deposits	3,337,046	52.33	2,945,305	55.27
Demand deposits	2,229,910	34.97	2,084,193	39.11
Time deposits	1,107,136	17.36	861,112	16.16
Personal deposits	2,967,747	46.55	2,316,321	43.46
Demand deposits	1,133,449	17.78	997,164	18.71
Time deposits	1,834,298	28.77	1,319,157	24.75
Overseas operations	71,122	1.12	67,881	1.27
Total deposits from customers	6,375,915	100.00	5,329,507	100.00

COMPOSITION OF DEPOSITS FROM CUSTOMERS



As at 31 December 2008, the Group's deposits from customers reached RMB6,375,915 million, an increase of RMB1,046,408 million, or 19.63%, year-on-year, higher than the growth of total liabilities. Corporate deposits went up 13.30%, against the 28.12% increase of personal deposits. This led to a drop of 2.94 percentage points in the proportion of corporate deposits in total deposits from customers to 52.33%. This was largely because the volatile capital market and increasing uncertainties in the property market dampened the residents' investment sentiment and heightened their desire to save, and the Group took this chance to provide more diversified personal deposit products and strengthen its marketing efforts, leading to a substantial increase in personal deposits. Due to the PBC's consecutive interest rate cuts and heightened expectation of further rate cuts, domestic time deposits surged by 34.91%, much higher than the 9.15% growth of demand deposits. The proportion of domestic time deposits in total deposits went up 5.22 percentage points to 46.13%.

Shareholders' Equity

(In millions of RMB)	**As at 31 December 2008**	As at 31 December 2007
Share capital	**233,689**	233,689
Capital reserve	**90,241**	90,241
Investment revaluation reserve	**11,156**	16,408
Surplus reserve	**26,922**	17,845
General reserve	**46,628**	31,548
Retained earnings	**59,593**	32,164
Exchange reserve	**(2,263)**	(918)
Equity attributable to shareholders of the Bank	**465,966**	420,977
Minority interests	**1,596**	1,304
Total equity	**467,562**	422,281

As at 31 December 2008, the Group's total equity reached RMB467,562 million, an increase of RMB45,281 million year-on-year. The ratio of total equity to total assets for the Group was 6.19%, a decrease of 0.21 percentage points compared to 2007.

Capital Adequacy Ratio

The following table sets forth the information related to the Group's capital adequacy ratio as at the dates indicated:

(In millions of RMB, except percentages)	As at 31 December 2008	As at 31 December 2007
Core capital adequacy ratio	**10.17%**	10.37%
Capital adequacy ratio	**12.16%**	12.58%
Components of capital base		
Core capital:		
Share capital	**233,689**	233,689
Capital reserve, investment revaluation reserve and exchange reserve	**83,202**	85,408
Surplus reserve and general reserve	**73,550**	49,393
Retained earnings	**39,316**	16,609
Minority interests	**1,596**	1,304
	431,353	386,403
Supplementary capital:		
General provisions for doubtful debts	**38,110**	33,373
Positive changes in fair value of available-for-sale financial assets and trading financial instruments	**8,684**	10,527
Long-term subordinated bonds	**40,000**	40,000
	86,794	83,900
Total capital base before deductions	**518,147**	470,303
Deductions:		
Goodwill	**(1,527)**	(1,624)
Unconsolidated equity investments	**(5,682)**	(4,687)
Others	**(522)**	(810)
Total capital base after deductions	**510,416**	463,182
Risk weighted assets	**4,196,493**	3,683,123

1. Core capital adequacy ratio is calculated by dividing the net amount of core capital, which is after deductions of 100% of goodwill and 50% of unconsolidated equity investments and others, by risk-weighted assets.
2. Capital adequacy ratio is calculated by dividing the total capital base after deductions by risk-weighted assets.
3. The dividend proposed after the balance sheet date has been deducted from retained earnings.
4. The investment revaluation reserve arising from the accumulated 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. In addition, the unrealised accumulated net positive changes in fair value of trading financial instruments, net of income tax, are excluded from the core capital and included in the supplementary capital.
5. Others mainly represent investments in those asset backed securities specified by the CBRC which required reduction.
6. The balances of risk-weighted assets include an amount equal to 12.5 times the Group's market risk capital.

The Group calculates and discloses its capital adequacy ratio in accordance with the *Administration Measures for Capital Adequacy Ratios of Commercial Banks* and related regulations promulgated by the CBRC. As at 31 December 2008, the Group's capital adequacy ratio was 12.16% and the core capital adequacy ratio was 10.17%, down 0.42 and 0.20 percentage points respectively over 2007.

The decrease in capital adequacy ratio was because the growth rate of risk-weighted assets exceeded that of total capital base after deductions. Risk-weighted assets increased by RMB513,370 million or 13.94% compared to 2007, which was mainly because of the steady growth of on-balance sheet assets and rapid growth of off-balance sheet business. Total capital after deductions increased by RMB47,234 million, or 10.20%, of which core capital increased by RMB44,950 million over 2007.

The Bank issued subordinated bonds of RMB40 billion in the national interbank bond market on 26 February 2009. RMB12 billion of these bonds are 10-year fixed rate bonds with annual coupon rate of 3.20% for the first five years, and the Bank has an option to redeem the bonds at the end of the fifth year; if the Bank does not exercise the option, the annual interest rate for the following five years will be 6.20%. RMB28 billion of these bonds are 15-year fixed rate bonds with annual coupon rate of 4.00% for the first 10 years, and the Bank has an option to redeem the bonds at the end of the 10th year; if the Bank does not exercise the option, the annual interest rate for the following five years will be 7.00%. The Bank will use these subordinated bonds to strengthen its supplementary capital, raise its capital adequacy ratio, and enhance its business strength and risk mitigation capabilities.

Loan Quality Analysis

Distribution of Loans by the Five-Category Classification

The following table sets forth, as at the dates indicated, the distribution of the Group's loans by the five-category loan classification under which NPLs include substandard, doubtful and loss categories.

	As at 31 December 2008		As at 31 December 2007	
(In millions of RMB, except percentages)	**Amount**	**% of total**	Amount	% of total
Normal	**3,492,961**	**92.07**	2,959,553	90.45
Special mention	**217,100**	**5.72**	227,434	6.95
Substandard	**35,105**	**0.93**	25,718	0.79
Doubtful	**39,862**	**1.05**	48,159	1.47
Loss	**8,915**	**0.23**	11,293	0.34
Gross loans and advances to customers	**3,793,943**	**100.00**	3,272,157	100.00
Non-performing loans	**83,882**		85,170	
Non-performing loan ratio		**2.21**		2.60

In 2008, the Group stepped up credit structure adjustments, and improved its risk monitoring and early warning mechanism for credit business. It closely monitored large special-mention loans and NPLs, strengthened the mitigation of the associated risks, and used innovative methods to expedite NPL disposal. Credit asset quality continued to improve, and as at 31 December 2008, the Group's NPLs were RMB83,882 million, a decrease of RMB1,288 million from 2007, while the NPL ratio dropped by 0.39 percentage points to 2.21%. The proportions of doubtful and loss loans in NPLs continued to drop; special-mention loans dropped to 5.72%, 1.23 percentage points lower than in 2007.

Distribution of Loans and NPLs by Product Type

The following table sets forth loans and NPLs by product type as at the dates indicated:

(In millions of RMB, except percentages)	As at 31 December 2008 Loans	NPLs	NPL ratio (%)	As at 31 December 2007 Loans	NPLs	NPL ratio (%)
Corporate loans	**2,689,784**	**74,430**	**2.77**	2,344,757	76,877	3.28
Short-term loans	**855,397**	**37,700**	**4.41**	820,908	43,489	5.30
Medium to long-term loans	**1,834,387**	**36,730**	**2.00**	1,523,849	33,388	2.19
Personal loans	**821,531**	**8,840**	**1.08**	723,805	7,925	1.09
Residential mortgage loans	**603,147**	**4,931**	**0.82**	527,888	4,222	0.80
Personal consumer loans	**74,964**	**1,685**	**2.25**	66,573	1,966	2.95
Other loans[1]	**143,420**	**2,224**	**1.55**	129,344	1,737	1.34
Discounted bills	**163,161**	**—**	**—**	102,826	—	—
Overseas operations	**119,467**	**612**	**0.51**	100,769	368	0.37
Total	**3,793,943**	**83,882**	**2.21**	3,272,157	85,170	2.60

1. Include individual commercial property mortgage loans, personal business loans, home equity loans, credit card loans and education loans.

As at 31 December 2008, the NPL ratio for corporate loans fell 0.51 percentage points year-on-year to 2.77%, and that for personal loans was 1.08%, 0.01 percentage points lower than in 2007. The overseas operations developed soundly. The NPL ratio for overseas operations increased slightly due to the global financial crisis, but remained at a low level.

Distribution of Loans and NPLs by Industry

The following table sets forth the loans and NPLs by industry as at the dates indicated:

(In millions of RMB, except percentages)	As at 31 December 2008 Loans	% of total	NPLs	NPL ratio (%)	As at 31 December 2007 Loans	% of total	NPLs	NPL ratio (%)
Corporate loans	2,689,784	70.90	74,430	2.77	2,344,757	71.66	76,877	3.28
Manufacturing	663,350	17.48	23,793	3.59	592,502	18.11	24,834	4.19
Production and supply of electric power, gas and water	452,472	11.93	6,672	1.47	377,285	11.53	5,957	1.58
Transportation, storage and postal services	426,803	11.25	5,359	1.26	370,732	11.33	5,978	1.61
Real estate	329,381	8.68	15,387	4.67	317,780	9.71	15,372	4.84
Leasing and commercial services	135,746	3.58	3,429	2.53	92,968	2.84	2,911	3.13
– Commercial services	135,105	3.56	3,264	2.42	91,951	2.81	2,546	2.77
Water, environment and public utilities management	132,426	3.49	2,159	1.63	106,693	3.26	1,258	1.18
Construction	116,551	3.07	2,375	2.04	101,467	3.10	2,582	2.54
Wholesale and retail trade	102,590	2.70	7,704	7.51	89,289	2.73	7,816	8.75
Mining	90,499	2.39	479	0.53	69,666	2.13	636	0.91
– Exploitation of petroleum and natural gas	18,083	0.48	16	0.09	14,948	0.46	40	0.27
Education	78,870	2.08	1,179	1.49	78,153	2.39	1,430	1.83
Telecommunications, computer services and software	25,943	0.68	715	2.76	35,846	1.10	1,159	3.23
– Telecommunications and other information transmission services	23,598	0.62	328	1.39	32,772	1.00	304	0.93
Others	135,153	3.57	5,179	3.83	112,376	3.43	6,944	6.18
Personal loans	821,531	21.65	8,840	1.08	723,805	22.12	7,925	1.09
Discounted bills	163,161	4.30	–	–	102,826	3.14	–	–
Overseas operations	119,467	3.15	612	0.51	100,769	3.08	368	0.37
Total	3,793,943	100.00	83,882	2.21	3,272,157	100.00	85,170	2.60

In 2008, the Group continued to improve its industry-specific lending and exit criteria, and the NPLs and NPL ratios for the wholesale and retail trade as well as manufacturing industries, which used to have higher NPL ratios, continued to decline. Compared with 2007, the NPLs for the wholesale and retail trade decreased by RMB112 million and those for manufacturing industries decreased by RMB1,041 million, with their NPL ratios down by 1.24 and 0.60 percentage points respectively. Primarily as a result of the earthquake disasters, the NPLs for industries such as water, environment and public utilities management rose slightly.

Rescheduled Loans and Advances to Customers

The following table sets forth the Group's rescheduled loans and advances to customers as at the dates indicated.

	As at 31 December 2008		As at 31 December 2007	
(In millions of RMB, except percentages)	Amount	% of gross loans and advances	Amount	% of gross loans and advances
Rescheduled loans and advances to customers	**3,376**	**0.09**	3,648	0.11

As at 31 December 2008, the rescheduled loans and advances to customers were RMB3,376 million, a decrease of RMB272 million over the previous year; their proportion in gross loans and advances to customers dropped by 0.02 percentage points to 0.09%. In these loans, those overdue for more than 90 days were RMB1,196 million, a decrease of RMB1,275 million over the previous year.

Overdue Loans and Advances to Customers

The following table sets forth the Group's overdue loans and advances to customers by overdue period as at the dates indicated.

	As at 31 December 2008		As at 31 December 2007	
(In millions of RMB, except percentages)	Amount	% of gross loans and advances	Amount	% of gross loans and advances
Overdue for no more than 3 months	**28,019**	**0.74**	23,922	0.73
Overdue for 3 months to 1 year	**19,189**	**0.50**	14,864	0.46
Overdue for 1 to 3 years	**21,786**	**0.57**	31,540	0.96
Overdue for over 3 years	**18,065**	**0.48**	20,619	0.63
Total overdue loans and advances to customers	**87,059**	**2.29**	90,945	2.78

As at 31 December 2008, the overdue loans and advances to customers were RMB87,059 million, a decrease of RMB3,886 million over the previous year; their proportion in gross loans and advances to customers dropped by 0.49 percentage points to 2.29%. In these loans there were NPLs of RMB61,111 million against which allowances of RMB46,849 million had been made.

Analysis of Off-Balance Sheet Items

The Group's off-balance sheet items were mainly commitments and contingent liabilities, which include credit commitments, operating lease commitments, capital commitments, underwriting obligations, redemption obligations, outstanding litigation and disputes, and contingent liabilities. Among these, credit commitments were the most significant component, with an amount of RMB1,350,480 million as at 31 December 2008.

Significant Accounting Estimates and Judgements

In determining the carrying amounts of some assets and liabilities and the related profit or loss during the reporting period with its accounting policies, the Group makes estimates and judgements in certain aspects. These estimates and judgements involve assumptions about items such as risk adjustment to cash flows or discount rates used, and future changes in prices affecting other costs. The Group makes estimates and assumptions based on historical experience and expectations of future events, and reviews them on a regular basis. In addition, the Group needs to make further judgements in respect of the application of accounting policies. The Group's management believe that the estimates and judgements made by the Group reflect appropriately the economic context the Group was subject to. The major areas affected by the estimates and judgements include: impairment losses on loans and advances, available-for-sale and held-to-maturity debt investments, impairment of available-for-sale equity investments, fair value of financial instruments, classification of held-to-maturity investments, and income taxes. Please refer to Note "Significant Accounting Estimates and Judgements" in the "Financial Statements" of this annual report.

Differences between the Financial Statements Prepared under PRC GAAP and those Prepared under IFRS

There is no difference in the net profit for the year ended 31 December 2008 or total equity as at 31 December 2008 between the Group's consolidated financial statements prepared under PRC GAAP and those prepared under IFRS.

The Three Gorges Water Hub Project

The Three Gorges Water Hub Project is by far the world's largest water hub project. As the principal banker for the Three Gorges Project, CCB has provided strong support to the smooth progress of the project by offering over 70 financial service products in more than 10 categories in the past 17 years.

The Beijing Shanghai High-Speed Railway Project — Nanjing Dashengguan Bridge

The Beijing Shanghai High-Speed Railway is the world's longest and highest standard high speed railway ever built; it is also the largest single investment for infrastructure project for PRC since 1949. As the lead arranger of the syndicated loan for the project, CCB will provide a diversified range of financial services such as acting as custodian for construction funds and investment funds from insurance companies as well as providing basic settlement account services for the project.

CCB and the Ministry of Railways signed a strategic cooperation agreement on 17 November 2008 pursuant to which CCB undertook to provide comprehensive premium financial services and business support such as project financing, treasury management, foreign exchange and investment banking to the Ministry of Railways.

Business Review

The Group's major business segments are corporate banking, personal banking, treasury business, as well as others and unallocated items which include equity investments and overseas operations.

The following table sets forth, in the periods indicated, the profit before tax of each major business segment:

	For the year ended 31 December 2008		For the year ended 31 December 2007	
(In millions of RMB, except percentages)	Amount	% of total	Amount	% of total
Corporate banking	67,368	56.26	61,391	60.89
Personal banking	20,249	16.91	26,146	25.93
Treasury business	31,510	26.32	13,347	13.24
Others and unallocated	614	0.51	(68)	(0.06)
Profit before tax	119,741	100.00	100,816	100.00

Corporate Banking

The following table sets forth the major operating information and changes related to corporate banking:

(In millions of RMB, except percentages)	For the year ended 31 December 2008	For the year ended 31 December 2007	Change (%)
Net interest income	126,010	109,412	15.17
Net fee and commission income	15,350	7,471	105.46
Other operating income	716	178	302.25
Operating income	142,076	117,061	21.37
Operating expenses	(42,824)	(37,787)	13.33
Provisions for impairment losses	(31,884)	(17,883)	78.29
Profit before tax	67,368	61,391	9.74
	As at 31 December 2008	As at 31 December 2007	
Segment assets	3,214,610	2,748,782	16.95

In 2008, the profit before tax gained a 9.74% increase over the previous year to RMB67,368 million, accounting for 56.26% of the Group's profit before tax as the Group's primary profit source. Net interest income from corporate banking increased by 15.17% over the previous year as a result of the rising net interest margin as well as loan growth. Net fee and commission income rose by 105.46% to RMB15,350 million, benefiting from the rapid growth of intermediary business products such as insurance agency, engineering cost advisory and asset custodial services. The provisions for impairment losses reached RMB31,884 million as affected by the financial crisis and the slowdown of economic growth.

The Bank actively pushed forward the adjustment of its loan structure. At the end of 2008, its corporate loans totalled RMB2,689,784 million, an increase of RMB345,027 million or 14.71% compared to the end of 2007. The asset quality of the corporate loans remained sound, and the corporate NPLs totalled RMB74,430 million with a NPL ratio of 2.77%, a decrease of RMB2,447 million or 0.51 percentage points lower compared to the end of 2007.

Infrastructure loans grew by 19.52% year-on-year to RMB1,188,487 million, with its increase amount accounting for 56.26% of the increase in corporate loans. The low-risk discounted bills increased by RMB60,335 million over 2007. Loans focused on high-rated customers as 89.34% of customer loans were extended to customers with internal credit ratings of A or above, 0.73 percentage points higher than in 2007. The Bank took initiatives to reduce its exposure to certain customers in industries that were not in line with the government's industrial policies and the Bank's risk preferences. With a total retreat amount of RMB64,459 million, the Bank effectively curtailed lending to industries with high pollution, high energy consumption and excess supply, and steadily improved its asset quality.

The Dabancheng Wind Power Plant amid beautiful scenery in Xinjiang

In support of clean energy and committed to the provision of loans for green projects, CCB has developed long-standing working relationships with Longyuan Group, Datang Group and Huaneng Group and supported the construction of numerous wind power generation units in Inner Mongolia, Hebei, Xinjiang and Jilin.

The "Aerospace Dragon Card" had the honour of taking off with the Shenzhou VII spacecraft for space travelling.

CCB plays its part in contributing to the aerospace venture of China by providing high-quality and efficient financial support and services over the years to China Aerospace Science and Technology Corporation, the nation's leading aerospace group responsible for the R&D of the Shenzhou spacecraft and the Chang'e I satellite.

In order to promote the specialised operation of its small enterprise business, the Bank built 78 small enterprise banking centres based on the "Credit Factory" model. The Bank proactively pushed forward its supply-chain finance products, continued to improve the small enterprise rating related policies, and strengthened risk control and market research. Lending business to small enterprises made rapid progress, and the new loans were mostly extended to the key areas in the Yangtze River Delta, the Pearl River Delta, and the Bohai Rim.

The contribution from intermediary business improved substantially. Compared with 2007, the Bank's net fee and commission income from corporate banking rose by 105.46% to RMB15,350 million, accounting for 39.93% of the total net fee and commission income for the Group, with an increase of 16.07 percentage points. Income from three traditional products including corporate RMB settlement, domestic guarantees and engineering cost advisory services totalled RMB4,073 million. As the only domestic commercial bank qualified to provide engineering cost advisory services, the Bank heavily marketed the business and related income increased by 149.50% to RMB1,734 million. Income from syndicated loans and domestic factoring achieved over six-fold growth.

- The *institutional business experienced notable expansion.* The Bank had entered into civil card service agreements with nearly 8,000 public service institutions operating on the central budget by the end of 2008, and the civil cards issued increased by 497,900. An all-in-one social security card product was also launched, which incorporated financial services functions into the social security card. The Bank continued to enjoy the prime market position in terms of loan fund settlement agency service for China Development Bank. Our insurance agency service achieved fast growth, and its income rose to RMB2,830 million, with a growth rate of 193.57% that outperformed our domestic competitors. With 17.64 million users of independent custodial services for securities settlement funds and fee income of RMB468 million, the Bank ranked first in the market. Fee income from the "Safe Deal" custodial service for trading funds increased by RMB444 million. The Bank performed well in futures settlement business and was named the "Best Settlement Bank for Futures Business" by the Securities Times in 2008.

- *The international business achieved an outstanding performance.* In 2008, international settlement volume increased by 57.03% over 2007 to US$448,150 million, while the income thereof rose by 139.74% to RMB1,951 million. By successfully launching new products such as "Bank Acceptance Issuance against Export Receivables", "Availisation of Bill", "Financing without Recourse under Short-term Export Credit Insurance", "Purchase-Order Financing", the Bank continued to innovate the process of trade finance. The Bank was named "Best Domestic Trade Finance Bank in China" by *Global Finance* in 2008 because of its strength and excellence in the trade finance and foreign exchange business. The Bank also won the bid to act as the domestic Hong Kong dollar settlement bank under the China foreign exchange payment system hosted by the PBC as well as the US dollar settlement bank under the China Foreign Exchange Trade System.

- *The asset custodial service made progress in a volatile market.* At the end of 2008, the total net value of funds under custody reached a record RMB453,234 million, with its share in domestic market rising to 24.02%. The Bank was approved to offer custodial service to 41 new funds and has started custodial service to 32 new funds, both ranking first among its competitors. The Bank also made remarkable progress in custodial services for other types of securities assets, Qualified Foreign Institutional Investor (QFII), Qualified Domestic Institutional Investor (QDII), enterprise annuities as well as industrial investments. The income from custodial business in 2008 rose by 38.37% to RMB1,418 million. The Bank was named "Best Subcustodian in China" by The Asset in 2008.

CCB was named "Best Domestic Trade Finance Bank in China" by *Global Finance* in 2008 because of its strength and excellence in trade finance and foreign exchange.

In 2009, the Bank will stand up to challenges for corporate banking business, and grasp every development opportunity to fully leverage our established strengths in the infrastructure industries. It will thoroughly examine the development directions and trends for various trades, continue to adjust its credit structure, and reinforce fundamental management and personnel development. In addition, the Bank will try to seek opportunities to further develop its business while laying a solid foundation for its sustainable development.

Personal Banking

The following table sets forth the major operating information and changes related to personal banking:

(In millions of RMB, except percentages)	For the year ended 31 December 2008	For the year ended 31 December 2007	Change (%)
Net interest income	58,417	52,958	10.31
Net fee and commission income	15,286	20,344	(24.86)
Other operating income	870	139	525.90
Operating income	74,573	73,441	1.54
Operating expenses	(49,742)	(44,799)	11.03
Provisions for impairment losses	(4,582)	(2,496)	83.57
Profit before tax	20,249	26,146	(22.55)
	As at 31 December 2008	As at 31 December 2007	
Segment assets	863,351	786,851	9.72

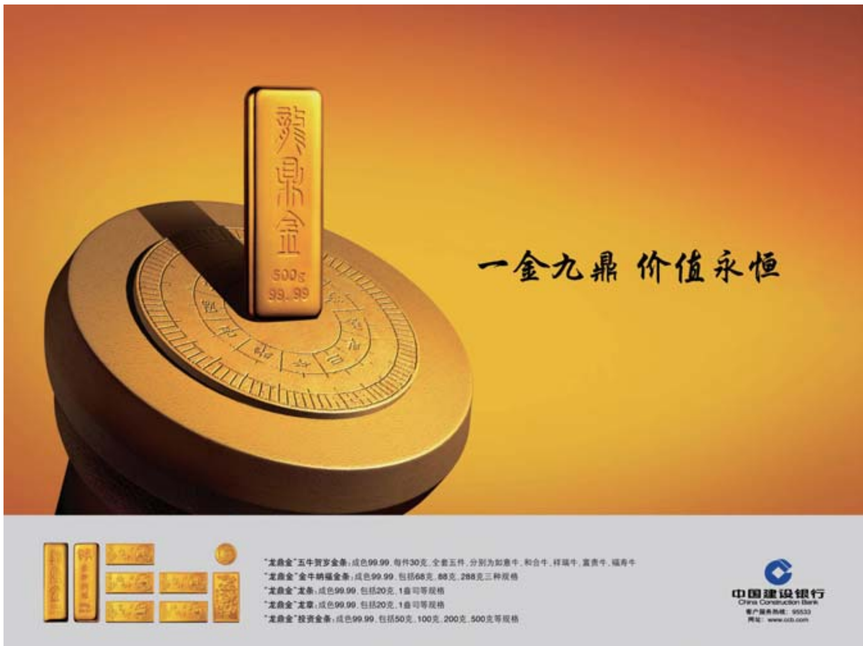
In 2008, as a result of the gloomy capital market and natural disasters in China, the net fee and commission income from personal banking declined, and provisions for impairment losses increased, leading to a 22.55% decrease in profit before tax from personal banking. Nevertheless, personal deposits and loans continued to grow steadily, and intermediary business products such as insurance agency service and bank cards still maintained healthy growth.

Personal deposits achieved record growth. Thanks to the vigorous marketing campaigns at opportune market moment and increased cross-selling to wealth management customers, as at 31 December 2008, the domestic personal deposits reached a record high of RMB2,967,747 million, an increase of RMB651,426 million, or 28.12% over 2007. Time deposits rose rapidly, the increase of which accounting for 79.08% of the increase in domestic personal deposits. The number of high-end customers with financial assets over RMB3 million increased by 93% over the previous year.

Personal loans rose steadily. As at 31 December 2008, the Bank's personal loans surged by 13.50% to RMB821,531 million, accounting for 21.65% of gross loans and advances to customers. Of these, personal residential mortgages rose by 14.26% to RMB603,147 million, commanding the largest market share in terms of both the loan balance and increase amount; personal consumer loans grew by 12.60% to RMB74,964 million. The Bank actively responded to the complex market changes by deepening structural adjustments and strengthening risk controls. It pushed forward the standardisation of personal loan centres by rolling out the process optimisation of such centres, with an aim to upgrading its service level. The Bank provided strong support to its customers in meeting their housing demand with professional, efficient and high-quality services, and maintained a good momentum in the residential mortgage loan business.

Wu Xiaodong, one of CCB's "Top 100 Personal Loan Customer Managers", communicates with his customers.

Wealth management, insurance agency and personal gold businesses represent new sources of revenue growth for CCB's personal intermediary business.



The Bank actively expanded its products for personal intermediary business. In 2008, net fee and commission income from personal banking stood at RMB15,286 million, a decrease of RMB5,058 million as a result of the declining amount of agency fund sales amid capital market fluctuations, but still accounted for 39.76% of the total net fee and commission income for the Group. Debit card and securities agency business remained the two largest income contributors. Personal wealth management, insurance agency, and personal gold businesses have become new sources of revenue growth for the personal intermediary business. During the year, the Bank sold personal wealth management products with a total amount of RMB383.8 billion, a 5.17 times increase over 2007. The income from personal insurance agency business also achieved extraordinary growth.

- *Bank cards business progressed in both scale and profitability.* In 2008, the Bank issued 6.10 million new credit cards, bringing the total number of credit cards in issue to 18.71 million credit cards. The amount spent through these cards totalled RMB157,911 million, and credit card loans reached RMB22,924 million with sound asset quality. The total number of debit cards issued amounted to 271 million, an increase of 47.57 million over 2007. During the year, spending via debit cards reached RMB446,105 million, 9.50% higher than 2007, while net fee and commission income from debit card business grew by 27.91% to RMB4,762 million. The Bank's credit card business was awarded the "Outstanding Contribution to Risk Prevention" award for 2008 by China Unionpay, and "Best Product Design Award" and "Best Marketing Award" for 2008 from MasterCard International.

"My Passion, My Dream"

- *The Bank's entrusted housing finance business continued to dominate the market.* By the end of 2008, the balance of housing fund deposits totalled RMB373,681 million, an increase of RMB83,819 million over 2007, with a market share of 61.72%; while the balance of provident fund loans amounted to RMB288,967 million, an increase of RMB46,717 million over 2007, with a market share of 49.05%. Through closer cooperation with local provident housing fund management centres, the Bank rolled out new product mixes of provident fund loans and residential mortgage loans, and provided greater financial support to middle and lower income groups. The Bank also enhanced its market competitiveness effectively and built its image as a professional mortgage financial service provider by expanding a series of new services such as co-branded Provident Housing Funds Long Card, entrusted withdrawal of provident housing funds and repayment of loans therewith as well as provident housing funds electronic services.

Wang Rucheng, wealth management relationship manager of the Bank and National Labor Day Awardee recommends private banking services to a client.

The Bank officially launched its private banking service. In 2008, the Bank set up three private banking centres in Beijing, Shanghai, and Guangdong to provide tailored modern private banking services with focus on asset management to its high-net-worth individual customers with financial assets over RMB10 million. The launch of the private banking service helped to enrich and improve the Bank's products and services for high-end customers, and facilitated the strategic transformation of the Bank by building a specialised, differentiated service system.

Notwithstanding many uncertainties in the personal banking environment in 2009, the Bank will take the opportunity of government policies to boost domestic demand and stimulate household spending, try to strike a balance between business development and risk control based on better understanding of the market features and development trends, and ensure the sound development of personal banking by stepping up product marketing activities, and enhancing service quality.

Treasury Business

The following table sets forth the major operating information and changes related to treasury business:

(In millions of RMB, except percentages)	For the year ended 31 December 2008	For the year ended 31 December 2007	Change (%)
Net interest income	40,628	29,577	37.36
Net fee and commission income	7,085	2,750	157.64
Net trading gain	1,489	345	331.59
Net (loss)/income arising from investment securities	(4,166)	318	(1,410.06)
Other net operating income/(loss)	2,330	(7,873)	(129.59)
Operating income	47,366	25,117	88.58
Operating expenses	(2,857)	(5,015)	(43.03)
Provisions for impairment losses	(12,999)	(6,755)	92.44
Profit before tax	31,510	13,347	136.08
	As at 31 December 2008	As at 31 December 2007	
Segment assets	3,358,278	2,960,545	13.43

In 2008, despite rising provisions for impairment losses and net losses arising from investment securities due to the global financial crisis, the profit before tax of treasury business gained an increase of 136.08% to RMB31,510 million, accounting for 26.32% of the Group's profit before tax compared to 13.24% in the previous year. This was attributable to the rise of net interest income led by the growth of both size and yield rate of debt securities investments, the rise of net fee and commission income led by the growth of customer-driven foreign exchange transactions and financial consultancy service, and the significant decrease in foreign exchange losses.

Financial Market Business

In 2008, after examining carefully the complex and changing macroeconomic conditions and market movements at home and abroad, the Bank adjusted its investment portfolio management strategies. In the deployment of RMB funds, it stepped up quantitative research, refined the management of resource allocation, seized the chance of changes of market liquidity and yield curves to adjust portfolio structure in accordance with the changes in macroeconomic policies and liquidity profile, and conducted position trading of bonds with strengthened investment management capability. As for the foreign-currency denominated investment portfolios, in the face of the global financial turmoil caused by the sub-prime mortgage crisis, the Bank gave top priority to controls over credit risks by downsizing these portfolios and reducing high-risk bonds to minimise losses.

In 2008, the Bank fully utilised money market instruments to square positions and increase returns on short-term funds. During the year, its money market trading volume increased significantly and repurchase transaction volume amounted to RMB5,372.5 billion, an increase of 5.82% over 2007, ranking second in the market. Interbank lending was RMB1,606.3 billion, an increase of 41.30% over the previous year.

The Bank continued to expand the market share of its customer-driven foreign exchange transactions. The volume of customer-driven foreign exchange purchases and sales and foreign exchange trading reached US$261.5 billion, a year-on-year increase of 31%, generating income of RMB3,163 million, with a growth of 40%. The Bank commanded a 10.90% share of the spot foreign exchange purchases and sales market, 0.3 percentage points higher than in 2007. The volume of its customer-driven derivative transactions totalled US$12,136 million, an increase of 9.02% over 2007. We closely followed changes in market and customer demand by continuing to offer a greater variety of wealth management products such as the "CCB Fortune — Donations", while designing and issuing 338 batches of RMB and foreign currency denominated wealth management products, with an issuance amount of RMB329,440 million, an increase of 3.63 times over the previous year.

Investment Banking

In 2008, investment banking made an income of RMB6,610 million, an increase of RMB4,120 million, or 165%, over 2007. Contributors to this income included bond underwriting (RMB230 million), financial advisory service (RMB4,870 million) and wealth management (RMB1,420 million). With these diversified products and services, the Bank met the different financial needs of its customers effectively. During the year, the investment banking segment helped its customers raise RMB247.1 billion.

CCB designed and issued 910 batches of wealth management products such as "Profit from Interest", "Qiantu Financial Products" and "CCB Fortune" for an aggregate issuance amount of RMB428.9 billion, surging by RMB363.6 billion or

557% **over the previous year.**

The Bank increased bond underwriting amounts by targeting premium customers with large issuance projects and high external ratings. We ranked first among domestic market players for the third consecutive year in terms of accumulated underwriting volume of short-term commercial papers. The Bank launched tailor-made comprehensive financial advisory solutions to meet its customers' needs, and its "Package Solutions" financial advisory product was well received by its customers. The Bank designed and issued 910 batches of wealth management products such as "Profit from Interest", "Qiantu Financial Products" and "CCB Fortune" for an aggregate issuance amount of RMB428.9 billion, a rise of RMB363.6 billion, or 557%, over 2007.

In 2008, the Bank launched the "Jianyuan 2008-1" restructured asset securitisation project as a sponsor, and successfully issued the securities in the national interbank market. This is the first time for the Bank to dispose of non-performing assets in bulk by means of securitisation, and the first successful exploration for Chinese commercial banks in NPLs securitisation. The total issuance amounted to RMB2,765 million, of which senior tranche was RMB2,150 million and equity tranche was RMB615 million. All tranches were issued in the interbank market. Through this project, the Bank rapidly disposed of its corporate non-performing loans of RMB8,452 million on a one off basis with total net issuance proceeds of RMB2,736 million.

New York

London

Overseas Business and Subsidiaries

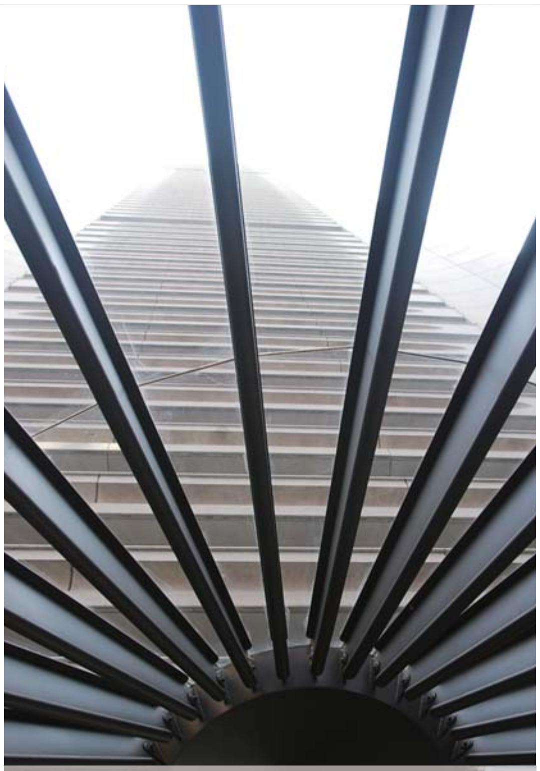
Overseas Business

The Bank has branches in Hong Kong, Singapore, Frankfurt, Johannesburg, Tokyo and Seoul and representative offices in London, New York and Sydney.

In 2008, the Bank made major breakthroughs in expansion of its overseas branches. In December 2008, the US Federal Reserve officially approved the Bank's application for establishing a branch in New York and the Financial Services Authority of the UK also approved the Bank's application for establishing a subsidiary bank in London. The CBRC has given official approval for the Bank's application to upgrade its Sydney representative office to Sydney branch, while application and preparatory work related to establishing a bank in Ho Chi Minh City, Vietnam has been carried out smoothly.

In 2008, pursuant to requirements of the Bank's overseas development strategy, the overseas branches strove to improve their asset and income structure by actively pushing forward business transformation, and expanding intermediary businesses such as international settlement, foreign exchange clearing, and investment banking. With deepened cooperation between the domestic and overseas branches, a win-win result was achieved for business development both at home and abroad.

At the end of 2008, the total overseas assets amounted to RMB121,593 million, and the profit before tax was RMB2,333 million, of which the profit before tax from the overseas branches totalled RMB167 million. As a result of the impact of the global financial market turbulence, the non-performing loan ratio increased by 0.14 percentage points over the previous year, but remained at a low 0.51%.



Sydney

Major Subsidiaries

CCB Asia

CCB Asia is a licensed bank registered in Hong Kong mainly engaged in providing a wide range of personal and commercial banking services to customers. In 2008, CCB Asia strengthened its network expansion, and accelerated development of its electronic channels. The number of retail outlets of CCB Asia in Hong Kong and Macau increased to 36, and CCB Asia developed 14 new electronic channel services and 18 new products which include “Golden Years Banking”, “Gold Trading”, and “RMB Checking Account”. CCB Asia did not make any bond investments in the troubled financial institutions and its asset quality remained stable. As at 31 December 2008, CCB Asia’s total assets were HK$53,715 million; the profit before tax for 2008 was HK$359 million with a net profit of HK$305 million.

CCB International

CCB International, a wholly-owned subsidiary of the Bank, is a Hong Kong-based investment bank with global presence. Despite challenging global capital markets and frozen initial public offering (IPO) markets, CCB International posted the best results since its founding by interacting with the Bank’s head office and domestic branches, as well as getting actively involved in innovative businesses such as repurchasing and increasing shares of listed companies, listing by way of purchasing shell companies, merger and acquisition, asset management, and industrial funds. In 2008, it achieved a profit before tax of HK$1,042 million. Key projects completed during the year included sponsoring the listing of Shanshui Cement in Hong Kong, helping key domestic enterprises such as China National Nuclear Corporation and China Cinda Asset Management Corporation to buy local shell companies. CCB International was named “Best Domestic Investment Bank in Hong Kong” by *The Asset* for 2008.

Sino-German Bausparkasse

Sino-German Bausparkasse was jointly established by the Bank and Bausparkasse Schwaebisch Hall in February 2004 with a registered capital of RMB150 million, of which 75.1% was contributed by the Bank. In order to expand Sino-German Bausparkasse's scope of business and enhance its capital strength, the two parties increased Sino-German Bausparkasse's registered capital to RMB1,000 million from RMB150 million in proportion to their respective existing shareholding during 2008, of which the Bank financed a total of RMB751 million. On 21 July 2008, Sino-German Bausparkasse received approval for the expansion of its business scope, which included taking public deposits, extending residential mortgage loans, extending development loans in support of development and construction of economic houses, low-rent houses, economic rent houses and price-limited houses, issuing financial bonds, and acting as an agent in the issuance, redemption and underwriting of government bonds, money collection and payment, agency fund sales, and insurance agency business, as well as the original housing savings deposit business. This enabled Sino-German Bausparkasse to change from a bank solely for housing savings business to a professional housing finance commercial bank.

CCB Principal Asset Management

CCB Principal Asset Management was founded by the Bank, Principal Financial Services, Inc and China Huadian Group Corporation in September 2005. The Bank contributed 65% and the other two parties contributed 25% and 10% respectively to the joint venture's registered capital of RMB200 million.

At the end of 2008, CCB Principal Asset Management managed seven public funds with a total amount of RMB37.8 billion, representing an increase of 19% in amount over the previous year. Its ranking in the industry climbed to 20th from 31st in the previous year, and the overall fund performance was sound.

CCB Financial Leasing

CCB Financial Leasing was established jointly by the Bank and Bank of America in December 2007 with a registered capital of RMB4,500 million, of which 75.1% was contributed by the Bank. CCB Financial Leasing is currently the largest domestic financial leasing company in terms of registered capital and one of the first innovative PRC financial leasing companies approved by the CBRC. It is mainly engaged in financial leasing, receiving security deposit from lessees, transferring rent receivables to commercial banks, issuing financial bonds, interbank lending, borrowing from financial institutions, and borrowing foreign exchange overseas.

In 2008, CCB Financial Leasing vigorously expanded its market, accelerated product innovation, and strengthened internal risk control management. At the end of 2008, its total assets were RMB4.89 billion, of which leasing assets were RMB3.6 billion. CCB Financial Leasing had excellent asset quality and its profit before tax was RMB141 million, outperforming its peers in profitability.

Analysed by Geographical Segment

In 2008, the Bank thoroughly implemented the strategy of prioritising the development of branches in central cities and was committed to expanding the market of cities in the Yangtze River Delta, the Pearl River Delta and the Bohai Rim, while taking into account the development of big and medium-sized cities in coastal and inland areas of China. The profit before tax in regions of the Yangtze River Delta, the Pearl River Delta and the Bohai Rim increased by 14.11% to RMB65,959 million, accounting for 55.08% of the Group's profit before tax. Loans and advances to customers increased by 14.07% to RMB2,158,741 million, accounting for 56.89% of the total loans and advances to customers; deposits from customers increased by 17.89% to RMB3,514,296 million, accounting for 55.11% of the total deposits of the Group.

The following table sets forth the distribution of the Group's profit before tax by geographical segment:

	For the year ended 31 December 2008		For the year ended 31 December 2007	
(In millions of RMB, except percentages)	**Amount**	**% of total**	Amount	% of total
Yangtze River Delta	**29,518**	**24.64**	25,934	25.73
Bohai Rim	**18,580**	**15.52**	16,920	16.78
Central	**15,782**	**13.18**	15,459	15.33
Western	**11,838**	**9.89**	15,347	15.22
Pearl River Delta	**17,861**	**14.92**	14,947	14.83
Northeastern	**5,434**	**4.54**	5,140	5.10
Head office	**18,395**	**15.36**	4,570	4.53
Overseas	**2,333**	**1.95**	2,499	2.48
Profit before tax	**119,741**	**100.00**	100,816	100.00

The following table sets forth the distribution of the Group's loans and advances by geographical segment:

	For the year ended 31 December 2008		For the year ended 31 December 2007	
(In millions of RMB, except percentages)	**Amount**	**% of total**	Amount	% of total
Yangtze River Delta	**922,104**	**24.30**	816,085	24.95
Bohai Rim	**691,638**	**18.23**	602,943	18.43
Central	**607,335**	**16.01**	519,388	15.87
Western	**635,905**	**16.76**	530,805	16.22
Pearl River Delta	**544,999**	**14.36**	473,478	14.47
Northeastern	**233,468**	**6.15**	199,106	6.08
Head office	**39,027**	**1.03**	29,583	0.90
Overseas	**119,467**	**3.16**	100,769	3.08
Gross loans and advances to customers	**3,793,943**	**100.00**	3,272,157	100.00

The following table sets forth the distribution of the Group's deposits by geographical segment:

(In millions of RMB, except percentages)	For the year ended 31 December 2008 Amount	% of total	For the year ended 31 December 2007 Amount	% of total
Yangtze River Delta	**1,330,657**	**20.86**	1,106,728	20.77
Bohai Rim	**1,208,697**	**18.96**	1,053,579	19.77
Central	**1,101,653**	**17.28**	913,466	17.14
Western	**1,101,507**	**17.28**	871,416	16.35
Pearl River Delta	**974,942**	**15.29**	820,711	15.40
Northeastern	**483,733**	**7.59**	405,490	7.61
Head office	**103,604**	**1.62**	90,236	1.69
Overseas	**71,122**	**1.12**	67,881	1.27
Deposits from customers	**6,375,915**	**100.00**	5,329,507	100.00

The following table sets forth the geographical distribution of the Group's assets, branches and staff:

	As at 31 December 2008					
	Assets (In millions of RMB)	**% of total**	**Number of branches**	**% of total**	**Number of staff**	**% of total**
Yangtze River Delta	**1,468,824**	**19.44**	**2,214**	**16.54**	**43,058**	**14.42**
Pearl River Delta	**1,074,866**	**14.23**	**1,661**	**12.41**	**36,097**	**12.09**
Bohai Rim	**1,369,934**	**18.13**	**2,180**	**16.29**	**50,410**	**16.88**
Central	**1,157,174**	**15.32**	**3,253**	**24.32**	**66,394**	**22.24**
Western	**1,170,334**	**15.49**	**2,696**	**20.14**	**62,430**	**20.91**
Northeastern	**507,337**	**6.71**	**1,367**	**10.21**	**34,594**	**11.58**
Head office	**3,523,723**	**46.64**	**3**	**0.02**	**5,251**	**1.76**
Overseas	**121,593**	**1.61**	**9**	**0.07**	**347**	**0.12**
Elimination	**(2,846,188)**	**(37.67)**				
Unallocated assets	**7,855**	**0.10**				
Total	**7,555,452**	**100.00**	**13,383**	**100.00**	**298,581**	**100.00**

Distribution Channels

The Bank has an extensive distribution network, and provides convenient and high quality banking services to its customers through nationwide branches, customer self-service equipment and electronic banking service platform.

Significant Progress in Service Functions of Branch Outlets

Branch outlets are the Bank's primary distribution channels. At the end of 2008, the Bank had 13,374 branches at various levels in Mainland China, including the head office, 38 tier-one branches, 294 tier-two branches, 6,583 sub-branches, 6,457 entities under the sub-branches and a specialised credit card centre based at the head office.

Gradual optimisation in branch layout. The Bank selectively increased branch resources in key areas and major cities. At the end of 2008, three key areas, i.e. Bohai Rim, Yangtze River Delta and Pearl River Delta, had 6,055 branch outlets, accounting for 45.3% of the total outlets. In 80 major cities there were 7,705 branches, accounting for 57.6% of the total amount.

Notable improvement after branch transformation. In 2008, the Bank's 11,610 retail outlets were transformed from a transaction and accounting focus to marketing and service oriented functions, accounting for 86.81% of the total outlets. The transformed outlets became more competitive with notable improvement in sales capabilities, customer services and customer satisfaction, Customer waiting time fell by 35%, while the daily average sales at these outlets increased by 85% after the transformation. **In 2008, the Bank renovated 26% of its outlets, and with 67.6% of its outlets complying with the Bank's new visual image standards, the overall look of the outlets improved greatly.**

Rapid progress in specialised operations. The Bank had 2,068 personal finance centres, an increase of 625 over the previous year. The Bank opened 106 wealth management centres, an increase of 26 over the previous year. The Bank established private banking centres in Beijing, Shanghai and Guangdong, as well as one under development in Shenzhen, delivering private banking services to high net worth individuals

Largest ATM Network in the World

By the end of 2008, the Bank had opened 3,595 self-service banks, an increase of 866 over the previous year. The number of automatic teller machines (ATMs) increased by 33.70% over 2007 to 31,896, becoming the largest ATMs network in the world. These facilities expanded the coverage of the Bank's operations and strongly supported to its manned outlets.

Further Expansion of Electronic Banking Service Platform

The number of electronic banking customers and transaction volume achieved significant growth. At the end of 2008, the Bank's total number of electronic banking customers rose to 111.82 million, an increase of 58.16% over 2007. There were 2,474 million transactions with an amount of RMB110.38 trillion, and the income from electronic banking totalled RMB1,135 million. During 2008, the ratio of transaction volume through electronic banking to that through front desk reached 45.01%.

Functions of electronic banking products were further expanded. **In personal online banking, customers have access to the following services: personal loans, insurance agency service, settlement, 24/7 account gold service, futures market through train, and "e-Futong" online payment service**. In corporate online banking, customers can enjoy the following new products: "Xincunguan" independent custody service, enterprise annuity service, "e-Daitong" online loan service, financial futures, and "Bianmaotong" border trade service.

The Bank's online mobile phone banking service continued to lead in the domestic market, with its pioneering 3G network-enabled services. Customers can access the following new services through mobile phones: personal loans, account gold, bond investments, purchase of foreign exchange and repayment therewith, and credit card service. The Bank was presented with the "Best Financial Innovation Award in China." The Bank also launched home banking service in its branches in Henan, Hunan, Heilongjiang, Xiamen, and Guangdong, providing the following services: account enquiries, transfers, remittances, credit cards, funds and wealth management.

Customers can now make enquiries about credit card accounts on the Bank's website, which is also equipped with "Voice of Customer" survey capability as well as upgraded wealth management and fund channels. The Bank ranked first in the "Ninth session of Excellent Finance and Securities Website in China" by *Securities Times*, and was named the "Best Online Banking Service Provider in China in 2008" by the China Financial Certification Authority.

Enhanced 95533 Telephone Banking Service

In 2008, the Bank unified the platform of call centre operation systems, and rectified the service standards and service language. It introduced English, Russian, Korean, German and other multilingual services, provided new services such as telephone payment, and non-financial booking services for high-end customers, and opened a customer service hotline 4008895533 for wealth management and private banking customers. The Bank also completed the construction of telephone banking centres in Beijing, Lanzhou and Wuhan. The 95533 Customer Service Centre won the "Best Customer Service Award in China" and "Best Customer Service Award for Asia Pacific Service Industries" and other awards.

Information Technology

In 2008, the Bank continued to strengthen its information technology (IT) support capabilities for product innovation, business process optimisation, and overall risk management in order to satisfy the needs of its strategic development, while ensuring the stable operation of its IT system and the continuity of the Bank's various operations.

Full optimisation of core business systems. As part of its upgrade of core business system, the Bank completed 13 special projects and the enhancements to 34 key functions, and improved the model of fundamental products, cutting the research and development time of new products by three to four times. It also strengthened risk control over front desk operations. By fully exploiting and further optimising credit card system resources, the Bank more than doubled the processing capacity of the system. The Bank also put in place a group of information systems to assist retail customer analysis, strategy development and marketing activities, providing front line sales personnel at outlets and wealth management centres with a one-stop platform for customer management, marketing information, wealth management tools and product sales.

Stronger risk management capabilities. The Bank leveraged IT to improve its risk management capabilities. For traditional front desk banking services, credit approval and disbursement, and credit card business, the Bank introduced information system risk control models covering authorisation control prior to transactions, early warning and monitoring during transactions, as well as audit and analysis after transactions. A technical framework was initially created, including data warehouse based risk model development, online rating and scoring in process system and data-mart based risk measurement tools. In 2008, following the introduction of the 12-grade credit asset classification for its corporate credit process management system and new-generation personal loan system, the Bank further promoted the use of small enterprise rating models and scorecards for residential mortgage loan applications.

Enhanced IT risk control. The Bank assessed the stability and reliability of its key application systems, examined its infrastructure facilities, and rectified and mitigated identified problems and potential risks. As a result, its information system maintained an average availability rate of 99.99% for the year. It introduced security monitoring and contingency response measures for its internet applications, such as online banking, in order to be able to promptly address unexpected security issues. The Bank also improved its IT risk policy and assessment system, reporting to the board of directors on IT risk control profile on a quarterly basis.

Staff and Human Resources Management

By the end of 2008, the Bank had 298,581 employees of which 115,955, or 38.84%, had academic qualifications of bachelor's degrees and above. In addition, the Bank had 47,466 workers dispatched by labour leasing companies, and had to assume the expenses of 31,586 retired employees.

The composition of employees by age, academic qualifications and responsibilities is as follows:

Category	Classification	Number of employees	% of total
Age	Below 30	53,947	18.07
	31 to 40	141,762	47.47
	41 to 50	74,302	24.89
	51 to 59	28,487	9.54
	Over 60	83	0.03
Academic qualification	Doctor's degree	231	0.08
	Master's degree	6,798	2.28
	Bachelor's degree	108,926	36.48
	Associate degree	119,854	40.14
	Post-secondary	32,738	10.96
	High school and below	30,034	10.06
Responsibilities	Corporate banking	34,680	11.62
	Personal banking	140,846	47.18
	Financial market business	223	0.07
	Finance and accounting	28,816	9.65
	Management	14,721	4.93
	Risk management, internal audit, legal and compliance	11,567	3.87
	Information technology	16,341	5.47
	Others	51,387	17.21
Total		298,581	100.00

Being a people-oriented organisation, the Bank attached great importance to improving the working environment for its staff. In 2008, it completed the "Voice of Associate" project, a survey of staff satisfaction across the Bank. It gave due consideration to opinions and suggestions from its staff at branch level, and took a series of measures to improve their working, living, learning, and development environment. Nearly 140,000 front line staff benefited from optimised work processes and flexible work schedules, which reduced the inconveniences caused by day-off rotation.

The Bank continued to explore better staff remuneration models. Innovations were made in the remuneration system, with an aim to setting proper priorities for distribution and securing the minimum income for its staff. It paid close attention to remuneration policies for various groups. It also fully complied with the *Labour Contract Law* and the regulation on its implementation, while improving key performance indictor appraisal systems in respect of staff appraisal and motivating staff to achieve their job targets.

The Bank improved the coverage and quality of staff training. It increased training resources in alignment with the strategic transformation and rapid business development. Through cooperation with famous colleges and universities at home and abroad and strategic investors, the Bank strengthened trainings for core talents in key positions to help them become more international and professional. The Bank continued to select excellent staff to take part in the international certification such as certified financial planner, risk measurement analyst, certified internal auditor. It also sent key business personnel to overseas branches for on-job training in order to foster inter-disciplinary professionals with international perspective. In 2008, the Bank conducted a total of 22,125 training sessions, or 1,031,000 person times.

Risk Management

In 2008, the Bank continued to reinforce the reform of its risk management system. It improved its credit risk policies, accelerated adjustments to its credit structure, and strengthened the post-lending management. It integrated resources for market risk management, enhanced the market risk management framework and tightened operational risk management. As a result, the effectiveness of risk management rose steadily.

Further reform of risk management system. In 2008, the Bank continued to enhance its risk management system by actively pursuing centralised risk management in the cities where tier-one branches are located. An intensive and specialised risk management approach was developed for these city branches with consolidated resources and enhanced efficiency. The Bank refined its parallel operation structure, and key credit personnel such as risk managers and loan approval managers were managed in a centralised manner to ensure consistent application of risk preferences and standards. The responsibilities, processes and operations of relevant posts were also improved. The Bank gradually established a market risk management framework with clearly defined roles and responsibilities by integrating related resources, and establishing a sub-department dedicated to controlling market risk.

Improvement of risk management tools. In 2008, the Bank continued to refine its economic capital measurement by adjusting parameters such as probability of default for small enterprises, exposure at default and loss given default for certain products, improving the measurement of treasury product, and incorporating overseas branches into the overall economic capital management process. And with a more accurate risk measurement, the Bank is able to accelerate the improvement of its business structure. The industry risk limit system was further strengthened to cover more than 80% of the Bank's corporate loans; both loan limits and economic capital limits were employed to control the extension of credit to different industries.

Strengthened follow-up studies and stress testing. In 2008, the Bank enhanced its ability to respond to risk by increasing its study and control of industry risks. It studied topics such as inflation, agricultural products, energy saving and emissions reduction as well as the sub-prime crisis, and became more sensitive in risk analysis. To enhance its ability to respond promptly to major risk events, the Bank conducted stress testing on residential mortgage loans, real estate loans and macroeconomic conditions, and various contingency plans and measures were formulated for contingencies.

Accelerated implementation of the New Basel Capital Accord. In 2008, the Bank defined the major tasks in the implementation of the New Basel Capital Accord, and set work plans and detailed requirements for rules making, IT systems development and data governance. Rules concerning credit risk mitigation, management of internal rating system, and banking book classification and related areas were being established on a gradual basis.

Risk Management Structure

There is a risk management committee under the Board of the Bank.

The Bank has set up a relatively independent internal audit system which is under vertical management.

The Bank has established a vertical and centralised risk management structure at the management level, with the following descending vertical risk reporting route, "chief risk officer — risk supervisors — risk heads — risk managers".

At the head office level, a risk management and internal control committee has been established under the management. This committee is responsible for reviewing the Bank's risk policies and internal control development plan. The chief risk officer is responsible for comprehensive risk management under the direct leadership of the president. To enhance management efficiency, the Bank merged the original risk monitoring department and the credit approval department to form a credit management department in 2008, which is responsible for credit approval, customer credit ratings, credit risk monitoring and risk classification of credit assets. The risk management department and credit management department implement overall risk management for the Bank in terms of risk policies, risk measurement, risk analysis, credit approval and risk monitoring, and report to the chief risk officer. Other departments at the head office perform their risk management duties within their respective scopes of duty.

At the branch level, there are risk supervisors in tier-one branches, who are responsible for organising and facilitating comprehensive risk management and credit approval within the branch and report to the chief risk officer. There are risk heads at tier-two branches and risk managers at sub-branches, who are responsible for risk management in their respective branch or sub-branch. The risk management personnel have two reporting lines: the first reporting line is to risk management officers at higher levels, and the second being to managers of their respective entities or business units. This mechanism has strengthened the independence and professionalism of risk management.

Credit Risk Management

Credit risk represents the potential loss that may arise from the failure of a debtor or counterparty to meet its obligation or commitment to the Group.

In 2008, the Bank further enhanced its credit risk management by adjusting its credit structure, strengthening post-lending management, refining credit policies and stepping up system development.

Acceleration of credit structure adjustment and improvement. In 2008, the Bank closely monitored economic developments at home and abroad, and actively adjusted its credit structure in line with the government's macro-adjustment policies. With the result of adjustment being one of the performance evaluation indicators, all branches took initiatives to push forward their credit structure adjustments. The Bank withdrew credit facilities at an appropriate time and pace on a differentiated basis, and reasonably implemented its structural adjustment strategies.

Strengthening of post-lending management. In 2008, the Bank issued guiding principles on strengthening post-lending management, specifying the responsibilities, processes, major tasks and IT system for developing an on-going post-lending management mechanism. A post-lending risk assessment and process optimisation project was launched for the corporate credit business, and a tracking system was being deployed across the Bank to follow up with the corporate customers with early warning signs. The Bank also increased the use of scorecards in retail business.

Refinement of risk management policies. In 2008, the Bank further refined its industrial analysis and bottom lines for industrial credit policies, regulated credit extensions to fixed assets investment projects and off-balance sheet activities, set a bottom line for credit risk policy on off-balance sheet activities, and provided further guidelines on small enterprise credit business. The Bank launched the rules on 12-grade classification of credit assets, and improved related authorisation system. It revised management rules for credit extensions, and formulated rules for collateral management in credit business, in order to further regulate the management of collateral and enhance its effect in risk mitigation.

Optimisation of credit risk management information system and measurement system. In 2008, the Bank launched its 12-grade credit assets classification system, and improved it on a gradual basis. The credit monitoring system was improved to enable the Bank to monitor credit business on a real-time basis and track adjustments in its credit structure in a timely manner. A loan impairment provisioning system (phase II) has been developed to improve the Bank's management over allowances for impairment losses. Various projects in internal rating system (phase II) proceeded smoothly: A customer rating model was developed and part of the rating system development was completed in the upgrade project for corporate banking exposure; Scorecards for residential mortgage loans, credit card applications and customer behaviour have been rolled out across the Bank, facilitating automatic approval and risk monitoring of the retail lending business.

Concentration of Credit Risks

In 2008, the loans to the largest single borrower of the Group accounted for 3.68% of its net capital, while those to the ten largest customers accounted for 20.72% of its net capital. These indicators all complied with regulatory requirements.

Key regulatory indicators

Key regulatory indicators	Regulatory standards	As at 31 December 2008	As at 31 December 2007	As at 31 December 2006
Ratio of loans to the single largest customer (%)	≤10	**3.68**	4.70	5.82
Ratio of loans to the ten largest customers (%)	≤50	**20.72**	19.86	23.40

Concentration of borrowers

The Group's ten largest single borrowers as at the date indicated are as follows:

(In millions of RMB, except percentages)	Industry	As at 31 December 2008 Amount	% of total loans
Customer A	Road transport	**18,771**	**0.49**
Customer B	Telecommunications and other information transmission services	**13,350**	**0.35**
Customer C	Road transport	**11,051**	**0.29**
Customer D	Manufacture and processing of ferrous metal	**10,492**	**0.28**
Customer E	Public utility management	**9,951**	**0.26**
Customer F	Production and supply of electricity and heat	**8,977**	**0.24**
Customer G	Road transport	**8,670**	**0.23**
Customer H	Real estate	**8,500**	**0.22**
Customer I	Road transport	**8,082**	**0.21**
Customer J	Road transport	**7,920**	**0.21**
Total		**105,764**	**2.78**

Liquidity Risk Management

Liquidity risk is the risk that funds are available to meet liabilities as they fall due.

The Bank's liquidity management aims to maintain a reasonable level of liquidity, ensuring payment and settlement security while complying with regulatory requirements. The Bank also strives to deploy its funds in a reasonable and effective way in order to enhance the yields of fund.

Faced with the unprecedented and complex external environment in 2008, the Bank strengthened its liquidity management by refining its management rules and improving daily fund scheduling with early planning and arrangement. This helped to prevent the Bank's liquidity from being affected by the drastic changes in the external environment. Its surplus reserve rate fell and was kept at a reasonable level, and the payment and settlement was carried out properly. The Bank also made timely adjustments to the size of its liquidity trading portfolio and the limits for fund inflow from bond investment, and established multi-layers of liquidity protections, achieving both efficiency and liquidity. Contingency plans were formulated for liquidity risks such as runs at banking outlets and fund squeezes, and series of contingency arrangements were made in advance, including setting up crisis response teams, setting early warning indicators, making various standby financing plans, reporting to regulatory authorities, and maintaining adequate communications with related parties.

The analysis of the remaining maturity of the Group's assets and liabilities as at the balance sheet date is set out below:

(In millions of RMB)	Undated	Repayment on demand	Within 1 month	Between 1 and 3 months	Between 3 months and 1 year	Between 1 and 5 years	More than 5 years	Total
	As at 31 December 2008							
Assets								
Cash and deposits with central banks	935,156	312,294	–	–	–	–	–	1,247,450
Deposits and placements with banks and non-bank financial institutions	57	24,552	14,933	5,472	4,909	–	9	49,932
Financial assets held under resale agreements	–	–	98,569	97,427	12,552	–	–	208,548
Loans and advances to customers	38,258	38,088	124,660	263,120	1,119,663	1,071,249	1,028,537	3,683,575
Investments	42,206	–	52,061	145,159	667,797	879,518	409,735	2,196,476
Other assets	97,300	35,525	2,561	12,772	8,002	6,263	7,048	169,471
Total assets	1,112,977	410,459	292,784	523,950	1,812,923	1,957,030	1,445,329	7,555,452
Liabilities								
Borrowings from central banks	–	6	–	–	–	–	–	6
Deposits and placements from banks and non-bank financial institutions	–	310,641	38,819	22,729	18,123	100,260	–	490,572
Trading financial liabilities	–	–	756	1,907	1,093	75	144	3,975
Financial assets sold under repurchase agreements	–	–	288	576	–	–	–	864
Deposits from customers	–	3,596,778	327,958	552,759	1,482,616	409,035	6,769	6,375,915
Debt securities issued	–	–	313	1,527	5,002	7,029	39,939	53,810
Other liabilities	5	100,950	4,970	8,775	25,263	13,636	9,149	162,748
Total Liabilities	5	4,008,375	373,104	588,273	1,532,097	530,035	56,001	7,087,890
Net position in 2008	1,112,972	(3,597,916)	(80,320)	(64,323)	280,826	1,426,995	1,389,328	467,562
Net position in 2007	906,904	(3,765,450)	61,104	(31,818)	201,354	1,735,163	1,315,024	422,281

The Group regularly monitors the gap between its assets and liabilities for various maturities in order to assess its liquidity risk for different periods. As at 31 December 2008, the accumulated gap of various maturities of the Group was RMB467,562 million, an increase of RMB45,281 million. Despite the negative gap for repayment on demand totalling RMB3,597,916 million, the Group continued to enjoy a stable funding source with its strong and expansive deposit customer base and the relatively high proportion of core demand deposits.

Market Risk Management

Market risk is the risk of loss, in respect of the Group's on and off-balance sheet activities, arising from adverse movements in market rates, including interest rates, foreign exchange rates, commodity prices, stock prices and other prices.

In 2008, the Bank strived to refine its market risk management system and the related policies, and experienced steady improvement in market risk management level.

Based on regulatory requirements and internal management practices, the Bank formulated its market risk management policies, which specified procedures for identifying, measuring, monitoring, controlling and reporting market risk and set requirements for market risk capital management and internal control.

Based on the nature, scale, complexity and risk characteristics of the operations, together with the overall business development strategies, management capabilities and capital strength, the Bank set its tolerance level of economic capital of market risk, potential loss of banking books' interest rate risk and the maximum loss rate of RMB and foreign currency investment portfolios, as well as the management requirements relating to trading book and derivative products, to ensure that all related businesses operate within tolerable risk levels.

The Bank formulated and promulgated rules for measuring the repricing gap in interest rate risk. The rules clarified the measurement methods of the repricing periods of on and off-balance sheet products, and specified reporting requirements for repricing gaps. This helped improve the Bank's techniques for measuring repricing gaps.

The Bank reviewed its market risk limits, and refined its management system for market risk limits by improving the classification method and increasing the number of categories. This helped to develop a multi-layered, multi-dimensional market risk limits management system with a combination of timely warnings and rigid controls. With improved guiding effect and ease of use, the system became more sensitive to business movements and more effective in controlling risk.

The Bank further improved its asset and liability management system. It developed an internal fund transfer pricing system and an external interest income and expense calculation system, and further improved the foreign exchange risk reporting model. The calculation system enabled the calculation of all internal and external interest receipts and payments for various products over a period of time in future, providing help to decision-making in the process of pricing management and risk management. The development of fund transfer pricing statements also helped branches track the results of internal fund transfers, and apply the information to product and customer assessment.

Value at Risk Analysis

The Bank performs value at risk (VaR) analysis on its trading portfolios and available-for-sale debt securities to measure and monitor potential losses on positions due to movements in interest rates, exchange rates and prices. The Bank calculates the VaR on foreign currency portfolios on a daily basis and the VaR on RMB portfolios at least once a week (with 99% confidence level and one-day holding period). As at the balance sheet date and for the respective year, the Bank's VaRs on trading portfolios and available-for-sale debt securities were as follows:

	2008				2007			
(In millions of RMB)	Year-end	Average	Maximum	Minimum	Year-end	Average	Maximum	Minimum
RMB trading portfolio								
Interest rate risk	9	14	26	3	4	3	7	2
RMB available-for-sale debt securities								
Interest rate risk	404	391	532	250	258	209	291	93
Foreign currency trading portfolio								
Interest rate risk	146	154	146	119	93	44	93	17
Foreign currency risk	1,120	691	1,120	626	203	24	203	12
Diversification	(104)	(113)	(104)	(120)	(96)	(15)	(96)	(11)
	1,162	732	1,162	625	200	53	200	18
Foreign currency available-for-sale debt securities								
Interest rate risk	329	462	672	313	662	551	720	366

Interest Rate Risk Management

The primary source of interest rate risk is the mismatch between the repricing dates of assets and liabilities.

In 2008, the Bank formulated rules for the measurement of the repricing gap for the banking books' interest rate risk, the simulation of the banking books' net interest income and the measurement of interest rate sensitivity. These rules regulated the measurement techniques for interest rate risk, and specified procedures for identifying, measuring and reporting market risk. The Bank closely monitored the movements of the interest rates for the RMB and foreign currencies, and adjusts its depositing and lending interest rates accordingly to mitigate the interest rate risk.

The Bank regularly measures the interest rate sensitivity repricing gap, assesses the impact of interest rate movements upon its net interest income and economic value under various scenarios, and conducts stress testing on a regular basis. This provides guidance for adjustments to the term structure of the Bank's interest-earning assets and interest-bearing liabilities.

The analysis of the expected next repricing dates (or maturity dates, whichever are earlier) of the Group's assets and liabilities as at the balance sheet date is set out below:

	As at 31 December 2008					
(In millions of RMB)	Total	Non-interest-bearing	Less than 3 months	Between 3 months and 1 year	Between 1 year and 5 years	More than 5 years
Assets						
Cash and deposits with central banks	1,247,450	34,313	1,213,137	–	–	–
Deposits and placements with banks and non-bank financial institutions	49,932	–	45,014	4,909	–	9
Financial assets held under resale agreements	208,548	–	195,996	12,552	–	–
Loans and advances to customers	3,683,575	–	1,675,358	1,941,878	26,454	39,885
Investments	2,196,476	20,356	101,455	1,025,695	717,620	331,350
Other assets	169,471	169,471	–	–	–	–
Total assets	7,555,452	224,140	3,230,960	2,985,034	744,074	371,244
Liabilities						
Borrowings from central banks	6	–	6	–	–	–
Deposits and placements from banks and non-bank financial institutions	490,572	–	392,589	18,123	79,860	–
Trading financial liabilities	3,975	–	2,663	1,093	75	144
Financial assets sold under repurchase agreements	864	–	864	–	–	–
Deposits from customers	6,375,915	25,618	4,462,409	1,476,902	405,761	5,225
Debt securities issued	53,810	–	8,060	41,966	3,784	–
Other liabilities	162,748	162,748	–	–	–	–
Total Liabilities	7,087,890	188,366	4,866,591	1,538,084	489,480	5,369
Asset-liability gap in 2008	467,562	35,774	(1,635,631)	1,446,950	254,594	365,875
Accumulated asset-liability gap in 2008			(1,635,631)	(188,681)	65,913	431,788
Asset-liability gap in 2007	422,281	45,016	(1,846,674)	1,135,439	658,492	430,008
Accumulated asset-liability gap in 2007			(1,846,674)	(711,235)	(52,743)	377,265

As at 31 December 2008, the Group's accumulated interest rate sensitive negative gap for a period less than one year fell to RMB188,681 million, a decrease of RMB522,554 million compared to 2007. This was mainly because the negative gap for a period less than three months dropped and the positive gap for a period between three months to one year rose. The Group's interest rate sensitive negative gap for a period less than three months decreased by RMB211,043 million, mainly because the growth rate of domestic demand deposits slowed down as the PBC cut the interest rates consecutively and customer's expectation for further interest rates cuts was enhanced.

Foreign Exchange Risk Management

The Bank is exposed to foreign exchange rate risks primarily because it holds deposits, loans, marketable securities and financial derivatives that are denominated in currencies other than RMB. The risks comprise trading exposure and structural exposure.

The Bank controls the trading exposure from customer-driven and proprietary foreign exchange purchases and sales, foreign exchange trading and foreign exchange derivative transactions by setting trading limits.

The Bank mitigates its structural exposure by matching assets and liabilities based on the currency involved. It matches amounts and maturities of lending and borrowing on a currency-by-currency basis where possible. Open positions are hedged with financial instruments such as spot and forward contracts as well as swaps and options. In 2008, in view of the international financial market movements, the Bank strengthened the management of structural exchange risk at its overseas branches by formulating measures to preserve the value of the overseas branches' working capital.

The Bank measures and monitors the structural exposure on a daily basis using its asset and liability management information system. In 2008, the Bank improved its exchange risk measurement system and enhanced the granularity and accuracy of risk measurement. It combined product analysis and internal accounting with exposure measurement, and refined the methodology for measuring exchange exposure. The Bank steadily reduced its exchange exposure, which fell by approximately 70% compared to 2007.

Operational Risk Management

Operational risk is the potential of losses resulting from inadequate or flawed internal processes, people and systems, or from external events.

In 2008, the Bank undertook the following new initiatives to improve its operational risk management:

- Strengthening supervision of key operational risk points at branch level. The Bank inspected the key risk points, and strengthened the internal control and risk management of its branches to control the "high-occurrence, low-loss" type of operational risk.
- Setting up a business continuity management team to develop business continuity plans and push forward related work. Through cooperation with external consultancy firms, a business continuity management system is being gradually built.
- Carrying out a thorough self-evaluation of operational risk and internal controls, in order to identify the key business risk points and management weaknesses and evaluate the effect and execution of control measures. This has helped to improve the business processes and policies and reduce the operational risk.
- Improving the operational risk management tools. A consultation project for the operational risk management information system was launched to develop a proper operational risk management framework. The Bank also set to build an operational risk control platform and an information reporting platform.
- Reinforcing information system checks and IT security. The Bank evaluated the risk involved in information security, tested the graded security technology of crucial information systems, and conducted contingency drills targeted at potential IT risks, and ensured the smooth operation of its branch network and information systems during the Olympic Games.

Reporting and Monitoring of Non-compliance

By the end of 2008, nine criminal offences committed by the Bank's employees, resulting in a loss of RMB16.25 million, had been reported to the head office. Both the number of the offences and the sums involved were lower than those in 2007. Of these, three cases involved a sum of RMB1 million or above, totalling RMB13.16 million.

Internal Audit

In order to promote the establishment of effective internal control and corporate governance, the Bank's internal audit performs audits of internal controls and risk profile of business operations, and economic responsibilities of key managers, and puts forward suggestions for improvement. The Bank has set up a relatively independent internal audit system which is managed vertically. The internal audit department is responsible and reports to the board of directors and its audit committee. The department also reports to the senior management and the board of supervisors.

In 2008, in line with the major tasks of the Bank, the internal audit department conscientiously performed its duties by improving management mechanism and innovating technical approaches, and strengthened its specialisation and purposefulness with enhanced early warning capabilities and audit value. In early 2008, the Bank set up an audit division in Hong Kong in order to strengthen the supervision of its entities in Hong Kong.

Effective launch of audit projects. A total of 22 categories of audit projects were launched across the Bank, including audits of fundamental accounting management and operational management, collateral management, and large non-performing corporate loans, helping the Bank to regulate operations and prevent risk. While fully carrying out its supervision and evaluation functions, the internal audit department strengthened the audits of management consulting, and conducted a number of investigations into issues such as pricing management of major products and the management of operating outlets. The department also made efforts to find the underlying causes for problems detected in the audits, identify ways to improve operational management, and put forward relevant and constructive suggestions. The board of directors, board of supervisors and senior management attached great importance to the audit findings and related rectifications, and urged the departments and branches to strengthen internal control by building related rules, optimising business processes, and improving IT systems, leading to great improvement in the quality and efficiency of the audit rectifications.

Full promotion of specialisation of internal audit. The 39 internal audit units of the Bank comprised 17 specialisations that cover all special areas. The establishment of an audit knowledge base and a reservoir of audit professionals created a platform for the accumulation and sharing of information, helped auditors in planning their professional development, and strengthened the scientific management and effective incentives for audit professionals.

Enhanced application of advanced technical approaches. The Bank studied audit sampling techniques and tools, implemented internal audit guidelines on sampling, and provided training to promote these techniques. It optimised its off-site audit system and audit management information system developed in-house, and promoted wider use of information technology in internal audit. As a result, the internal audit covered and achieved real-time monitoring over credit business, liabilities business and financial management, facilitating the scientific and electronic management of the audit operational processes, audit findings as well as related knowledge.

Optimisation of the audit evaluation mechanism on internal control. The Bank revised its internal control audit evaluation mechanism, and improved the evaluation process accordingly. As entrusted by the audit committee of the Board, the internal audit department conducted self-assessment on the Bank's overall internal control.

Improvement of internal audit rules and regulations. The Bank revised its internal audit charter in line with international best practices, streamlined the rules, kept the overall consistency, and retained the Bank's characteristics with matched powers and responsibilities By formulating and implementing due diligence guidelines and conflict of interests rules for the auditors, the Bank further defined the auditors' responsibilities, and refined the procedures for avoiding conflict of interests, ensuring that the internal auditors would discharge their duties properly.

Prospects

In 2009, the development of the financial crisis will largely determine the global economic growth. Judged from the current global economic situation, the developed economies are likely to slump into deeper recessions, and the economic growth of emerging market and developing economies will also slow down. The International Monetary Fund has projected that the financial crisis could drag global economic growth rate down to 0.5% in 2009.

China's overall economic and financial conditions are expected to remain stable in 2009. However, economic growth rate is likely to slow down, as domestic economic uncertainties rose as a result of these global economic turbulence and spreading financial crisis. The Chinese government will continue to strengthen and improve its macro-adjustment polices in order to ensure healthy economic development.

2009 will witness both opportunities and challenges for the operation of commercial banks. On the one hand, the introduction of various policies to boost domestic demand will facilitate the stable and relatively rapid economic growth in China, creating a favourable environment for banks. The government's increased investments in infrastructure are especially beneficial to the development of the Bank's advantage businesses such as infrastructure loans and engineering cost advisory business. The PBC's easy credit policy will help the Bank further adjust its structure. The environment for comprehensive operation loosened, providing excellent opportunities for nurturing innovative new types of businesses. An increase in money supply in 2009 will allow the Bank to absorb more deposits with the wider funding source and more favourable market environment. As the capital market stabilises gradually, the fluctuations of savings deposits and interbank deposits will also weaken. Accelerated liberalisation of interest rates and exchange rates will also give the Bank greater freedom in risk management and financial innovation. On the other hand, commercial banks' net interest margin will narrow in this falling interest rate cycle. The Bank will encounter greater pressure in controlling its non-performing assets with the slowing domestic economic growth, declining exports and adjustments in the property industry. Volatility in the capital market might impede the growth of the Bank's intermediary business and liability business. As funds become relatively ample with the moderately loose monetary policy, improving the efficiency of fund utilisation will become a challenging focus of liquidity management. Movements in exchange rates and interest rates will also require better market risk management and pricing ability.

The Bank will further analyse the international and domestic economic and financial environment, continue to pursue its strategic transformation and seek new development opportunities for development, and strive to achieve the operating objectives set by the board of directors.

- The Bank will strengthen the concerted efforts to achieving its business objectives for the year. It will watch the size and pace of lending, keep track of the effective loan demand, and fully leverage its traditional strength in infrastructure lending and housing finance. The bank will optimise its deposit structure, and proactively manage its liabilities to ensure stable growth of low-cost funds. It will explore new ways to utilise its fund to improve the yields. In 2009, new loans in RMB are expected to grow by around 16%.

- The Bank will continue to rigorously develop its intermediary business to further raise the contribution of intermediary business to the total profit. It will strive to maintain the rapid growth of its fee and commission income through product innovation, customer expansion, and strengthened fees management and cross-selling efforts.

- The Bank will strengthen coordinated innovation to promote the development of its strategic businesses. Efforts will be made to promote syndicated financing business and deploy successful practices with small enterprise business. The Bank will try to increase the market share of its institutional business, and build the Bank's brand for enterprise annuity service. More efforts will be made to explore financial services in relation to people's livelihood to build up its strength in new markets.

- The Bank will deepen credit structure adjustments and tighten risk management. Different credit policies shall be applied to different industries, areas, customers and products with an aim to ensuring the growth of its priorities in credit extension. The Bank will strictly follow the bottom lines of risk control, and improve its approval management. It will also tightly control the market risk and operational risk, and carry out its business in compliance with regulatory requirements.

- The Bank will push forward its fundamental management and tighten cost control. It will step up the specialisation and centralisation of its middle and back offices, and push forward the business process optimisation and product innovation. The Bank will also actively build its IT development centres. While endeavouring to make more profits, the Bank will tighten cost control, and cut down on administrative expenses while providing full support to business expansion.

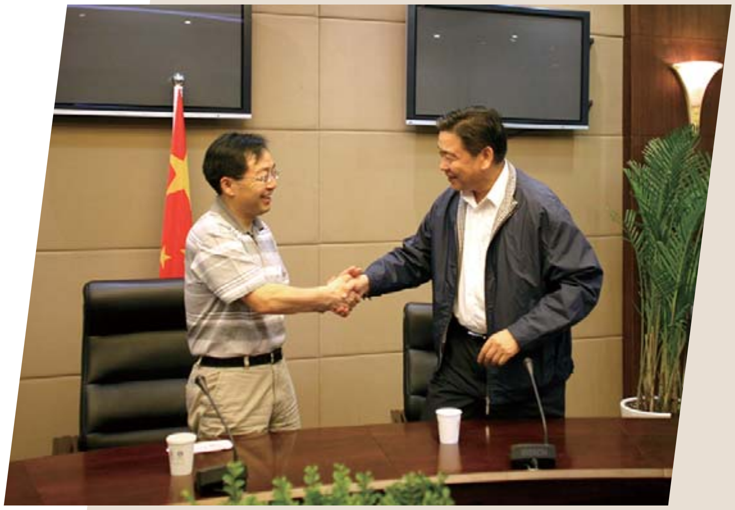
Corporate Social Responsibility

In 2008, while the Bank actively pursued stable business development and fast growth in profitability, it never wavered in its important mission of taking full responsibility as a corporate citizen. The Bank showed great concern for challenges faced by the community, and took an active part in various public welfare activities, including responding to natural disasters, supporting education, alleviating poverty, saving energy and reducing emissions, to fulfil its role as a good corporate citizen.

Corporate Social Responsibility

Smiling through the storm

CCB Dujiangyan Sub-branch resumed business at the original address.



After the devastating May 12 Wenchuan earthquake, Mr. Guo Shuqing, chairman of the Bank, Mr. Zhang Jianguo, president of the Bank, Mr. Xie Duyang, chairman of the board of supervisors and other senior bank officers visited the major disaster area to extend their consolation to afflicted branch staff and offering guidance on the quake-relief work and post-earthquake reconstruction of the related branches.

All branches and associates of CCB made enormous contributions to quake-relief efforts and post-earthquake reconstruction.

Temporary branches were set up in the form of open-air business offices and tent or makeshift banks under the prerequisite of personal safety for the staff.

In disaster areas such as Dujiangyan City in Sichuan Province and the southern Gansu Province, the Bank was the first financial institution to resume service after the earthquake. By May 28, all CCB branch outlets in Sichuan Province had resumed normal services.

The Bank was diligent in fulfilling its social responsibilities in 2008, with its contributions to public welfare projects and donations made by its staff totalling RMB211 million.

- The Bank fully committed itself to disaster relief work following the earthquake in Wenchuan and the snowstorms in southern China. It supported the rescue efforts and post-disaster reconstruction in stricken areas in a number of ways, including donating money and goods, providing special financial services and organising teams of volunteers. By the end of 2008, the Bank and its staff had donated a total amount of RMB179 million for the earthquake, and the Bank also donated RMB12 million for the snowstorms.

- The Bank has enthusiastically supported educational development and continued with its poverty alleviation programmes. It continued with the programmes "Build for the Future — CCB Sponsorship Programme for Impoverished High School Students", "Sponsorship Programme for Impoverished Mothers of Heroes & Exemplary Workers in China", the construction and maintenance of the CCB Hope Primary School, the "Passion to Tibet — CCB & Jianyin Scholarships and Grants", "CCB Tsinghua University Chair Professorship Fund", and "Chinese Village Project", a computer poverty alleviation action hosted by China Association of Poverty Alleviation and Development, as well as other long-term public welfare projects.

- The Bank ensured its stable operations during the Olympic Games. Capitalising on its competitive edge, and considering the characteristics of the needs of its customers, the Bank upgraded its services, and improved its risk prevention mechanism and emergency response measures to ensure the safe and stable operations of the Bank during the Olympic Games. It also sent a volunteer team of 12 to the spectator call centre of Beijing Organising Committee for the Olympic Games to answer enquiries on venues, transportation and contesting rules, and provide advice on related travel information to English speaking spectators during the Olympics and Paralympics. The Bank was awarded the "Welcoming Olympics Organisation Award for Standardised Banking Services in China" by the CBRC, and 113 branches of the Bank, such as the business department of the Anhua Sub-branch in Beijing, were granted the title of "Exemplary Units for Standardised Banking Services in China for 2008".

- The Bank supported the cause of environmental protection as a major part of its social responsibilities. It adhered to the "green credit" policy of "promoting some loans while curtailing others, supporting the superior while limiting the inferior", and gave the environment criteria "veto power" in credit approvals. Its branches actively launched various environmental protection activities. In response to the government's restriction on the use of plastic bags, the Bank's Chongqing Branch made recyclable shopping bags for a "Go with Environment" campaign. To protect Korean Pine, a rare and endangered tree species, Heilongjiang Branch launched a "Showing Concern for Yichun, Protecting Korean Pine" campaign by issuing a "Korean Pine Long Credit Card" and undertaking to put aside 1% of the spending amount through the credit cards to establish a "Korean Pine Protection Fund".

- The Bank launched extensive energy saving and emission reduction activities. It always persists in taking measures to save water, electricity and other sources of energy, in order to ease pressure on energy and the environment. In 2008, the Bank reduced the number of meetings and the use of office supplies and equipment, strictly restricted the use of company vehicles, reduced the consumption of energy in offices, and established an energy management platform. With these effective measures, the Bank intensified its energy saving campaign with concrete actions.

The Bank has gained wide recognition for its efforts in fulfilling corporate social responsibility. The Bank was presented the "China Charity Award — Domestic Enterprise with Greatest Social Cares 2008" by the Ministry of Civil Affairs of China, "China Best Corporate Citizen Award 2008" by 21st Century Business Herald, and the "Best Social Responsibility Enterprise Award" by China Women's Development Foundation. In addition, it was ranked 12th on "CSR Asia Business Barometer 2008", topping all the other domestic banks.

Please refer to the *Social Responsibility Report 2008* for further details and plans of the Bank's initiatives in corporate social responsibility.

Changes in Shares

Unit: share

	1 January 2008		Increase/(Decrease) during the reporting period						31 December 2008	
	Number of shares	Percentage (%)	Issuance of additional shares	Bonus issue	Shares converted from capital reserve	Call options	Others	Sub-total	Number of shares	Percentage (%)
(I) Shares subject to selling restrictions										
1. State-owned shares[1]	138,150,047,904	59.12	–	–	–	(25,580,153,370)[3]	–	(25,580,153,370)	112,569,894,534	48.17
2. Shares held by state-owned legal persons [2]	20,692,250,000	8.85	–	–	–	–	–	–	20,692,250,000	8.85
3. Shares held by other domestic investors	–	–	–	–	–	–	–	–	–	–
Comprising:										
Shares held by domestic non-state-owned legal persons	–	–	–	–	–	–	–	–	–	–
Shares held by domestic natural persons	–	–	–	–	–	–	–	–	–	–
4. Shares held by foreign investors[4]	24,085,845,721	10.31	–	–	–	25,580,153,370[3]	(24,085,845,721)[4]	1,494,307,649	25,580,153,370	10.95
Comprising:										
Shares held by foreign legal persons	–	–	–	–	–	–	–	–	–	–
Shares held by foreign natural persons	–	–	–	–	–	–	–	–	–	–
(II) Shares not subject to selling restrictions										
1. RMB ordinary shares	9,000,000,000	3.85	–	–	–	–	–	–	9,000,000,000	3.85
2. Domestically listed foreign investment shares	–	–	–	–	–	–	–	–	–	–
3. Overseas listed foreign investment shares	34,685,001,375	14.84	–	–	–	–	24,085,845,721[4]	24,255,445,721	58,940,447,096	25.22
	–	–	–	–	–	–	169,600,000			
4. Others [5]	7,075,939,000	3.03	–	–	–	–	(169,600,000)	(169,600,000)	6,906,339,000	2.96
(III)Total number of shares	233,689,084,000	100.00	–	–	–	–	–	–	233,689,084,000	100.00

1. H-shares of the Bank held by Huijin.
2. H-shares of the Bank held by Jianyin.
3. In accordance with the *Share Purchase and Options Agreement* signed by Huijin and Bank of America, Bank of America exercised its call options in July and November 2008, acquiring 6,000,000,000 H-shares and 19,580,153,370 H-shares of the Bank respectively from Huijin, which added up to a total of 25,580,153,370 H-shares that cannot be transferred without the Bank's written consent before 29 August 2011.
4. As at 1 January 2008, Bank of America held 19,132,974,346 H-shares subject to selling restrictions which were lifted on 27 October 2008, Fullerton Financial held 4,952,871,375 H-shares subject to selling restrictions which were lifted on 29 August 2008.
5. As at 1 January 2008, the three promoters of the Bank, State Grid, Baosteel Group and Yangtze Power, held 2,875,939,000 H-shares, 3,000,000,000 H-shares and 1,200,000,000 H-shares of the Bank respectively; as at 31 December 2008, they held 2,706,339,000 H-shares, 3,000,000,000 H-shares and 1,200,000,000 H-shares of the Bank respectively.

Changes in Shares Subject to Selling Restrictions

Name of shareholder	Number of shares subject to restrictions at the beginning of the year	Number of shares released from restrictions during the year	Number of new shares subject to restrictions in the year	Number of shares subject to restrictions at the end of the year	Reason for restrictions	Date of release from restrictions
Huijin	138,150,047,904	25,580,153,370[1]	–	112,569,894,534	The 5-year lock-up period since issuance of H-shares (27 October 2005)	27 October 2010
Jianyin	20,692,250,000	–	–	20,692,250,000	The 5-year lock-up period since issuance of H-shares (27 October 2005)	27 October 2010
Bank of America	19,132,974,346	19,132,974,346	–	–	The 3-year lock-up period since issuance of H-shares (27 October 2005)	27 October 2008
	–	–	25,580,153,370[1]	25,580,153,370[1]	The 25,580,153,370 H-shares acquired by exercise of the call options in 2008 shall not be transferred without the Bank's written consent before 29 August 2011.	29 August 2011
Fullerton Financial	4,952,871,375	4,952,871,375	–	–	The 3-year lock-up period since 29 August 2005	29 August 2008
Total	182,928,143,625	49,665,999,091	25,580,153,370	158,842,297,904		

1. In accordance with the *Share Purchase and Options Agreement* signed by Huijin and Bank of America, Bank of America exercised its call options in July and November 2008, acquiring 6,000,000,000 H-shares and 19,580,153,370 H-shares of the Bank respectively from Huijin, which added up to a total of 25,580,153,370 H-shares that cannot be transferred without the Bank's written consent before 29 August 2011.

Details of Securities Issuance and IPO

On 25 September 2007, the Bank issued 9 billion A-shares in its domestic IPO at an issuance price of RMB6.45 per share and was listed on the Shanghai Stock Exchange. Upon completion of the domestic IPO, the total number of shares of the Bank was 233,689,084,000 (224,689,084,000 H-shares, 9,000,000,000 A-shares) and both the registered capital and paid-in capital were RMB233,689,084,000.

On 11 September 2008, the Bank issued two-year RMB ordinary financial bonds of RMB3 billion with an annual interest rate of 3.24% in Hong Kong. Such bonds are unlisted retail bonds that will mature on 11 September 2010, and the fund raised through this issuance is used for general operating purpose.

Number of Shareholders and Particulars of Shareholdings

At the end of the reporting period, according to the register of members as at 31 December 2008, the Bank had a total of 1,544,780 shareholders, of which 55,950 were holders of H-shares and 1,488,830 were holders of A-shares.

Unit: share

Particulars of shareholdings of the top ten shareholders

Name of shareholder	Nature of shareholder	Shareholding percentage (%)	Total number of shares held	Number of shares subject to selling restrictions	Number of shares pledged or frozen
Huijin	State-owned	48.17 0.05	112,569,894,534 (H-shares) 117,614,965 (A-shares)	112,569,894,534 –	None
Bank of America[1]	Foreign legal person	19.13	44,713,127,716 (H-shares)	25,580,153,370	None
HKSCC Nominees Limited[2]	Foreign legal person	12.53	29,280,954,888 (H-shares)	–	Unknown
Jianyin	State-owned legal person	8.85	20,692,250,000 (H-shares)	20,692,250,000	None
Fullerton Financial	Foreign legal person	5.65	13,207,316,750 (H-shares)	–	None
Baosteel Group	State-owned legal person	1.28	3,000,000,000 (H-shares)	–	None
Reca Investment Limited	Foreign legal person	0.34	800,000,000 (H-shares)	–	None
China Life Insurance Company Limited – Participating – Individual participating	Domestic non-state-owned legal person	0.08	190,056,245 (A-shares)	–	None
China Life Insurance (Group) Company – Traditional – Ordinary insurance products	Domestic non-state-owned legal person	0.07	157,597,200 (A-shares)	–	None
Industrial and Commercial Bank of China – Bosera Selected Stock Fund	Domestic non-state-owned legal person	0.06	150,000,000 (A-shares)	–	None

1. In January 2009, Bank of America sold 5,623,655,000 H-shares of the Bank.
2. As at 31 December 2008, State Grid and Yangtze Power, the promoters of the Bank, held 2,706,339,000 H-shares and 1,200,000,000 H-shares of the Bank respectively, all of which were held under the name of HKSCC Nominees Limited.
3. Jianyin is a wholly-owned subsidiary of Huijin. China Life Insurance Company Limited is a subsidiary controlled by China Life Insurance (Group) Company. Apart from these, the Bank is not aware of any connections among the above shareholders or whether they are parties acting in concert.
4. During the reporting period, Huijin increased its holdings of the shares of the Bank by acquiring 117,614,965 A-shares of the Bank. According to the *Guidelines for the Increase in Shareholding by Shareholders of Listed Companies and Their Persons Acting in Concert* issued by the Shanghai Stock Exchange, Huijin will not reduce its holdings of the shares of the Bank in 12 months after its first increase of holdings in September 2008.

Particulars of shareholding of the top ten shareholders not subject to selling restrictions

Name of shareholder	Number of shares not subject to selling restrictions	Type of share
HKSCC Nominees Limited	29,280,954,888	H-share
Bank of America	19,132,974,346	H-share
Fullerton Financial	13,207,316,750	H-share
Baosteel Group	3,000,000,000	H-share
Reca Investment Limited	800,000,000	H-share
China Life Insurance Company Limited — Participating — Individual participating	190,056,245	A-share
China Life Insurance (Group) Company — Traditional — Ordinary insurance products	157,597,200	A-share
Industrial and Commercial Bank of China — Bosera Selected Stock Fund	150,000,000	A-share
Industrial and Commercial Bank of China — China 50 ETF	137,409,138	A-share
China Life Insurance Company Limited — Traditional — Ordinary insurance products — 005L — CT001SH	129,986,850	A-share

1. China Life Insurance Company Limited is a subsidiary controlled by China Life Insurance (Group) Company. Apart from this, the Bank is not aware of any connections among the shareholders or whether they are parties acting in concert.

Substantial Shareholders of the Bank

At the end of the reporting period, Huijin directly held 48.22% of the shares of the Bank and, through its wholly-owned subsidiary Jianyin, indirectly held 8.85% of the shares of the Bank. Huijin is the controlling shareholder of the Bank. Huijin is a wholly state-owned investment company established in accordance with the Company Law on 16 December 2003 with the approval of the State Council. Its registered capital is RMB552,117 million, and the paid-in capital is RMB859,658 million. Its legal representative is Mr. Lou Jiwei (pending to change in industrial and commercial registration). Huijin is funded by the state and exercises the investors' rights and obligations on behalf of the state in financial institutions such as the Bank, Bank of China and Industrial and Commercial Bank of China.

Please refer to the *Announcement on Matters related to the Incorporation of China Investment Corporation* published by the Bank on 9 October 2007 for details of China Investment Corporation.

At the end of the reporting period, Bank of America directly held 19.13% of the shares of the Bank. Bank of America is a company registered in Delaware, headquartered in Charlotte, North Carolina. Its chairman is Mr. Kenneth D. Lewis. As one of the largest bank holding companies and financial holding companies in the world, Bank of America provides comprehensive banking, investment, assets management and other financial and risk control products and services to individual customers, small and medium-sized enterprises and large companies. According to the audited balance sheet of Bank of America as at 30 September 2008, the shareholders' equity of Bank of America was US$161,039 million.

There were no other institutional shareholders holding 10% or more of shares of the Bank (excluding HKSCC Nominees Limited). There were no internal staff shares.

Dates on which Shares Subject to Selling Restrictions May Commence Trading

Unit: share

Date	Number of shares released upon expiry of lock-up period	Number of shares subject to selling restrictions	Number of shares not subject to selling restrictions	Remarks
27 October 2010	133,262,144,534	25,580,153,370	208,108,930,630	H-shares released from selling restrictions
29 August 2011	25,580,153,370	—	233,689,084,000	H-shares released from selling restrictions

Number of Shares Held by Shareholders Subject to Selling Restrictions and the Conditions of Selling Restrictions

Unit: share

Number	Name of shareholder subject to selling restrictions	Number of shares subject to selling restrictions	Date on which shares may commence trading	Number of new tradeable shares	Selling restrictions
1	Huijin[1]	112,569,894,534	27 October 2010	112,569,894,534	Lock-up period of H-shares
2	Jianyin[2]	20,692,250,000	27 October 2010	20,692,250,000	Lock-up period of H-shares
3	Bank of America[3]	25,580,153,370	29 August 2011	25,580,153,370	Lock-up period of H-shares

1. Huijin undertakes not to sell the H-shares of the Bank within 5 years after the H-share IPO of the Bank.
2. Jianyin undertakes not to sell the H-shares of the Bank within 5 years after the H-share IPO of the Bank, unless selling to Huijin.
3. Bank of America undertakes not to transfer the H-shares of the Bank that were acquired from Huijin due to the exercise of call options without the Bank's written consent before 29 August 2011.

The Bank is committed to maintaining a high level of corporate governance practice. In accordance with the Company Law, *Law of the People's Republic of China on Commercial Banks* and other laws and regulations, and regulations such as listing rules of the listing venues, the Bank optimised its corporate governance structure and improved the rules on corporate governance in line with its corporate governance practices. During the reporting period, the Bank formulated procedures for the administration of the shares of the Bank held by directors, supervisors and senior management and changes thereof, annual report work procedures for independent directors, measures of the audit committee of the Board for performance evaluation of internal audit work, and revised the measures for the management of connected transactions and other corporate governance policies.

During the reporting period, the Bank conducted an in-depth self-examination on its corporate governance in accordance with the *Notice on Matters concerning Carrying out a Special Campaign to Strengthen the Corporate Governance of Listed Companies* issued by the CSRC. It also actively provided support to on-site inspections by CSRC Beijing Bureau, arranged rectification of relevant issues, and further strengthened its work on corporate governance, risk management, investor relationship, information disclosure, connected transaction management and spokesperson system.The Bank has complied with code provisions of the *Code on Corporate Governance Practices* as set out in Appendix 14 of Listing Rules of Hong Kong Stock Exchange. The Bank has also substantially complied with the recommended best practices therein.

Shareholders' General Meeting

Please refer to the "Introduction to Shareholders' General Meeting" of this annual report for relevant information of the shareholders' general meeting.

Board of Directors

Responsibilities of the Board

The Board is the executive body of the shareholders' general meeting, which is accountable to the general meeting of shareholders, and performs the following duties in accordance with relevant laws:

- convening the general meeting of shareholders and reporting to the general meeting of shareholders;
- implementing the resolutions of the general meeting of shareholders;
- determining the Bank's development strategy, and supervising the implementation of the development strategy;
- deciding on operational plans, investment plans and risk capital allocation plans of the Bank;
- preparing annual financial budget plans, final accounting plans, profit distribution plans and loss recovery plans;
- preparing plans related to the increase or reduction of registered capital, the issuance and listing of convertible bonds, subordinated bonds, corporate bonds or other securities; and plans related to merger, split, dissolution and liquidation of the Bank;
- preparing plans relating to material acquisitions and the repurchase of shares of the Bank;
- exercising other powers under the Articles of Association of the Bank and authorised by the general meeting of shareholders.

The Board's Implementation of Resolutions of the General Meeting of Shareholders

In 2008, the Board strictly implemented the resolutions of general meeting of shareholders and matters authorised by the general meeting of shareholders to the Board, earnestly enforced the profit distribution plan for the second half year of 2007 and interim dividend policy for 2008, the proposal on appointment of auditors for 2008 and other plans reviewed and approved by the general meeting of shareholders.

Composition of the Board

At the end of 2008, the Board comprised 16 directors, including three executive directors, namely, Mr. Guo Shuqing, Mr. Zhang Jianguo and Ms. Xin Shusen; seven non-executive directors, namely, Mr. Wang Yonggang, Mr. Wang Yong, Ms. Wang Shumin, Mr. Liu Xianghui, Mr. Zhang Xiangdong, Ms. Li Xiaoling and Mr. Gregory L. Curl; and six independent non-executive directors, namely, Lord Peter Levene, Mr. Song Fengming, Ms. Jenny Shipley, Ms. Elaine La Roche, Mr. Wong Kai-Man and Mr. Tse Hau Yin, Aloysius.

The term of office of directors is three years (ending on the date of the annual general meeting of the final year in their term of office), and directors may be re-elected upon expiration of their term of office.

Chairman and President

Mr. Guo Shuqing is the chairman of the Board and legal representative of the Bank, and is responsible for the business strategy and overall development of the Bank. Mr. Zhang Jianguo is the president of the Bank, and is responsible for the day-to-day management of its business operations. The president is appointed by the Board, accountable to the Board, and discharges his duties in accordance with the Articles of Association of the Bank and the delegation by the Board. The roles of the chairman and the president are separate and their duties are clearly defined.

Operation of the Board

The Board convenes regular meetings, generally not less than four times a year; extraordinary meetings are convened if and when required. Board meetings may be convened by on-site conference or written resolutions. Directors are consulted to set the agenda for regular board meetings. Board meeting documents and relevant materials are usually circulated to all directors and supervisors 14 days in advance of board meetings.

All directors keep communication with the secretary to the Board and company secretary, with a view to ensuring compliance with board procedures and all applicable rules and regulations. Detailed minutes of board meetings are kept, and minutes are circulated to all attending directors for review after the meeting. Directors will provide comments after receiving the minutes. After the minutes have been approved, the secretary to the Board sends the finalised minutes to all directors promptly. Minutes of the board meetings are kept by the secretary to the Board, and are available for reference by directors at any time.

Communication and reporting mechanism has been established between the Board, directors and senior management. The president reports his work to the Board on a regular basis, and is supervised by the Board. Relevant senior executives are invited to attend board meetings from time to time to make presentations or answer questions.

At board meetings, an open environment exists in which directors can put forward alternative views, and major decisions are made after deliberate discussions. Directors may also retain external advisers, at the Bank's expense, to provide independent professional advice if they deem necessary. If any director has material interests in a proposal to be reviewed by the Board, the director concerned must abstain from discussion and voting on the relevant proposal, and is not counted in the quorum of the relevant proposal.

Induction programmes are organised to provide new directors with the basic information of the Bank, and the relevant rules and regulations which the directors shall abide by in performing their functions and duties, and to assist them in becoming familiar with the management, operations and governance practices. The Bank periodically organises trainings for all directors, and encourages them to participate in professional development seminars and courses organised by professional institutions, in order to help them understand the latest development of or changes to the laws and regulations required in discharging their responsibilities.

We effected directors' liability insurance policy for all directors in 2008.

Compliance with Model Code for Securities Transactions by Directors

The Bank has adopted a code of practice in relation to securities transactions by directors and supervisors as set out in the *Model Code for Securities Transactions by Directors of Listed Issuers* in Appendix 10 of the Listing Rules of Hong Kong Stock Exchange. All directors and supervisors have confirmed that during the year ended 31 December 2008, they have complied with the provisions of this code.

Board Meetings

In 2008, the Board convened 12 meetings in total, including seven on-site meetings and five meetings through written resolutions. Major resolutions passed by the board meetings included the Bank's operational plan, capital expenditure budget, financial reports, profit distribution, appointment of directors, issuance of subordinated bonds, organisational reform, authorisation of equity investment, and donations to the earthquake areas in Sichuan province. Relevant information was disclosed pursuant to the provisions in relevant laws, regulations and listing rules of the listing venues. Individual attendance records of the directors in board meetings in 2008 are set out as follows:

Board members	Number of meetings attended/ Number of meetings during term of office	Attendance rate (%)
Executive directors		
Mr. Guo Shuqing	12/12	100
Mr. Zhang Jianguo	12/12	100
Ms. Xin Shusen	5/5	100
Non-executive directors		
Mr. Wang Yonggang	12/12	100
Mr. Wang Yong	12/12	100
Ms. Wang Shumin	12/12	100
Mr. Liu Xianghui	12/12	100
Mr. Zhang Xiangdong	12/12	100
Ms. Li Xiaoling	12/12	100
Mr. Gregory L. Curl	12/12	100
Independent non-executive directors		
Lord Peter Levene	12/12	100
Mr. Song Fengming	12/12	100
Ms. Jenny Shipley	12/12	100
Ms. Elaine La Roche	12/12	100
Mr. Wong Kai-Man	12/12	100
Mr. Tse Hau Yin, Aloysius	12/12	100
Resigned directors		
Mr. Zhao Lin	7/7	100
Mr. Luo Zhefu	12/12	100

Performance of Duties by Independent Directors

Currently the Bank has six independent non-executive directors, exceeding one third of the total number of directors of the Bank, which is in compliance with the provisions of relevant laws, regulations and Articles of Association of the Bank. The independent non-executive directors of the Bank do not have any business or financial interests in the Bank and its subsidiaries, neither do they assume any management positions in the Bank, both of which effectively ensure their independence. The Bank has received from every independent non-executive director the annual confirmation that confirms his or her independence.

The attendance rates for independent non-executive directors of the Bank in attending both board meetings and board committee meetings in 2008 were 100%. During the review of relevant matters by the Board, the independent non-executive directors did not raise any objections to the relevant matters.

Delegation by the Board

The division of authority between the Board and senior management is in strict compliance with the Articles of Association of the Bank and other corporate governance documents. By virtue of the authority conferred on him by the Articles of Association and the Board, the president makes decisions within his scope of authority on operations, management and other issues that need to be decided. Specifically, his primary responsibilities include:

- being in charge of the operation and management of the Bank and initiating the implementation of board resolutions;
- submitting operational plans and investment proposals of the Bank to the Board and initiating the implementation of such plans or proposals upon approval by the Board;
- formulating proposals for the establishment of internal management departments within the Bank;
- formulating the general management system of the Bank;
- formulating specific rules and regulations of the Bank;
- proposing to the Board the appointment or dismissal of vice presidents and other senior management officers (excluding the chief audit officer and the secretary to the Board);
- exercising other authorities conferred by the Articles of Association of the Bank and the Board.

Accountability of the Directors in Relation to the Financial Report

The directors are responsible for overseeing the preparation of the financial report for each financial period to give a true and fair view of the Group's state of affairs, performance results and cash flow for that period. In preparing the financial report for the year ended 31 December 2008, the directors have selected appropriate accounting policies, applied them consistently, and made judgements and estimates that are prudent and reasonable.

During the reporting period, in accordance with the provisions of relevant laws, regulations and listing rules of listing venues, the Bank has released annual report 2007, the report for the first quarter of 2008, half-year report 2008, and the report for the third quarter of 2008 on time.

Independent Operating Capability of the Bank

The Bank is independent from its controlling shareholder Huijin with respect to business, personnel, assets, institutions and finance. The Bank has independent and complete operating assets, independent operating capability and the ability to survive in the market on its own strength.

Internal Control

The internal control objective of the Bank is to reasonably ensure that its operations and management are in compliance with relevant laws and regulations, its assets are managed in a sound manner, and its financial reports and relevant information are truthful and complete, to enhance its operational efficiency and effect and facilitate the fulfilment of its development strategy. The Bank has established an internal control system consisting of five basic factors: control environment, risk identification and assessment, control measures, information communication and feedback, and monitoring, evaluation and corrections. It built a control management framework which involves branches at different levels, various functional departments and all the staff of the Bank.

In 2008, the Bank continued to optimise and improve its corporate governance, and maintained the effective operation of its governance structure; actively built its corporate culture and earnestly fulfilled its social responsibilities on the basis of its core values and risk control philosophy; strengthened the building of internal control framework by combing, amending and improving related regulation systems, in order to tighten the control of and guidance on operational management activities; attached great importance to the building of information technology, and increased the support of information technology to product innovation, fundamental management and risk monitoring; strengthened the management on anti-money laundering and controls on connected transactions, in order to prevent non-compliance risk; improved the information communication and feedback mechanism, and promoted the use of information in regulatory requirements compliance, decision-making support and business development; further strengthened the audit supervision, earnestly organised various business inspections, and intensified the supervision and inspection function of various business lines; continued to improve the execution of internal controls in order to ensure the effective implementation of laws, regulations and the Bank's internal rules, and facilitate the healthy and continuous development of the Bank.

The board of directors, board of supervisors and senior management of the Bank attached great importance to internal controls. In 2008, the audit committee of the board of directors made in-depth discussion on internal control evaluation, organised the amendment of the internal control evaluation framework, and made assessment on the Bank's internal control condition for 2008. The assessment found no major defects in the design or implementation of the Bank's internal control while there was still room for improvement in several aspects, and indicated that the Bank's internal control system and the implementation thereof were sound and effective on the whole.

The Bank took initiatives to implement the *Basic Standard for Enterprise Internal Control* promulgated by the MOF and four other government authorities, and is contemplating mid-to-long term plan for internal control in line with its development strategy based on the existing internal control system. It will also improve its control mechanism and accountability rules, and continue to push up its control level.

Committees under the Board

There are five committees established under the Board: the strategy development committee, audit committee, risk management committee, nomination and compensation committee and related party transactions committee. Among these committees, the audit committee, nomination and compensation committee and related party transactions committee are chaired by the independent non-executive directors, and more than half of the committee members are independent non-executive directors.

Strategy Development Committee

The strategy development committee consists of 11 directors. Mr. Guo Shuqing, chairman of the Board, currently serves as chairman of the strategy development committee. Members include Mr. Wang Yonggang, Mr. Wang Yong, Ms. Wang Shumin, Lord Peter Levene, Mr. Liu Xianghui, Mr. Zhang Xiangdong, Mr. Zhang Jianguo, Ms. Jenny Shipley, Ms. Elaine La Roche and Mr. Gregory L. Curl.

The primary responsibilities of the strategy development committee include:

- drafting strategic development plans, supervising and assessing implementation thereof;
- reviewing annual operational plans and financial budgets of the Bank;
- reviewing strategic capital allocation plans and asset and liability management targets;
- evaluating the coordinated development of various businesses;
- reviewing material restructuring and re-organisation plans; and
- reviewing significant investment and financing projects.

In 2008, the strategy development committee convened five meetings in total. The committee analysed the domestic and international macroeconomic and financial situation, and studied the opportunities and challenges brought to the development of banking business by the global financial crisis and government policy of expanding domestic demands, actively promoting the reform and development of the Bank.

Members of strategy development committee	Number of meetings attended/ Number of meetings during term of office	Attendance rate (%)
Mr. Guo Shuqing	5/5	100
Mr. Wang Yonggang	5/5	100
Mr. Wang Yong	5/5	100
Ms. Wang Shumin	5/5	100
Lord Peter Levene	5/5	100
Mr. Liu Xianghui	5/5	100
Mr. Zhang Xiangdong	5/5	100
Mr. Zhang Jianguo	5/5	100
Ms. Jenny Shipley	5/5	100
Ms. Elaine La Roche	5/5	100
Mr. Gregory L. Curl	5/5	100
Resigned member		
Mr. Luo Zhefu	5/5	100

In 2009, the strategy development committee will strengthen the research on major issues of business development strategy, further accelerate the strategic transformation and actively explore comprehensive operations.

Audit Committee

The audit committee consists of seven directors. Mr. Tse Hau Yin, Aloysius, an independent non-executive director, currently serves as chairman of the audit committee. Members include Ms. Wang Shumin, Mr. Song Fengming, Ms. Li Xiaoling, Ms. Elaine La Roche, Mr. Gregory L. Curl and Mr. Wong Kai-Man.

The primary responsibilities of the audit committee include:

- monitoring the financial report, reviewing the disclosure of accounting information and significant events;
- monitoring and assessing the internal controls;
- monitoring the compliance level of the core businesses, management systems and principal business activities;
- monitoring and assessing the internal audit; and
- monitoring and assessing the external audit, etc.

In 2008, the audit committee convened seven meetings of the committee, and a joint meeting with the risk management committee. It reviewed the financial reports for 2007, the first half of 2008, and the first and third quarter of 2008. The audit committee actively pushed forward the internal control self-assessment in 2008, reviewed the internal audit working plan, monitored, assessed and commented the internal audit periodically and tracked the rectification against audit results. The audit committee seriously monitored and evaluated the auditors, reviewed the work plan for annual financial report audit and urged the external auditors to issue audit report on time.

Pursuant to the request by the CSRC, the audit committee formulated its annual report working rules. According to the rules, the audit committee reviewed the financial report of the Bank, and communicated and discussed with the management and external auditors as to the major accounting policies and accounting estimates at a meeting held in February 2009. The audit committee reviewed the Bank's financial report again after the external auditors provided their initial audit opinions, communicated with the management and external auditors, discussed matters such as the accounting standards and methods adopted in the financial statements, internal monitoring and financial report, and urged the auditors to submit the audit summary report to the Board. The audit committee reviewed and approved the financial report 2008 of the Bank, and submitted the proposal to the Board for consideration. The audit committee recommended reappointment of KPMG Huazhen as the Bank's domestic auditors and KPMG as the Bank's international auditors for 2009, and would submit the proposal to the Board meeting for consideration in April 2009.

Members of audit committee	Number of meetings attended/ Number of meetings during term of office	Attendance rate (%)
Mr. Tse Hau Yin, Aloysius	7/7	100
Ms. Wang Shumin	7/7	100
Mr. Song Fengming	7/7	100
Ms. Li Xiaoling	7/7	100
Ms. Elaine La Roche	7/7	100
Mr. Gregory L. Curl	7/7	100
Mr. Wong Kai-Man	7/7	100

In 2009, the audit committee will further monitor the regular financial reports, continue to assess the internal control system, supervise and assess the independence of internal and external audit, improve the effectiveness of communication and cooperation between internal and external auditors, and cooperate with external regulations, etc.

Risk Management Committee

The risk management committee consists of eight directors. Mr. Zhang Xiangdong, a non-executive director, currently serves as chairman of the risk management committee. Members include Mr. Wang Yong, Mr. Liu Xianghui, Mr. Zhang Jianguo, Ms. Xin Shusen, Mr. Song Fengming, Mr. Wong Kai-Man and Mr. Tse Hau Yin, Aloysius.

The primary responsibilities of the risk management committee include:

- reviewing the risk management and internal control policies in accordance with the overall strategy of the Bank, monitoring and assessing their implementation and effectiveness;
- providing guidance on building the risk management and internal control systems;
- monitoring and assessing the organisational structure, working procedures and effectiveness for risk management department, and proposing changes for improvements;
- reviewing the risk and internal control report, conducting periodic assessments of the risk management and internal control system, and providing their opinions in relation to further improvements to the risk management and internal control; and
- evaluating the performance of the Bank's senior management personnel responsible for risk management.

In 2008, the risk management committee convened four meetings of the committee, and a joint meeting with the audit committee. The risk management committee actively pushed forward the building of risk management system, reviewed and approved risk management policies of the Bank; steadily pushed forward the implementation of the new Basel Capital Accord; continued to monitor the measurement of risks; strengthened the building of internal control system and facilitated the building of compliance risk management system; actively carried out the reform of risk management system across the Bank; highly emphasized the impact of sub-prime lending crisis and financial crisis to the Bank; paid close attention to risks of personal loans; emphasized the risk management of information technology and strengthened the precaution and control of cases; periodically checked and evaluated the overall risks.

Members of risk management committee	Number of meetings attended/ Number of meetings during term of office	Attendance rate (%)
Mr. Zhang Xiangdong	4/4	100
Mr. Wang Yong	4/4	100
Mr. Liu Xianghui	4/4	100
Mr. Zhang Jianguo	4/4	100
Ms. Xin Shusen	2/2	100
Mr. Song Fengming	4/4	100
Mr. Wong Kai-Man	4/4	100
Mr. Tse Hau Yin, Aloysius	4/4	100
Resigned members/Members before adjustment of committee members		
Mr. Zhao Lin	1/1	100
Mr. Luo Zhefu	4/4	100
Lord Peter Levene	0/0	—

In 2009, the risk management committee will continue to watch over the impact of financial crisis to the Bank, steadily push forward the implementation of the new Basel Capital Accord, pay attention to the risks of information technology, compliance management and precaution and control of cases, strengthen the risk management of credit business, personal financing business, foreign exchange investment portfolios, credit cards and off-balance sheet items, continuously push forward the risk management instrument and innovation, and strengthen the team building of risk management, etc.

Nomination and Compensation Committee

The nomination and compensation committee consists of eight directors. Ms. Elaine La Roche, an independent non-executive director, currently serves as chairperson of the nomination and compensation committee. Members include Lord Peter Levene, Mr. Liu Xianghui, Mr. Song Fengming, Ms. Li Xiaoling, Ms. Jenny Shipley, Mr. Gregory L. Curl and Mr. Tse Hau Yin, Aloysius.

The primary responsibilities of the nomination and compensation committee include:

- formulating criteria and procedures for the selection and appointment of directors and senior management;
- proposing candidates for directors, presidents, chief audit officer, secretary to the Board and board committee members to the Board;
- evaluating candidates for senior management nominated by the president;
- formulating development plans for senior management and back-up personnel for key positions;
- formulating performance evaluation measures for directors and senior management, and compensation plans for directors, supervisors and senior management;
- reviewing the compensation system submitted by the president;
- proposing advice to the compensation plan for supervisors in accordance with the performance assessment of the supervisors by the board of supervisors; and
- monitoring the implementation of the Bank's performance assessment and compensation system.

The nomination and compensation committee convened six meetings in total in 2008. Regarding nomination, the nomination and compensation committee deliberated proposals for nominating executive directors, adjusting and supplementing the members of the board committees. The committee also submitted proposals on candidates for vice president. Regarding compensation, the nomination and compensation committee organised the settlement scheme of the compensation to directors, supervisors and senior management for 2007, studied detailed implementation rules for the distribution of compensation for directors, supervisors and senior management for 2008, and reviewed the disclosed compensation amount of directors, supervisors and senior management for 2008. Regarding the fundamental work, the nomination and compensation committee organised and revised the directors' service contracts and indemnification agreements, discussed the duties and functions of the committee in respect of nomination, and researched and built the senior management assessment system.

Members of nomination and compensation committee	Number of meetings attended/ Number of meetings during term of office	Attendance rate (%)
Ms. Elaine La Roche	6/6	100
Lord Peter Levene	5/5	100
Mr. Liu Xianghui	6/6	100
Mr. Song Fengming	6/6	100
Ms. Li Xiaoling	6/6	100
Ms. Jenny Shipley	6/6	100
Mr. Gregory L. Curl	6/6	100
Mr. Tse Hau Yin, Aloysius	6/6	100

In 2009, the nomination and compensation committee will continue to research and accomplish the works in connection with nomination, study and revise the appraisal measures for directors, supervisors and senior management of the Bank in accordance with the national policies, as well as formulate detailed implementation rules for the distribution of compensation for directors, supervisors and senior management for 2009. The committee will propose the settlement of compensation for directors, supervisors and senior management for 2008 in accordance with the operation results of the Bank and comprehensive consideration of various factors, and consider the training and career development for the personnel of various levels.

Related Party Transactions Committee

The related party transactions committee consists of four directors. The independent non-executive director Mr. Song Fengming currently serves as chairman of the related party transactions committee. Members include: Ms. Xin Shusen, Mr. Wong Kai-Man and Mr. Tse Hau Yin, Aloysius.

The primary responsibilities of the related party transactions committee include:

- formulating and proposing standards for material related party transactions and the system for management of related party transactions, as well as the internal approval and filing system of the Bank, and submitting the above standards for approval to the Board;
- identifying the related parties of the Bank;
- receiving filings on general related party transactions; and
- reviewing material related party transactions.

The related party transactions committee convened five meetings in total in 2008. The committee studied and revised the implementation measures on management of related party transactions and proposed the measures to the Board for consideration, monitored internal audit results on related party transactions, supervised and urged to improve the management of related party transactions, periodically debriefed the report on the related party transactions and its management, promoted the building of information system, identified the Bank's related parties, received filings on general related party transactions, prudently researched related issues and ensured the operation in compliance with laws and regulations.

Members of related party transactions committee	Number of meetings attended/ Number of meetings during term of office	Attendance rate (%)
Mr. Song Fengming	5/5	100
Ms. Xin Shusen	2/2	100
Mr. Wong Kai-Man	5/5	100
Mr. Tse Hau Yin, Aloysius	5/5	100
Resigned members		
Mr. Zhao Lin	3/3	100
Mr. Luo Zhefu	5/5	100

In 2009, the related party transactions committee will research and improve the mechanism and procedure of related party transactions management, monitor the functioning of the phase II of related party transactions information system, and stimulate the combination of related party transactions management and business management.

Opinion Issued by Independent Directors on External Guarantees Provided by the Bank

Pursuant to the relevant provisions and requirements under the circular of Zheng Jian Fa [2003] No. 56 issued by the CSRC, the independent directors of the Bank, including Lord Peter Levene, Mr. Song Fengming, Ms. Jenny Shipley, Ms. Elaine La Roche, Mr. Wong Kai-Man and Mr. Tse Hau Yin, Aloysius, made the following statements on external guarantees provided by the Bank based on the principles of being fair, just, and objective.

The external guarantee business provided by the Bank has been approved by the People's Bank of China and the CBRC, and is part of the normal businesses of the Bank. With regard to the risks arising from guarantee business, the Bank stipulated specific management measures, operational processes and approval procedures, and carried out the business accordingly. The guarantee business of the Bank is mainly in the form of letter of guarantees. As at 31 December 2008, the balance of letter of guarantees issued by the Group was RMB545,186 million.

Board of Supervisors

Responsibilities of the Board of Supervisors

The board of supervisors, being the supervisory authority of the Bank, is accountable to the shareholders' general meeting and performs the following duties in accordance with relevant laws:

- supervising the performance of the Board, senior management and their members;
- requiring the directors and senior management personnel to correct their acts when their acts infringe the interests of the Bank;
- inspecting and supervising the financial activities of the Bank;
- verifying the financial information, including the financial report, business report and profit distribution proposal that are proposed to the shareholders' general meeting by the Board; and
- exercising other powers authorised by the shareholders' general meeting and the Articles of Association of the Bank.

Composition of the Board of Supervisors

The board of supervisors consists of eight supervisors, including three shareholder representative supervisors, namely Mr. Xie Duyang, Ms. Liu Jin, and Mr. Jin Panshi, three employee representative supervisors, namely Ms. Cheng Meifen, Mr. Sun Zhixin and Mr. Shuai Jinkun, and two external supervisors, namely Mr. Guo Feng and Mr. Dai Deming.

Please refer to the “Profiles of Directors, Supervisors and Senior Management” for details of the profiles of the supervisors.

Chairman of the Board of Supervisors

Mr. Xie Duyang is the chairman of the board of supervisors of the Bank and is responsible for organising the performance of duties of the board of supervisors.

Appointment of Supervisors

The term of office of the supervisors is three years, and they may be re-elected upon expiration of their term of office. The shareholder representative supervisors and the external supervisors of the Bank are elected by the shareholders’ general meeting, and the employee representative supervisors are elected by the employee representative organisation.

Ms. Ning Liming resigned from the post of employee representative supervisor due to a change of job, and Mr. Shuai Jinkun was elected as an employee representative supervisor of the Bank by the employee representative meeting.

Operation of the Board of Supervisors

The board of supervisors convenes regular meetings, generally not less than four times a year, and extraordinary meetings are convened, if and when required. Supervisors are notified in written 10 days prior to the convening of the board of supervisors’ meeting. Matters concerning such meeting are specified in the written notice. During the meeting, the supervisors are free to express their opinions, and decisions on important matters are only made after detailed discussions.

Detailed minutes are prepared for the meetings of the board of supervisors. At the end of each meeting, minutes will be provided to all attending supervisors for review and comments. After finalising the minutes, the board of supervisors office shall be responsible for distributing the final version of the minutes to all supervisors.

The board of supervisors may engage external legal advisors or certified public accountants as it deems necessary to discharge its duties, and the Bank will bear all related expenses. The Bank takes necessary measures and methods to ensure the right of information of the supervisors, and provides relevant information and materials to them in accordance with related regulations.

Members of the board of supervisors may attend board meetings as non-voting attendees, and the board of supervisors may, as it considers appropriate, assign supervisors to attend as non-voting attendees such meetings of the Bank as board committees, annual work conference, symposia of general managers of branches, analytic meetings on operating conditions, and president executive meetings. The board of supervisors of the Bank conducts supervisory work through measures such as inspection and review of information, off-site monitoring and analysis and on-site specific inspection, visits and symposia, and performance and due diligence evaluation.

We effected supervisors’ liability insurance policy for all the supervisors in 2008.

Meetings of the Board of Supervisors

The board of supervisors convened seven meetings during the year 2008. For details, please refer to the "Report of the Board of Supervisors" of this annual report. Individual attendance records of the supervisors in the meetings of the board of supervisors in 2008 are set out as follows:

Members of the board of supervisors	Number of meetings attended/ Number of meetings during term of office	Attendance rate (%)
Shareholder representative supervisors		
Mr. Xie Duyang	7/7	100
Ms. Liu Jin	7/7	100
Mr. Jin Panshi	7/7	100
Employee representative supervisors		
Ms. Cheng Meifen	7/7	100
Mr. Sun Zhixin	7/7	100
Mr. Shuai Jinkun	1/1	100
External supervisors		
Mr. Guo Feng	7/7	100
Mr. Dai Deming	7/7	100
Resigned supervisor		
Ms. Ning Liming	5/5	100

Committees under the Board of Supervisors

Two committees, namely the performance and due diligence supervision committee and the finance and internal control supervision committee, are established under the board of supervisors.

Performance and Due Diligence Supervision Committee

The performance and due diligence supervision committee consists of six supervisors: Mr. Xie Duyang, Ms. Liu Jin, Mr. Jin Panshi, Ms. Cheng Meifen, Mr. Sun Zhixin and Mr. Guo Feng. Mr. Xie Duyang, chairman of the board of supervisors, serves as chairman of the performance and due diligence supervision committee.

The primary responsibilities of the performance and due diligence supervision committee include:

- formulating the rules, work plans and proposals and implementation plan for supervision and examination in connection with the supervision of the performance and degree of diligence of the board of directors, senior management and their members; and implementing and organising the implementation of such rules, plans and proposals after the board of supervisors' approval;
- giving supervisory opinions on the performance of duties by the board of directors and senior management as well as their members and proposing the opinions to the board of supervisors for consideration; and
- formulating performance evaluation measures for the supervisors and organising the implementation of such measures, and proposing these measures to the board of supervisors for consideration.

In 2008, the performance and due diligence supervision committee convened five meetings, formulated the annual work plan for performance and due diligence supervision, and organised its implementation upon approval of the board of supervisors; researched and proposed supervisory opinions on the performance and due diligence of the Board, senior management and their members on the basis of the annual and daily supervision work; further standardised and optimised the work rules for performance and due diligence supervision, and proposed the opinions on the drafting work in respect of further perfecting the annual supervision opinions on performance and due diligence; and conducted assessment of the performance of the supervisors.

Members of the Performance and Due Diligence Supervision Committee	Number of meetings attended/ Number of meetings during term of office	Attendance rate (%)
Mr. Xie Duyang	5/5	100
Ms. Liu Jin	5/5	100
Mr. Jin Panshi	5/5	100
Ms. Cheng Meifen	5/5	100
Mr. Sun Zhixin	5/5	100
Mr. Guo Feng	5/5	100

In 2009, the performance and due diligence supervision committee will continue to actively supervise the performance and due diligence of the members of the Board, senior management and their members, further optimise the ways and means of performance and due diligence supervision, and continuously improve and strengthen the supervisory work of the performance and due diligence.

Finance and Internal Control Supervision Committee

The finance and internal control supervision committee consists of five supervisors, including Mr. Dai Deming, Ms. Liu Jin, Mr. Jin Panshi, Ms. Cheng Meifen and Mr. Shuai Jinkun (elected in December 2008). External supervisor Mr. Dai Deming serves as chairman of the finance and internal control supervision committee.

The primary responsibilities of the finance and internal control supervision committee include:

- formulating the rules, work plans and proposals in connection with the supervision of finance and internal control; and implementing or organising the implementation of such rules, plans, and proposals upon the approval of the board of supervisors;
- examining the annual financial reports and business reports together with the profit distribution proposals prepared by the Board, and providing suggestions on such reports to the board of supervisors; and
- Assisting the board of supervisors in organising the implementation of supervision and inspections on the finance and internal control of the Bank, as required by circumstances.

In 2008, the finance and internal control supervision committee convened seven meetings, researched and formulated the work plan for annual finance and internal control supervision, and organised its implementation upon approval of the board of supervisors; reviewed the periodic financial reports, profit distribution plans and policies, and financial final accounts of the Bank; engaged auditors to do the special inspection to some branches; strengthened the Bank's finance and internal control supervision by ways of off-site analysis and supervision, information review, debriefing special reports, doing research and inspection, and communicating with the Bank's departments and external auditors.

Members of the Finance and Internal Control Supervision Committee	Number of meetings attended/ Number of meetings during term of office	Attendance rate (%)
Mr. Dai Deming	7/7	100
Ms. Liu Jin	7/7	100
Mr. Jin Panshi	7/7	100
Ms. Cheng Meifen	7/7	100
Mr. Shuai Jinkun	0/0	—
Resigned member		
Ms. Ning Liming	5/5	100

In 2009, the finance and internal control supervision committee will continue to pay attention to the key areas and major issues on the finance and internal control of the Bank, make more efforts in research and investigation, and continuously deepen the supervisory work for the finance and internal control of the Bank.

Auditors' Remuneration

At the 2007 annual general meeting of the Bank held on 12 June 2008, the shareholders approved the Resolution for Appointment of the Auditors and agreed to appoint KPMG Huazhen and KPMG as the auditors of the Bank for the year of 2008. The engagement term commenced from the approval of 2007 annual general meeting and will end at the next annual general meeting.

Auditors' fees for the audit of the financial statements of the Group, including those of the Bank's overseas branches and subsidiaries, and other services paid to KPMG, KPMG Huazhen and other KPMG member firms by the Group for the year ended 31 December 2008 are set out as follows:

(In millions of RMB)	2008	2007
Fees for the audit of the financial statements	167	121
Fees for the audit of the A-shares listing and relevant service fees	—	29.5
Other service fees	8	2

1. Travel expenses have been included in the service fees.

Further Information

Effective Communication with Shareholders

The Bank attaches great importance to communication with shareholders, and exchanges opinions with shareholders through many channels such as shareholders' general meetings, results announcement conferences, road shows, receptions of visitors and telephone enquiries. In 2008, the Bank organised and arranged results announcement conferences and analysts' briefings during the period of annual and interim results publication. Relevant announcements of results are published on designated newspapers and websites for shareholders' review.

Procedures for Voting by Poll

The methods and procedures for voting by poll, which comply with the listing rules of listing venues and the Articles of Association of the Bank, are set out in every document for shareholders' meeting sent to shareholders of the Bank in 2008.

Shareholder Enquiries

Any enquiries related to your shareholding, including transfer of shares, change of address, loss reporting of share certificates and dividend notes, should be sent in writing to our share registrar at:

A-share: China Securities Depository and Clearing Corporation Limited, Shanghai Branch
36th Floor
China Insurance Building
166 Lujiazui East Road, Pudong District
Shanghai, China
Telephone: (8621) 5870 8888
Facsimile: (8621) 5889 9400

H-share: Computershare Hong Kong Investor Services Limited
Rooms 1712–16, 17th Floor
Hopewell Centre
183 Queen's Road East
Hong Kong
Telephone: (852) 2862 8628
Facsimile: (852) 2865 0990/(852) 2529 6087

Investor Relations

Enquiries to the Board may be directed to:
Board of directors office
China Construction Bank Corporation
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This annual report is available on the websites at www.ccb.com and Hong Kong Stock Exchange at www.hkex.com.hk.

If you have any queries on obtaining copies of this annual report or accessing those documents on our website, please call our hotline at (8610) 6621 5533 or (852) 2532 9637.

Particulars of Directors, Supervisors and Senior Management

Directors of the Bank

Name	Position	Gender	Age	Term of office as member of the second board of directors	Total amount of compensation before tax received from the Group during the term of office within the reporting period (RMB'000)	Other compensation or allowances from corporate shareholders or other connected entities
Guo Shuqing	Chairman, executive director	Male	52	June 2007 to 2009 annual general meeting	1,569	None
Zhang Jianguo	Vice chairman, executive director, president	Male	54	June 2007 to 2009 annual general meeting	1,561	None
Xin Shusen	Executive director, vice president	Female	59	July 2008 to 2009 annual general meeting	1,409	None
Wang Yonggang	Non-executive director	Male	52	June 2007 to 2009 annual general meeting	–	Yes
Wang Yong	Non-executive director	Male	47	June 2007 to 2009 annual general meeting	–	Yes
Wang Shumin	Non-executive director	Female	53	June 2007 to 2009 annual general meeting	–	Yes
Liu Xianghui	Non-executive director	Male	54	June 2007 to 2009 annual general meeting	–	Yes
Zhang Xiangdong	Non-executive director	Male	51	June 2007 to 2009 annual general meeting	–	Yes
Li Xiaoling	Non-executive director	Female	51	June 2007 to 2009 annual general meeting	–	Yes
Gregory L. Curl	Non-executive director	Male	60	June 2007 to 2009 annual general meeting	390	Yes
Lord Peter Levene	Independent non-executive director	Male	67	June 2007 to 2009 annual general meeting	360	None
Song Fengming	Independent non-executive director	Male	62	June 2007 to 2009 annual general meeting	440	None
Jenny Shipley	Independent non-executive director	Female	57	November 2007 to 2009 annual general meeting	360	None
Elaine La Roche	Independent non-executive director	Female	59	June 2007 to 2009 annual general meeting	410	None
Wong Kai-Man	Independent non-executive director	Male	58	November 2007 to 2009 annual general meeting	388	None
Tse Hau Yin, Aloysius	Independent non-executive director	Male	61	June 2007 to 2009 annual general meeting	440	None

1. Mr. Gregory L. Curl's compensation for his capacity as the non-executive director is paid to the corporate shareholder, Bank of America, by the Bank.

Supervisors of the Bank

Name	Position	Gender	Age	Term of office as member of the second board of supervisors	Total amount of compensation before tax received from the Group during the term of office within the reporting period (RMB'000)	Other compensation or allowances from corporate shareholders or other connected entities
Xie Duyang	Chairman of the board of supervisors	Male	60	June 2007 to 2009 annual general meeting	1,518	None
Liu Jin	Supervisor	Female	44	June 2007 to 2009 annual general meeting	1,001	None
Jin Panshi	Supervisor	Male	44	June 2007 to 2009 annual general meeting	1,001	None
Cheng Meifen	Employee representative supervisor	Female	53	June 2007 to 2009 annual general meeting	26[1]	None
Sun Zhixin	Employee representative supervisor	Male	58	June 2007 to 2009 annual general meeting	26[1]	None
Shuai Jinkun	Employee representative supervisor	Male	58	November 2008 to 2009 annual general meeting	2[1]	None
Guo Feng	External supervisor	Male	46	June 2007 to 2009 annual general meeting	250	None
Dai Deming	External supervisor	Male	46	June 2007 to 2009 annual general meeting	270	None

1. Compensation before tax paid for working as the employee representative supervisor of the Bank.

Senior Management of the Bank

Name	Position	Gender	Age	Term of office	Total amount of compensation before tax received from the Group during the term of office within the reporting period (RMB'000)	Other compensation or allowances from corporate shareholders or other connected entities
Zhang Jianguo	President	Male	54	July 2006–	1,561	None
Xin Shusen	Vice president	Female	59	July 2005–	1,409	None
Chen Zuofu	Vice president	Male	54	July 2005–	1,409	None
Fan Yifei	Vice president	Male	44	July 2005–	1,409	None
Zhu Xiaohuang	Vice president and chief risk officer	Male	52	June 2008–	1,352	None
Hu Zheyi	Vice president	Male	54	March 2009–	—	None
Pang Xiusheng	Chief financial officer	Male	50	April 2006–	1,240	None
Yu Yongshun	Chief audit officer	Male	58	July 2005–	1,240	None
Chen Caihong	Secretary to the Board	Male	52	August 2007–	1,240	None
Gu Jingpu	Controller of wholesale banking	Male	52	May 2006–	1,240	None
Du Yajun	Controller of retail banking	Male	52	May 2006–	1,240	None
Mao Yumin	Controller of investment and wealth management banking	Male	53	September 2007–	3,730	None

During the reporting period, Mr. Shuai Jinkun, the employee representative supervisor of the Bank, held indirectly 22,125 H-shares of the Bank via employee stock ownership plan before he assumed duties of the position. Mr. Chen Caihong, the secretary to the Board of the Bank, held indirectly 19,417 H-shares of the Bank via employee stock ownership plan before he assumed duties of the position. Apart from this, the directors, supervisors and other senior executives do not hold any shares of the Bank.

Determining Procedures and Basis of Compensation for Directors, Supervisors and Senior Management

The Bank provides compensation including salary, bonus, pension plan, provident housing fund scheme and other benefits to executive directors, shareholder representative supervisors and senior executives who are also employees of the Bank. Independent non-executive directors, employee representative supervisors and external supervisors of the Bank receive allowances according to their duties. At the beginning of each year, the nomination and compensation committee of the Board formulates detailed implementation rules for the compensation distribution of directors, supervisors and senior executives, and give proposals on the emoluments plan for the year based on the results of assessment on the directors, supervisors and senior management at the end of each year. The emoluments plan for the year of senior management is submitted to the Board for approval while that of directors and supervisors is assessed and discussed by the Board before submission to the shareholders' general meeting for approval.

Changes in Directors, Supervisors and Senior Management

Upon the appointment by the Bank's 2007 annual general meeting and the approval of the CBRC, Ms. Xin Shusen commenced her position as an executive director of the Bank from July 2008.

Upon the election by the employee representative meeting of the Bank, Mr. Shuai Jinkun commenced his position as an employee representative supervisor of the Bank from November 2008.

Upon the appointment by the tenth session of the second board of directors of the Bank and the approval of the CBRC, Mr. Zhu Xiaohuang commenced his positions as a vice president and chief risk officer of the Bank from June 2008.

Upon the appointment by the nineteenth session of the second board of directors of the Bank, Mr. Hu Zheyi commenced his position as a vice president of the Bank from March 2009.

In May 2008, Mr. Zhao Lin resigned from his posts of executive director and vice president of the Bank.

In December 2008, Mr. Luo Zhefu resigned from his posts of executive director and vice president of the Bank.

In September 2008, Ms. Ning Liming resigned from her post of employee representative supervisor of the Bank.

Biographical Details of the Directors, Supervisors and Senior Management

Directors of the Bank

Guo Shuqing

Chairman, executive director

Mr. Guo joined the Bank in March 2005 and has served as chairman since then. Mr. Guo was deputy governor of the PBC, administrator of the SAFE and chairman of Huijin from December 2003 to March 2005. He was deputy governor of the PBC and administrator of the SAFE from March 2001 to December 2003. From July 1988 to March 2001, he held various posts including deputy governor of Guizhou Province, director-general of the General Planning and Experiment Department, director-general of the Macro-control System Department and secretary general of the State Commission for Economic Restructuring, and deputy director-general of the Economic Research Centre of the State Planning Commission. Mr. Guo is a research fellow and an alternate member of the 17th CPC central committee. Mr. Guo graduated from Nankai University in 1982 with a bachelor's degree in philosophy, and graduated from the Chinese Academy of Social Sciences with a doctorate degree in law in 1988. Mr. Guo was also a visiting fellow at the University of Oxford from May 1986 to August 1987.

Zhang Jianguo

Vice chairman, executive director, president

Mr. Zhang has served as vice chairman and executive director of the Bank since October 2006, president of the Bank since July 2006. Mr. Zhang was vice chairman of the board of directors and president of Bank of Communications Co., Ltd. from May 2004 to July 2006, vice president of Bank of Communications Co., Ltd from September 2001 to May 2004. From September 1984 to September 2001, Mr. Zhang served several positions in Industrial and Commercial Bank of China, including deputy general manager and general manager of the international banking department, deputy general manager of Tianjin Branch. From November 1987 to December 1988, Mr. Zhang studied international financial business in Canadian Imperial Bank of Commerce and Ryerson Institute of Technology. Mr. Zhang graduated from Tianjin College of Finance and Economics with a bachelor's degree in Finance in 1982 and a master's degree in Economics in 1995.

Xin Shusen

Executive director, vice president

Ms. Xin has served as a director from July 2008, vice president from July 2005. Ms. Xin was the Bank's chief compliance officer from September 2004 to July 2005. From September 1993 to September 2004, she served several positions in China Construction Bank, including chief controller, deputy chief controller, general manager of personal banking department, general manager of retail banking department, general manager of funding and savings department, deputy director of human resources department and general manager of corporate culture department. Ms. Xin is a senior economist, a recipient of a special grant by PRC government, and a member of the 11th National Committee of the Chinese People's Political Consultative Conference. Ms. Xin graduated from Changchun Metallurgy Construction Institute with a degree in industrial and civil construction in 1983. She received her master's degree in national economics from Northeast University of Finance and Economics in 1998.

Wang Yonggang
Non-executive director

Mr. Wang has served as a director since September 2004. Mr. Wang was a dedicated supervisor of director-general level and director of office under the board of supervisors of China Construction Bank from August 2003 to September 2004, dedicated supervisor at deputy director-general level and deputy director of office under the board of supervisors of the People's Insurance Company of China and China Reinsurance Company from July 2000 to August 2003, and deputy general manager of the supervision department of the Industrial and Commercial Bank of China from June 1997 to July 2000. Mr. Wang is a certified accountant, a senior accountant, and was appointed by the MOF as an expert consultant on financial management of finance and insurance enterprises in August 1997. He graduated from Heilongjiang Finance Technical College with a degree in infrastructure finance in 1982, and received his master's degree in money and banking from Northeast University of Finance and Economics in 1997. Mr. Wang is currently an employee of the Bank's substantial shareholder, Huijin, and has served as a supervisor of China Reinsurance (Group) Company since October 2007.

Wang Yong
Non-executive director

Mr. Wang has served as a director since June 2007. Mr. Wang was an inspector of the Balance of Payments Department of the SAFE from August 2004 to March 2007, and served consecutively as deputy director-general of the Foreign Investment Administration Department, deputy director-general of the Capital Account Management Department and director general of the Balance of Payments Department of the SAFE from January 1997 to August 2004. Mr. Wang is a senior economist. He graduated from Jilin University with a bachelor's degree in world economics in 1984 and a master's degree in world economics in 1987. Mr. Wang is currently an employee of the Bank's substantial shareholder, Huijin.

Wang Shumin
Non-executive director

Ms. Wang has served as a director since September 2004. Ms. Wang was an inspector of the Administration and Inspection Department of the SAFE from June 2001 to September 2004. Ms. Wang served consecutively as deputy director-general of the Policy and Law Department, deputy director-general of the Balance of Payments Department and deputy director-general of the Administration and Inspection Department of the SAFE from July 1994 to June 2001. Ms. Wang is a senior economist and is qualified to practice law in China. She currently serves as an arbitrator of China International Economic and Trade Arbitration Commission. She graduated from Zhongnan University of Economics and Law with a bachelor's degree in law in 1982. Ms. Wang is currently an employee of the Bank's substantial shareholder, Huijin.

Liu Xianghui

Non-executive director

Mr. Liu has served as a director since November 2004. Mr. Liu worked consecutively at the State Economic Commission, the State Planning Commission and the Office of Central Leading Group on the Financial and Economic Affairs. From July 1998 to November 2004, Mr. Liu served consecutively as an assistant inspector and an inspector of the Economic and Trade Group under the Office of Central Leading Group on the Financial and Economic Affairs. Mr. Liu studied at the Central School of Planning and Statistics in Poland from September 1989 to February 1990, and worked for half a year at the United States Environmental Protection Agency in 1993. Mr. Liu is an economist and graduated from Liaoning University with a bachelor's degree in Chinese in 1978. Mr. Liu is currently an employee of the Bank's substantial shareholder, Huijin.

Zhang Xiangdong

Non-executive director

Mr. Zhang has served as a director since November 2004. Mr. Zhang was an inspector of the General Affairs Department of the SAFE from September 2004 to November 2004, deputy director-general of the same department from August 2003 to September 2004, vice president of the PBC's Haikou Central Sub-branch and concurrently deputy director-general of the SAFE's Hainan Branch from August 2001 to August 2003. Mr. Zhang served as a member of Stock Offering Approval Committee of CSRC from August 1999 to November 2001. Mr. Zhang is a senior economist and is qualified to practice law in China. He currently serves as an arbitrator of China International Economic and Trade Arbitration Commission. He graduated from Renmin University with a bachelor's degree in law in 1986. He completed his graduate studies in international economic law at Renmin University in 1988, and was awarded a master's degree in law in 1990. Mr. Zhang is currently an employee of the Bank's substantial shareholder, Huijin.

Li Xiaoling

Non-executive director

Ms. Li has served as a director since June 2007. Ms. Li was a deputy inspector of Budget Department of the MOF from January 2006 to June 2007, and an assistant inspector of Budget Department of the MOF from May 2001 to January 2006. Ms. Li is an economist and graduated from Beijing Normal University in 2003 with a master's degree in political economics. Ms. Li is currently an employee of the Bank's substantial shareholder, Huijin.

Gregory L. Curl

Non-executive director

Mr. Curl has served as a director since August 2005. Mr. Curl is the vice chairman of Bank of America in charge of the corporate development and has served in several capacities at Bank of America, including as vice chairman of corporate development and global corporate planning and as strategy executive since 1996. Prior to that, he served in various capacities in Boatmen's Bancshares, including vice chairman and chief operating officer since 1978. Mr. Curl currently is a director of the Jefferson Scholars Foundation, University of Virginia, the Enstar Group, Inc. and Grupo Financiero Santander Serfin. Mr. Curl received a bachelor's degree in political science from Southwest Missouri State University and a master's degree in government from the University of Virginia.

Lord Peter Levene

Independent non-executive director

Lord Peter Levene has served as a director since June 2006. He is currently the chairman of Lloyd's. Lord Peter Levene is the chairman of General Dynamics UK Limited, and International Financial Services London, and director of TOTAL SA, a listed entity, and Haymarket Group Ltd. Before that, he held various directorships in other listed companies including director of J Sainsbury plc from 2001 to 2004, and member of the board of directors of Deutsche Boerse from 2004 to 2005. Lord Peter Levene was awarded a bachelor's degree in economics and politics from the University of Manchester.

Song Fengming

Independent non-executive director

Mr. Song has served as a director since September 2004. Mr. Song is an experienced academic in banking and finance in China, a professor and supervisor for doctorate students and co-chairman of China Centre for Financial Research at Tsinghua University. Mr. Song has been the dean of the department of international trade and finance of School of Economics and Management at Tsinghua University from 1995 to 2005. He was an associate professor and director of the Division of International Trade and Finance of the same school from 1988 to 1992, and served as a lecturer and the dean of the management department of Jiangsu University of Science and Technology from 1982 to 1988. Mr. Song received his bachelor's degree in computational mathematics from Peking University in 1970, his master's degree in management from Shanghai Jiaotong University in 1982, and his Ph.D. degree in systems engineering from Tsinghua University in 1988. He pursued his post-doctorate research at the University of California, Riverside, from 1992 to 1995.

Jenny Shipley

Independent non-executive director

Ms. Shipley has served as a director since November 2007 and is currently chairman of Mainzeal Construction and Development and Senior Money International, director of Momentum Consulting Group and director of the listed company Richina Pacific Limited. Ms. Shipley also served as the managing director of Jenny Shipley New Zealand Ltd, a consulting firm. Ms. Shipley held key positions in the New Zealand government. She was prime minister of New Zealand from 1997 to 1999 and was consecutively minister of Women's Affairs, minister of Social Welfare, minister of Health, minister of Broadcasting, minister of Transport, minister of Accident Compensation, minister of State-owned Enterprises and minister of State Services Commission from 1990 to 1997.

Elaine La Roche

Independent non-executive director

Ms. La Roche has served as a director since June 2005. Ms. La Roche is currently the vice chairman of J.P. Morgan (China) Securities. From 1978 to 2000, Ms. La Roche consecutively held several positions in Morgan Stanley Dean Witter Asia Limited. In 1998, she was seconded from Morgan Stanley Dean Witter Asia Limited to serve as the chief executive officer of China International Capital Corporation Limited. Thereafter, Ms. La Roche served as the chief executive officer of Salisbury Pharmacy Group, financial executive of Cantor Fitzgerald, and the chairperson of the board of Linktone, a NASDAQ listed company. Ms. La Roche graduated from Georgetown University School of Foreign Service with a bachelor's degree in international affairs and from the American University with a master's degree in business administration in finance.

Wong Kai-Man

Independent non-executive director

Mr. Wong has served as a director since November 2007 and is currently a director of Victor and William Fung Foundation Limited and Li & Fung (1906) Foundation Ltd, an honorary associate professor of the School of Business of the University of Hong Kong, and an independent non-executive director of Shangri-la Asia Limited, SCMP Group Limited and SUNe Vision Holdings Ltd., which are the listed companies of Hong Kong Stock Exchange. In addition, he serves in a number of government committees and the boards of non-governmental organisations. Mr. Wong was a partner of PricewaterhouseCoopers Hong Kong and retired from that post in June 2005 with 32 years of experience in accounting. Mr. Wong was a member of the GEM Listing Committee of Hong Kong Stock Exchange from 1999 to 2003. Mr. Wong received his bachelor's degree in Physics from the University of Hong Kong and his master's degree in Business Administration from the Chinese University of Hong Kong. Mr. Wong is a fellow of the Hong Kong Institute of Certified Public Accountants and a fellow of the Association of Chartered Certified Accountants of the United Kingdom. Mr. Wong was appointed as a Justice of the Peace in 2002 and awarded Bronze Bauhinia Star in 2007 by the Government of the Hong Kong Special Administrative Region, and awarded an honorary fellow by Lingnan University, Hong Kong.

Tse Hau Yin, Aloysius

Independent non-executive director

Mr. Tse has served as a director since November 2004. Mr. Tse joined KPMG in 1976, became a partner in 1984, and retired from KPMG in March 2003. Mr. Tse served as non-executive chairman of KPMG China and was a member of the China Affairs Committee of KPMG from 1997 to 2000. Mr. Tse is a former president of the Hong Kong Institute of Certified Public Accountant, a fellow of the Hong Kong Institute of Certified Public Accountant and the Institute of Chartered Accountants in England and Wales. Mr. Tse currently is an independent non-executive director of China Telecom Corporation Limited, Wing Hang Bank Limited, CNOOC Limited, Sinofert Holdings Limited, SJM Holdings Limited and Linmark Group Limited. He is also Chairman of International Advisory Council of the Wuhan Municipal Government. Mr. Tse graduated from the University of Hong Kong.

Supervisors of the Bank

Xie Duyang

Chairman of the board of supervisors

Mr. Xie has served as chairman of the board of supervisors since September 2004. Mr. Xie was chairman of the board of supervisors of China Construction Bank from July 2003 to September 2004, chairman of the board of supervisors of People's Insurance Company of China and China Reinsurance Company from July 2000 to July 2003, vice president of the Industrial and Commercial Bank of China from October 1992 to July 2000. He served several positions from July 1986 to October 1992, including an officer of director-general level at the Ministry of Organisation, an officer of director-general level at the National Economic General Affairs Bureau of the State Planning Commission. Mr. Xie is a research fellow and a member of the 11th National Committee of the Chinese People's Political Consultative Conference. He graduated from Wuhan University with a doctorate degree in political economics in 2002.

Liu Jin

Supervisor

Ms. Liu has served as a supervisor since September 2004 and served concurrently as director of board of supervisors office since November 2004. Ms. Liu was a dedicated supervisor of deputy director-general level at the board of supervisors of China Construction Bank from July 2003 to September 2004, dedicated supervisor of deputy director-general level at the board of supervisors of the People's Insurance Company of China and China Reinsurance Company from November 2001 to July 2003. Ms. Liu is a senior economist and graduated from Hunan Finance and Economics College with a bachelor's degree in finance in July 1984. She graduated from the Research Institute for Fiscal Science of the MOF with a doctorate degree in public finance in July 2008.

Jin Panshi

Supervisor

Mr. Jin has served as a supervisor since September 2004 and has been general manager of the audit department of the Bank since December 2007. Mr. Jin was deputy general manager of the audit department of China Construction Bank from June 2001 to September 2004. Mr. Jin is a senior engineer and a Certified Information Systems Auditor and graduated from Jilin University of Technology with a bachelor's degree in computer application in 1986, and a master's degree in computer application from the same university in 1989.

Cheng Meifen

Employee representative supervisor

Ms. Cheng has served as a supervisor since December 2004. Ms. Cheng has been general manager of the legal and compliance department of the Bank since July 2008, general manager of the legal department of China Construction Bank from March 2004 to July 2008, and deputy general manager of the same department from August 1999 to March 2004. Ms. Cheng is an economist and graduated with a master's degree in law from the law department of Peking University in 1998.

Sun Zhixin

Employee representative supervisor

Mr. Sun has served as a supervisor since October 2006. Mr. Sun has been executive vice chairman of the labour union of the Bank since May 2008, general manager of the human resources department of the Bank from September 2005 to May 2008. He was consecutively deputy director of education department, director of the supervision department of China Construction Bank, deputy general manager of Guangdong Branch, general manager of Guangxi Branch, general manager of the human resources department, vice director of the personal banking management committee, and executive vice principal of the senior training centre of China Construction Bank from May 1986 to September 2005. Mr. Sun is a senior economist and graduated from Shanxi University of Finance and Economics with a bachelor's degree in finance in 1977.

Shuai Jinkun

Employee representative supervisor

Mr. Shuai has been a supervisor since November 2008. Mr. Shuai has been a senior expert of Yunnan Branch of the Bank since September 2007. Mr. Shuai was general manager of Sichuan Branch of the Bank from May 2006 to September 2007, general manager of Yunnan Branch of the Bank from August 1994 to May 2006. He graduated from Yunnan University of Finance and Economics with an associate's degree in finance in 1989. Mr. Shuai is a senior economist and recipient of a special grant from PRC government.

Guo Feng
External supervisor

Mr. Guo has served as an external supervisor since March 2005. Mr. Guo has been dean of the law school of Central University of Finance and Economics since January 2007. Mr. Guo has been a professor at the law school of Central University of Finance and Economics and director of the Research Institute of Financial and Economic Law of the same university since December 2004. He was an associate professor at the law school of Renmin University of China from June 1993 to December 2004, and deputy director of the Institute of Financial Law of the same university from February 1993 to December 2004. Mr. Guo was a visiting scholar at the law school of the City Polytechnic of Hong Kong from January 1993 to June 1993. He received his master's degree in civil and commercial law from Renmin University of China in June 1986 and his Ph.D. degree in civil and commercial law from the same university in 1995.

Dai Deming
External supervisor

Mr. Dai has served as an external supervisor since June 2007. Mr. Dai has been dean of accounting department of Business School at Renmin University of China since October 2001. Mr. Dai pursued his post-doctorate research at Hitotsubashi University from October 1997 to September 1999, and served as deputy director of accounting department of Renmin University of China from May 1996 to October 1997, professor of the accounting department at Renmin University of China since June 1996, and associate professor of accounting department of the same University from June 1993 to May 1996. At present, Mr. Dai serves as an independent director of China South Locomotive & Rolling Stock Corporation Limited and Beijing Northking Technology Co., Ltd. Mr. Dai received his bachelor's degree in industry accounting from Hunan College of Finance and Economics in July 1983, master's degree in accounting from Zhongnan University of Economics in July 1986 and Ph. D. degree in accounting from Renmin University of China in July 1991.

Senior Management of the Bank

Zhang Jianguo

Vice chairman, executive director, president

See "Directors of the Bank".

Xin Shusen

Executive director, vice president

See "Directors of the Bank".

Chen Zuofu

Vice president

Mr. Chen has served as vice president since July 2005. Mr. Chen was assistant president of the Bank from September 2004 to July 2005, assistant president of China Construction Bank from July 1997 to September 2004. Mr. Chen was a visiting scholar to Stanford University from June 1999 to May 2000. Mr. Chen graduated from Southwest University of Politics and Law with a bachelor's degree in law in 1983. He received his master's degree in management and engineering from Central South University of Technology in 1996.

Fan Yifei

Vice president

Mr. Fan has served as vice president since July 2005. Mr. Fan was assistant president of the Bank from September 2004 to July 2005, assistant president of China Construction Bank from February 2000 to September 2004, and served concurrently as assistant president of China Yangtze Power Co., Ltd. from March 2003 to March 2004. He was consecutively deputy general manager of the treasury and planning department, general manager of the finance and accounting department, general manager of the planning and finance department of China Construction Bank from July 1996 to February 2000. Mr. Fan also serves as chairman of the board of directors of CCB Asia, director of China Petroleum & Chemical Corporation. Mr. Fan is a senior accountant and received his Ph. D. degree in public finance from Renmin University of China in 1993, and his M.I.A. degree in international economics from Columbia University in 2002.

Zhu Xiaohuang

Vice president, chief risk officer

Mr. Zhu has served as vice president since June 2008 and chief risk officer since April 2006. He was executive vice chairman of the Bank's risk management and internal control committee from March 2006 to April 2006. Mr. Zhu was general manager of the Bank's corporate banking department from October 2004 to March 2006; general manager of Guangdong Branch of China Construction Bank from May 2001 to October 2004. He served consecutively as deputy director of administrative office, deputy director of head office's No. 1 credit department, deputy general manager of credit management department, deputy general manager of Liaoning Branch, and general manager of banking department of China Construction Bank from September 1993 to May 2001. Mr. Zhu is a senior economist and recipient of a special grant from PRC government. He obtained his bachelor's degree in infrastructure finance and credit from Hubei Finance and Economics College in 1982 and received an associate degree in economic law from Peking University in October 1985. He also received a doctorate degree in world economics from Sun Yat-Sen University in 2006.

Hu Zheyi

Vice president

Mr. Hu has served as vice president since March 2009. Mr. Hu was director-general of the macro-economy research department of the Research Office of the State Council from September 2004 to December 2008. He worked at macro-economy research department of the Research Office of the State Council as chief manager and deputy director-general successively from October 1998 to September 2004. From May 1993 to September 1998, Mr. Hu worked at the head office of the PBC as deputy chief manager and chief manager successively. Mr. Hu graduated from South China University of Technology in 1982 with a bachelor's degree in chemical automation and instruments. He then obtained his master's degree in technological economics and system engineering from the Management School of Tianjin University in 1988. Mr. Hu graduated from School of Economics and Management of Tsinghua University with a Ph. D. degree in technological economics in 1992.

Pang Xiusheng

Chief financial officer

Mr. Pang has served as chief financial officer since April 2006. Mr. Pang was executive vice chairman of the Bank's asset and liability committee from March 2006 to April 2006; director of the Bank's restructuring office from April 2005 to March 2006; general manager of Zhejiang Branch of China Construction Bank from June 2003 to April 2005, and acting general manager of Zhejiang Branch of China Construction Bank from April 2003 to June 2003. Mr. Pang served consecutively as deputy general manager of treasury and planning department, deputy general manager of planning and finance department, and general manager of planning and finance department from September 1995 to April 2003. Mr. Pang is a senior economist and recipient of a special grant from PRC government. He received his master's degree in technological economics from Harbin Industrial University in 1995.

Yu Yongshun

Chief audit officer

Mr. Yu has served as chief audit officer since July 2005. Mr. Yu was general manager of the audit department of the Bank from September 2004 to August 2006, general manager of the audit department of China Construction Bank from April 1999 to September 2004. He served consecutively as deputy general manager of treasury and planning department, general manager of real estate credit department, general manager of Xinjiang Branch, and general manager of No. 2 banking department of China Construction Bank from October 1990 to April 1999. Mr. Yu is a senior economist and recipient of a special grant from PRC government. He graduated from Liaoning Finance and Economics College with a bachelor's degree in infrastructure finance and credit in 1977, and graduated from the Institute of Finance and Trade Economics of Chinese Academy of Social Sciences with a master's degree in money and banking in 1998.

Chen Caihong

Secretary to the Board

Mr. Chen has served as secretary to the Board since August 2007. Mr. Chen was general manager of Seoul Branch of China Construction Bank from December 2003 to July 2007. Mr. Chen served consecutively as deputy director, director of administrative office, deputy general manager of Fujian Branch, and head of preparation team for Seoul Branch of China Construction Bank from March 1997 to December 2003. Mr. Chen is a senior economist. He graduated from Hubei Finance and Economics College with a bachelor's degree in infrastructure economics in 1982 and received his master's degree in public finance from the Research Institute for Fiscal Science of the MOF in 1986.

Gu Jingpu

Controller of wholesale banking

Mr. Gu has served as controller of the Bank's wholesale banking since May 2006. Mr. Gu was executive vice chairman of the Bank's corporate and institutional banking committee from March 2006 to May 2006; vice chairman of risk and internal control management committee, director of office of risk and internal control management committee and general manager of risk management department of China Construction Bank from March 2003 to March 2006. He served consecutively as deputy director of internal audit department, director of internal audit department, general manager of Guangdong Branch, vice chairman of risk and internal control management committee and head of office of risk and internal control management committee of China Construction Bank from May 1994 to March 2003. Mr. Gu is a senior economist and a PRC certified public accountant. He received a doctoral degree in management from Sun Yat-Sen University in 2006.

Du Yajun

Controller of retail banking

Mr. Du has served as controller of the Bank's retail banking since May 2006. Mr. Du was executive vice chairman of the Bank's personal banking committee from March 2006 to May 2006, general manager of Hebei Branch of China Construction Bank from March 1999 to March 2006, general manager of Shanxi Branch of China Construction Bank from December 1996 to March 1999, and deputy general manager of Hebei Branch from May 1992 to December 1996. Mr. Du is a senior economist and recipient of a special grant from PRC government. He graduated from Liaoning Finance and Economics College with a bachelor's degree in infrastructure finance and credit in 1982. He also received a master's degree in world economics from Hebei University in 1997.

Mao Yumin

Controller of investment and wealth management banking

Mr. Mao has served as controller of investment and wealth management banking since September 2007. He was chief executive officer of Shanghai Ai Jian Corporation from June 2006 to July 2007, executive director of Mingly (China) Holdings Ltd. from May 2006 to June 2006, director of Cathay International Holdings Limited and senior vice president of Hong Kong Cathay International Limited from March 2003 to May 2006, and served consecutively as deputy general manager of international business department, general manager of international business department, and general manager of Hong Kong Branch of China Construction Bank from August 1992 to March 2003. Mr. Mao is a senior economist and graduated from Jiangxi College of Finance and Economics with a bachelor's degree in infrastructure finance in 1983.

Company Secretary and Qualified Accountant of the Bank

Chan Mei Sheung
Company secretary

Ms. Chan has served as the Bank's company secretary since October 2007. She has been head of legal & compliance division of CCB International and its subsidiaries since then. Ms. Chan was group legal counsel and head of Legal Department in China Everbright Limited from July 2006 to October 2007. She also served as company secretary of China Everbright Limited. She has been a member of the Mainland Legal Affairs Committee of the Law Society of Hong Kong since 2006. She was group legal counsel and company secretary of Sing Tao News Corporation Limited from 2003 to 2005. She was the partner in charge of Corporate Finance and China Services Department of Hastings & Co. from 1999 to 2003. Ms. Chan is a qualified solicitor in Hong Kong, England and Wales, and is a qualified solicitor and barrister in the Australian Capital Territory. She graduated from the University of Hong Kong with an honorary bachelor's degree in law in1987.

Yuen Yiu Leung
Qualified Accountant

Mr. Yuen has served as the Bank's qualified accountant since August 2005. Mr. Yuen has been head of finance department of Hong Kong Branch of the Bank since September 2004, and has also been head of finance department of CCB International and its subsidiaries since January 2006. Prior to that, Mr. Yuen held the same position in the Hong Kong Branch of China Construction Bank from October 1995 to September 2004 and he served in several capacities at the internal control, finance and accounting functions of Standard Chartered Bank. Mr. Yuen is a fellow of the Hong Kong Institute of Certified Public Accountants, the Association of Chartered Certified Accountants, UK and the Chartered Institute of Management Accountants, UK and an associate of the Institute of Chartered Accountants in England & Wales. Mr. Yuen graduated from Hong Kong Polytechnic University with a professional diploma in management accountancy in 1988 and received a master's degree in business administration from University of Wales in cooperation with Manchester Business School in 1998.

Introduction to Shareholders' General Meeting

Powers of Shareholders' General Meeting

The shareholders' general meeting is the authoritative body of the Bank and mainly exercises the following powers:

- determining the operating guidelines and investment plans of the Bank;
- electing and changing directors and supervisors (except for employee representative supervisors), and determining the remuneration of directors and supervisors;
- reviewing and approving the Bank's annual financial budgets, final accounts, profit distribution plans and loss recovery plans;
- adopting resolutions related to the increase or reduction of registered capital, and merger, split, dissolution and liquidation of the Bank;
- adopting resolutions related to the issuance and listing of corporate bonds or other marketable securities;
- adopting resolutions related to material acquisitions and repurchase of the Bank's shares;
- adopting resolutions to engage, remove or cease to retain certified public accountants;
- amending the Articles of Association and other fundamental corporate governance documents of the Bank.

Details of Shareholders' General Meetings Convened

On 12 June 2008, the Bank held the 2007 annual general meeting, which mainly resolved on the 2007 report of the board of directors, 2007 report of the board of supervisors, 2007 final accounts, 2008 budget on capital expenditures, profit distribution plans for the second half of 2007 and 2008 interim dividend policy, engagement of auditors for 2008, settlement plans for the compensation for directors and supervisors for 2007, issuance of subordinated bonds and appointment of the executive director. The shareholders' general meeting was held in compliance with relevant laws and regulations, the resolutions of which were published on the websites of the Shanghai Stock Exchange and the Bank, and on the China Securities Journal and Shanghai Securities News on 13 June 2008.

The Board of the Bank is pleased to present its report together with the financial statements of the Group for the year ended 31 December 2008.

Principal Activities

The Group is engaged in a range of banking services and related financial services.

Profit and Dividends

The profit of the Group for the year ended 31 December 2008 and the Group's financial position as at that date are set out in the "Financial Statements" of this annual report.

In accordance with the resolutions passed at the 2007 annual general meeting, the Bank paid a final cash dividend for 2007 of RMB0.065 per share (including tax), totalling approximately RMB15,190 million, which was equivalent to 45% of the net profit for the second half of 2007, to all of its shareholders whose names appeared on the register of members on 23 June 2008.

In accordance with the authorisation granted at the 2007 annual general meeting and the resolutions passed at the 16th session of the second board of directors, the Bank paid an interim cash dividend for 2008 of RMB0.1105 per share (including tax), totalling approximately RMB25,823 million, which was equivalent to 45% of the net profit for the first half of 2008, to all of its shareholders whose names appeared on the register of members on 14 November 2008.

The Board recommends a final cash dividend of RMB0.0837 per share for the six months ended 31 December 2008, totalling approximately RMB19,560 million, subject to the approval of the 2008 annual general meeting. After the approval of the shareholders' general meeting, the dividend will be paid to the shareholders whose names appear on the register of members of the Bank on Tuesday, 23 June 2009.

The amounts of cash dividends and ratios of cash dividends to net profit of the Bank for the previous three years are as follows:

(In millions of RMB)	2005	2006	2007
Cash dividends [1]	6,638	20,671	46,583
Ratio of cash dividends to net profit [2]	14.09%	44.62%	67.46%

1. Cash dividends include interim cash dividend, special cash dividend and final cash dividend for the year.
2. The net profit refers to the net profit attributable to shareholders of the Bank on a consolidated basis. Please refer to Note "Profit Distributions" in the "Financial Statements" of annual reports of the related years for details of cash dividends.

Reserves

Please refer to the consolidated statement of changes in equity for details of the movements in the reserves of the Group for the year ended 31 December 2008. Other details of the reserves are set out in Note "Distributability of Reserves" to the "Financial Statements" of this annual report.

Summary of Financial Information

Please refer to the "Financial Highlights" of this annual report for the summary of the operating results, assets and liabilities of the Group for the five years ended 31 December 2008.

Donations

Donations made by the Group during the year ended 31 December 2008 for charitable and other purposes were RMB85 million.

Property and Equipment

Please refer to Note "Fixed Assets" in the "Financial Statements" of this annual report for details of movements in the property and equipment of the Group for the year ended 31 December 2008.

Retirement Benefits

Please refer to Note "Accrued Staff Costs" in the "Financial Statements" of this annual report for details of the retirement benefits provided to employees of the Group.

Major Customers

For the year ended 31 December 2008, the aggregate amount of interest income and other operating income generated from the five largest customers of the Group represented an amount not exceeding 30% of the total interest income and other operating income of the Group.

Ultimate Parent Company and its Subsidiaries

Please refer to Notes "Ultimate Parent" and "Investments in Subsidiaries" in the "Financial Statements" of this annual report for details of the Bank's ultimate parent and its subsidiaries respectively as at 31 December 2008.

Share Capital and Public Float

As of 31 December 2008, the Bank issued 233,689,084,000 shares in total (including 224,689,084,000 H-shares and 9,000,000,000 A-shares) and had 1,544,780 registered shareholders, being in compliance with the relevant requirements regarding public floats under relevant laws and regulations as well as the listing rules of listing venues.

Purchase, Sale and Redemption of Shares

There was no purchase, sale or redemption by the Bank or any of its subsidiaries of the shares of the Bank during the year ended 31 December 2008.

Pre-emptive Rights

The Articles of Association of the Bank and the relevant PRC laws do not have such provisions under which the Bank's shareholders have pre-emptive rights. The Articles of Association provide that if the Bank wishes to increase its capital, it may issue new shares to non-specified investors, may issue shares to existing shareholders or issue shares by way of distribution to existing shareholders, may transfer its capital reserve to share capital, or through other means permitted by law or regulation.

Top Ten Shareholders and their Shareholdings

The top ten shareholders of the Bank and their respective shareholdings at the end of 2008 are stated in "Changes in Share Capital and Particulars of Shareholders" of this annual report.

Directors, Supervisors and Senior Management

Please refer to the "Profiles of Directors, Supervisors and Senior Management" of this annual report for details of directors, supervisors and senior executives of the Bank.

Confirmation of Independence by the Independent Non-executive Directors

The Bank has received from each of its independent non-executive directors the confirmation of his/her independence. The Bank reckons that the existing independent non-executive directors are in compliance with the independence guidelines set out in Rule 3.13 of the Listing Rules of Hong Kong Stock Exchange, and are independent accordingly.

Material Interests and Short Positions

As at 31 December 2008, the interests and short positions of substantial shareholders and other persons of the Bank in the shares and underlying shares of the Bank as recorded in the register required to be kept under section 336 of the SFO of Hong Kong were as follows:

	Number of H-shares held			% of issued	% of total
Name	**Held directly**	**Held indirectly**	**Total holding**	**H-shares**	**issued shares**
Huijin[1]	112,569,894,534	20,692,250,000	133,262,144,534	59.31	57.07
Bank of America[2]	44,713,127,716	—	44,713,127,716	19.90	19.13
Jianyin[1]	20,692,250,000	—	20,692,250,000	9.21	8.85
Temasek	—	13,576,203,750	13,576,203,750	6.04	5.81
Fullerton Financial[3]	13,207,316,750	—	13,207,316,750	5.88	5.65

1. Since Jianyin is a wholly-owned subsidiary of Huijin, the interests directly held by Jianyin are deemed to be indirect interests of Huijin.
2. In July 2008 and November 2008, Bank of America exercised share options through which it bought 6,000,000,000 H-shares and 19,580,153,370 H-shares of the Bank respectively; in January 2009, Bank of America sold 5,623,655,000 H-shares of the Bank.
3. Since Fullerton Financial is a wholly-owned subsidiary of Temasek, the interests directly held by Fullerton Financial are deemed to be indirect interests of Temasek.

Directors' and Supervisors' Interests and Short Positions in Shares, Underlying Shares and Debentures of the Bank

As of 31 December 2008, none of the directors and supervisors of the Bank had any interests or short positions in the shares, underlying shares and debentures of the Bank or its associated corporations (within the meaning of Part XV of the SFO of Hong Kong) as recorded in the register required to be kept under Section 352 of the SFO of Hong Kong or as otherwise notified to the Bank and Stock Exchange of Hong Kong pursuant to *Model Code for Securities Transactions by Directors of Listed Issuers* in Appendix 10 of the Listing Rules.

As of 31 December 2008, except for the Employee Stock Incentive Plan, the Bank has not granted its directors or supervisors, or their respective spouses or children below the age of 18, any other rights to subscribe for the shares or debentures of the Bank or any of its associated corporations and none of them has ever exercised any right to subscribe for such shares or debentures.

Directors' Financial, Business and Family Relationships

There are no relationships among the directors of the Bank, including financial, business, family or other material relationships.

Directors' and Supervisors' Interests in Contracts and Service Contracts

For the year ended 31 December 2008, no director or supervisor of the Bank had any interest, whether directly or indirectly, in any contract of significance in relation to the Group's business entered into by the Bank, any of its holding companies or subsidiaries or subsidiaries of the Bank's holding companies, apart from service contracts.

None of the directors and supervisors of the Bank has entered into service contracts with the Bank that cannot be terminated by the Bank within one year without payment of compensation (other than statutory compensation).

Directors' Interests in Competing Businesses

None of the directors of the Bank directly or indirectly has any interest that constitutes or may constitute a competing business of the Bank.

Connected Transactions

Continuing Connected Transactions as Defined by Listing Rules of Hong Kong Stock Exchange

Continuing Connected Transactions between the Bank and Jianyin

The Bank entered into various continuing agreements with Jianyin to regulate the continuing business relationships between the Bank and Jianyin. These continuing connected transactions with Jianyin are divided into the following categories:

- Asset management services provided by the Bank to Jianyin.
- Comprehensive services provided by Jianyin to the Bank.
- Leasing of motor vehicles and equipment by Jianyin to the Bank.
- Consultancy services provided by Jianyin to the Bank.
- Leasing of premises by Jianyin to the Bank.
- Property management services provided by Jianyin to the Bank.

For each category of transaction the Bank entered into with Jianyin, the respective transaction amounts have not resulted in the percentage ratios set out in Chapter 14A of the Listing Rules of Hong Kong Stock Exchange (other than the profit ratio, which does not apply) exceeding 0.1%. Accordingly, these connected transactions are exempt continuing connected transactions under the Listing Rules of Hong Kong Stock Exchange, and thus are exempt from the reporting, announcement and independent shareholders' approval requirements under the Listing Rules of Hong Kong Stock Exchange.

Continuing Connected Transactions between the Bank and State Grid

State Grid, one of the Bank's promoters, and its subsidiaries, provide electricity supplies to the Bank's business operations in certain areas of Mainland China, and the Bank pays electricity fees to them at rates prescribed by PRC government.

The acquiring of consumer goods or consumer services by the Bank as a consumer, from State Grid and its subsidiaries in the ordinary and usual course of their business of electricity supplies on normal commercial terms is exempt continuing connected transactions under the Listing Rules of Hong Kong Stock Exchange, and thus is exempt from all the reporting, announcement and independent shareholders' approval requirements under the Listing Rules of Hong Kong Stock Exchange.

Commercial Banking Services and Products Provided by the Bank in the Ordinary and Usual Course of Business

The Bank provides commercial banking services and products to its customers in the ordinary and usual course of its business. Such services and products include taking deposits, and providing long-term loans, short-term loans, consumer loans and mortgages by the Bank.

Customers who place deposits with the Bank include the Bank's connected persons and their associates under Chapter 14A of the Listing Rules of Hong Kong Stock Exchange. Therefore, such deposit activities are continuing connected transactions under Chapter 14A of the Listing Rules of Hong Kong Stock Exchange.

The commercial banking services and products provided by the Bank to its connected persons in the ordinary and usual course of its business are based on normal commercial terms that are comparable to or no more favourable than those offered to independent third parties. These transactions are exempt continuing connected transactions under the Listing Rules of Hong Kong Stock Exchange, and thus are exempt from the reporting, announcement and independent shareholders' approval requirements under the Listing Rules of Hong Kong Stock Exchange.

Loans and Credit Facilities Granted by the Bank to Connected Persons

The Bank extends loans and credit facilities (including guarantees, security for third party loans, comfort letters and discounted bills) to its customers in the ordinary and usual course of its business on normal commercial terms with reference to prevailing market rates. Customers who utilise the loans and credit facilities of the Bank include its connected persons and their associates defined in Chapter 14A of the Listing Rules of Hong Kong Stock Exchange. Therefore, these loans and credit facilities are continuing connected transactions under Chapter 14A of the Listing Rules of Hong Kong Stock Exchange.

The loans and credit facilities extended by the Bank to its connected persons in the ordinary and usual course of its business are based on normal commercial terms that are comparable to or no more favourable than those offered to independent third parties. These transactions are exempt continuing connected transactions under the Listing Rules of Hong Kong Stock Exchange, and thus are exempt from the reporting, announcement and independent shareholders' approval requirements under the Listing Rules of Hong Kong Stock Exchange.

Service Contracts between the Bank and its Directors and Supervisors

The Bank entered into service contracts and indemnification agreements with each of its directors and supervisors. The indemnities cover losses incurred in connection with provision of the services by the relevant director or supervisor, except for any losses arising from his or her gross negligence, wilful misconduct or dishonesty. These contracts are exempt connected transactions under the Listing Rules of Hong Kong Stock Exchange, and thus are exempt from the reporting, announcement and independent shareholders' approval requirements under the Listing Rules of Hong Kong Stock Exchange.

Please refer to the "Financial Statements" of this annual report and the notes therein for details of the related party transactions as defined by domestic laws and regulations.

Corporate Governance

The Bank is committed to maintaining high standards of corporate governance practice. Information on the corporate governance practices adopted by the Bank and its compliance with the *Code on Corporate Governance Practices* is set out in the "Corporate Governance Report" of this annual report.

Remuneration Policy for the Directors, Supervisors and Senior Management

The Bank has established interim measures for distribution of remuneration and assessment of annual bonus for its directors, supervisors and senior management, and sought to improve the performance evaluation system and incentive and disciplinary mechanism for them.

The Bank's remuneration policy for directors, supervisors and senior management takes into consideration the interests of individuals, the interests of the Bank as well as the shareholders' value. Individuals are remunerated based on both team performance and individual contribution, both the position and performance. The combination of incentives and disciplines is also reflected in the remuneration policy. The remuneration package comprises salary, annual bonus and long-term incentives and subsidies. The Bank participates in the relevant PRC mandatory retirement schemes for its directors, supervisors and senior management and other employees.

Compliance with Hong Kong Banking (Disclosure) Rules

In preparing the financial report for 2008, the Bank has complied with the *Banking (Disclosure) Rules*, which is chapter 155M of the Banking Ordinance of Hong Kong.

Auditors

The Bank's domestic auditors were KPMG Huazhen and its international auditors were KPMG for the year 2008. KPMG Huazhen has been providing auditing services to the Bank for five consecutive years since 2004, and KPMG has been providing auditing services to the Bank for six consecutive years since 2003.

By order of the board of directors

Guo Shuqing
Chairman

27 March 2009

Report of the Board of Supervisors

In 2008, pursuant to provisions of the Company Law and the Articles of Association of the Bank, the board of supervisors performed its duties faithfully, continued to strengthen its supervision over the Board and the senior management and their members on their performance and due diligence and its supervision over the finance, risk management and internal control of the Bank, in order to safeguard the interests of the shareholders and the Bank, and played a constructive role in the supervision and checks and balances.

Convening of the Meetings

During the reporting period, the board of supervisors convened seven meetings, the details of which are as follows:

The fourth meeting of the second board of supervisors was convened on 8 January 2008. *Working Plan of the Board of Supervisors regarding the Performance and Due Diligence Supervision for 2007* and *Working Plan of the Board of Supervisors regarding the Finance and Internal Control Supervision for 2007* were reviewed and approved. The board of supervisors also debriefed investigation reports on corporate governance of subsidiaries, personal loan business, and credit card business, as well as reports on finance and risk monitoring for the year.

The fifth meeting of the second board of supervisors was convened on 28 February 2008. *Round-up of the Work of the Board of Supervisors for 2007* and *Working Plan of the Board of Supervisors for 2008* were reviewed and approved.

The sixth meeting of the second board of supervisors was convened on 11 April 2008. *Report of the Board of Supervisors for 2007, Annual Report 2007 and its Summary, Profit Distribution Plan for the Second Half of 2007 and Interim Dividend Policy for 2008, and Agreement on Compensation to Supervisors* were reviewed and approved.

The seventh meeting of the second board of supervisors was convened on 25 April 2008. *Report for the First Quarter of 2008* was reviewed and approved.

The eighth meeting of the second board of supervisors was convened on 22 August 2008. *Half-Year Report 2008 and its Summary* were reviewed and approved. The board of supervisors also debriefed the investigation report on the wealth management products and the report on audits.

The ninth meeting of the second board of supervisors was convened on 24 October 2008. *Report for the Third Quarter of 2008 and Interim Profit Distribution Plan for 2008* were reviewed and approved.

The tenth meeting of the second board of supervisors was convened on 19 December 2008. *Working Plan of the Board of Supervisors regarding Supervision for 2008* and *Proposal on Nomination of Members of the Finance and Internal Control Supervision Committee under the Board of Supervisors* were reviewed and approved. The board of supervisors also debriefed the findings of investigations it made.

During the reporting period, the performance and due diligence supervision committee under the board of supervisors convened five meetings, and nine proposals were reviewed and approved; the finance and internal control supervision committee under the board of supervisors convened seven meetings, and 12 resolutions were reviewed and approved.

Major Work

In light of the actual conditions of the Bank, the board of supervisors actively and efficiently conducted its supervision by various ways such as convening meetings of the board of supervisors and its specialised committees, attending meetings of the Board and its specialised committees and relevant meetings of senior management as non-voting attendees, carrying out special investigations and inspections in key areas, carrying out off-site supervision and analysis, reviewing materials, organising work interviews and meetings, and conducting supervisory performance assessments.

The board of supervisors earnestly performed its supervision over performance and due diligence. It focused on supervising implementation of the resolutions of the shareholders' general meetings and the board of directors, and the performance of duties by the board of directors, senior management and their members. In addition to daily supervision such as attending meetings as non-voting attendees, reviewing materials and making the supervision records, the supervisors reviewed the annual performance reports of the board of directors and its specialised committees, senior management, directors, and senior executives provided in accordance with the requirements of the board of supervisors. The board of supervisors organised interviews with all the directors, senior executives, and certain general managers at branches and head office departments, and conducted supervisory performance assessments on the Board, senior management and their members. Based on this as well as the supervision over the finance and internal control, the board of supervisors gave its comments on the performance of duties by the board of directors, senior management and their members, which were forwarded to the board of directors and senior management, and given to each director and senior executive.

The board of supervisors earnestly performed its supervision over the financial matters. It strengthened its supervision over the Board and the senior management on the performance of their duties, especially on the decision-making and execution of key financial matters. It carefully reviewed the periodic reports, profit distribution plans and related policies, and other issues. Focusing on key issues in supervision such as the preparation and review of financial reports, large financial expenditure, accounting policies and asset provisioning, it reviewed the financial statements and the internal working reports and other materials, and conducted regular discussions with the external auditors, in order to follow up with the audits of the financial report in a timely manner. It also issued comments and set requirements with enhanced contacts with relevant departments at the head office, and actively arranged reports on special topics such as preparation of the financial report.

The board of supervisors continued to reinforce its supervision over risk management and internal control. It strengthened its supervision over the board of directors and the senior management on their performance of relevant duties, especially on the improvement of internal control system. It reviewed risk analysis reports, internal audit reports, and other relevant management information and materials, debriefed the reports on special topics such as risk management and internal audits. The board of supervisors closely followed the self evaluation of internal control by the board of directors, as well as the self investigation by the board of directors and the senior management on irregular possession of funds by related parties, and urged the Bank to implement the basic standard for enterprise internal control. The board of supervisors was very concerned about the development trend of the global financial crisis, changes in domestic economy and relevant policies. It carefully studied and analysed their impact on the Bank's business and operation, and provided its comments and suggestions in a timely manner.

The board of supervisors carried out targeted investigations and inspections. Focusing on the key issues for supervision, the board of supervisors conducted special investigations on the topics including further improvements of corporate governance, exerting the checks and balances role of the board of supervisors, development of wealth management products of the Bank, lending to real estate industry, and credit structure adjustments. The board of supervisors engaged two accounting firms to conduct special inspections on the quality of financial and accounting information and relevant internal controls of certain branches for the first three quarters of 2008.

The board of supervisors provided advices and suggestions actively. It provided timely reminders, suggestions or notices to the board of directors and the senior management on issues spotted during supervisory inspections or other matters that call for special attention. During the reporting period, the board of supervisors provided five written reminders or suggestion letters regarding the lending amount management and risk prevention under the new situation, implementation of the basic standard of enterprise internal control, improving feasibility study on equity investment and acquisition projects, enhancing risk management and internal control over overseas entities, establishing and improving post-service evaluation mechanism of intermediary agencies, etc. The board of supervisors also provided opinions and suggestions by other means and channels as to the strengthening of the risk control over foreign currency debt securities, the development of the wealth management business, the adjustment of the credit structure, the improvements to the preparation of the financial reports, as well as closely following the amendments to relevant regulatory provisions.

The board of supervisors attached great importance to its own development, and brought the roles of specialised committees and supervisors to full play. All members were faithful and honest, and diligent in carrying out their duties. They attended general meetings of shareholders and meetings of the board of supervisors. They also attended the meetings of the board of directors and senior management as non-voting attendees. They were actively involved in the research, discussion and review of proposals and topics, and gave their opinions in a responsible way. They actively participated in investigations and inspections to fully understand the business development and the operation and management of the Bank. They also actively attended the educational events and trainings organised by the securities regulatory authorities, the board of supervisors and the Bank, in order to better discharge their duties.

The supervision work of the board of supervisors received close attention and positive responses from the Board and the senior management, facilitated the smooth functioning of the corporate governance, and strengthened the operation and management with its construction role in checks and balances, contributing to the improvement of the corporate governance and the sustained healthy development of the Bank.

Independent Opinions on Relevant Matters of the Bank

- *Operations in compliance with laws and regulations:* During the reporting period, the Bank operated in compliance with relevant laws and regulations, the decision-making procedures complied with the provisions of laws, regulations and the Articles of Association of the Bank. The directors and senior executives were faithful and honest, and diligent in carrying out their duties. They were not found by the board of supervisors to have contravened any laws, regulations or the Articles of Association of the Bank; neither did they commit any acts detrimental to the interests of the Bank.
- *Financial reporting:* The 2008 financial report of the Bank gave a true and fair view of the financial position and operating results of the Bank.
- *Use of proceeds:* During the reporting period, the Bank did not raise additional capital. The use of the proceeds from the latest capital raising was consistent with that stated in the prospectus of the Bank.
- *Acquisition and sale of assets:* The board of supervisors was not aware of any insider trading or any acts detrimental to the interests of the shareholders or leading to a drain on the Bank's assets in the acquisition or sale of assets during the reporting period.
- *Related party transactions:* The board of supervisors was not aware of any related party transactions that were detrimental to the interests of the Bank during the reporting period.
- *Internal control:* During the reporting period, the Bank continued to improve its internal control. The board of supervisors did not find any major defects in the Bank's internal control system and its implementation, and had no disagreement with the *Self-Assessment Report on Internal Control 2008* issued by the Board.
- *Performing social responsibilities:* During the reporting period, the Bank actively performed its social responsibilities. The board of supervisors had no disagreement with the *Social Responsibilities Report 2008* issued by the Board.

By order of the board of supervisors

Xie Duyang
Chairman of the board of supervisors

27 March 2009

Performance of Undertakings Given by the Bank or Shareholders Holding 5% or More of the Shares

The Bank's shareholders did not give new undertakings in the reporting period, and the undertakings that continue to be valid during the reporting period were the same as those disclosed in the prospectus. All undertakings given by the shareholders had been fulfilled by 31 December 2008.

Material Contracts and Their Performance

During the reporting period, the Bank did not enter into any material arrangements for custody, contracting or lease of other companies' assets, or allow its assets to be subject to such arrangements by other companies. The guarantee business is an off-balance sheet service in the ordinary course of the Bank's business, and the Bank did not have any material guarantees that need to be disclosed except for the financial guarantee services within its business scope as approved by the regulators. The Bank did not entrust any material cash assets to others for management during the reporting period.

Acquisition and Disposal of Assets and Merger of Enterprises

There was neither material acquisition and disposal of assets nor material merger of enterprises during the reporting period.

Material Related Party Transactions

The Bank approved the *Implementation Measures of China Construction Bank Corporation for the Management of Related Party Transactions (Revised)* at the eighth meeting of the second board of directors convened on 11 April 2008.

There were no material related party transactions during the reporting period.

Progress of Implementation of Employee Stock Incentive Plan

During the reporting period, the Bank did not implement a new round of stock incentive plan. At the end of the reporting period, the total number of H-shares managed by the trustee under the employee stock incentive plan remained 800 million, or 0.34% of the Bank's total shares. Around 270,000 employees of the Bank participated in this plan.

Material Litigations and Arbitrations

There were no material litigations or arbitrations during the reporting period.

Penalties

During the reporting period, the Bank, the Board and directors had no record of being subject to inspections, administrative penalties and criticisms by the CSRC or public censures by the stock exchanges of listing venues, or penalties by the relevant regulatory bodies that posed significant impact on the Bank's operations.

Other Shares Held by the Bank

Investments in Securities

Number	Type of securities	Stock code	Stock abbreviation	Initial investment amount (RMB)	Number of shares held	Carrying amount at the end of the period (RMB)	% of total securities investments at the end of the period (%)	Gain/Loss during the reporting period (RMB)
1	Listed stock	691 HK	Shanshui Cement	150,453,237	124,048,800	192,194,729	6.25	41,741,492
2	Listed stock	1893 HK	Sinoma	132,045,363	33,333,000	136,446,875	4.44	(142,022,124)
3	Listed stock	395 HK	China Zirconium	84,905,449	9,300,000	16,861,366	0.55	(91,125,844)
4	Listed stock	ZPF SP	Pengjie Fabrics	11,669,902	12,317,258	13,422,017	0.44	1,752,115
5	Listed stock	1184 HK	S.A.S Dragon	17,607,105	16,950,000	9,549,616	0.31	(8,355,914)
6	Listed stock	189 HK	Dongyue Group	49,037,068	25,789,000	7,264,751	0.24	(46,279,510)
7	Listed stock	941 HK	China Mobile	9,064,681	105,000	7,191,262	0.23	(1,873,418)
8	Listed stock	390 HK	China Railway	7,632,298	1,500,000	7,077,702	0.23	(13,653,627)
9	Listed stock	991 HK	Datang Power	7,708,736	1,900,000	6,857,624	0.22	(851,111)
10	Listed stock	2628 HK	China Life	9,956,320	300,000	6,219,399	0.20	(5,110,207)
Other securities investments held at the end of the period				1,611,065,581		2,672,244,750	86.89	763,408,129
Gain/Loss from disposal of securities investments during the reporting period								148,929,526
Total				2,091,145,740		3,075,330,091	100.00	646,559,507

1. The top ten securities held by the Group at the end of the period are arranged according to the percentage of the carrying amount in total securities investments of the Group at the end of the period.
2. Investments in securities in this table refer to stocks, warrants, convertible bonds and other investments, in which the investments in stocks represent those classified as trading investments of the Group.
3. Other securities investments refer to the securities investments other than the top ten securities.

Interests in Shares of Other Listed Companies

Stock code	Stock abbreviation	Initial investment amount (RMB)	% of shareholding in the company	Carrying amount at the end of the period (RMB)	Gain/Loss during the reporting period (RMB)	Changes in equity during the reporting period (RMB)	Accounting item	Sources of shares
601600	CHALCO	883,586,630	5.51	4,365,104,786	74,526,179	(20,803,450,617)	Available-for-sale financial assets	Investment held through debt equity swap
000578	QINGHAI SALT LAKE	137,272,834	5.93	4,088,430,004	–	3,951,157,004	Available-for-sale financial assets	Investment held through debt equity swap
600068	G.C.L	232,566,694	8.01	914,502,861	16,013,475	(601,439,428)	Available-for-sale financial assets	Investment held through debt equity swap
998 HK	CITIC Bank	414,561,810	0.43	393,312,543	–	(15,936,950)	Available-for-sale financial assets	Investment held through equity swap upon privatisation
600462	Y. S. B. P	41,248,000	12.32	121,201,621	–	(237,079,236)	Available-for-sale financial assets	Investment held through debt equity swap
000001	SDB	31,300,157	0.37	81,085,576	–	166,932,185	Available-for-sale financial assets	Establishment of investment, exercise of share options
600984	SCMC	44,050,000	17.20	71,342,602	–	(247,244,727)	Available-for-sale financial assets	Investment held through debt equity swap
	Total	1,784,586,125		10,034,979,993	90,539,654	(17,787,061,769)		

1. The table shows the shares of other listed companies held by the Group which were classified as available-for-sale financial assets.
2. Gain/Loss during the reporting period refers to the effect of the investment on the consolidated net profit of the Group for the reporting period.

Interests in Non-listed Financial Institutions

Name of the company	Initial investment amount (RMB)	Number of shares held	% of shareholding in the company	Carrying amount at the end of the period (RMB)	Gain/Loss during the reporting period (RMB)	Changes in equity during the reporting period (RMB)	Accounting item	Sources of shares
China Construction Bank (Asia) Corporation Limited[1]		7,800,000	100.00		7,333,682		Investments in subsidiaries	Acquisition
CCB International Securities Ltd.[1]		150,000,000	100.00		(40,045,303)		Investments in subsidiaries	Establishment of investment
CCB International Financial Ltd.[1]		128,000,000	100.00		10,456,914		Investments in subsidiaries	Establishment of investment
CCB International Asset Management Ltd.[1]		48,000,000	100.00		285,407,992		Investments in subsidiaries	Establishment of investment
CCB Financial Leasing Corporation Limited[1]		3,379,500,000	75.10		79,439,964		Investments in subsidiaries	Establishment of investment
CCB Principal Asset Management Co., Ltd.[1]		130,000,000	65.00		74,298,722		Investments in subsidiaries	Establishment of investment
Sino-German Bausparkasse Corporation Limited[1]		751,000,000	75.10		5,195,814		Investments in subsidiaries	Establishment of investment
Hunan Taojiang Jianxin Rural Bank Ltd.[1]		25,500,000	51.00		122,543		Investments in subsidiaries	Establishment of investment
QBE Hongkong and Shanghai Insurance Limited	98,758,409	19,939,016	25.50	98,817,523	7,675,870	–	Interest in associate and jointly controlled entity	Acquisition
China UnionPay Co., Ltd.	95,625,000	140,000,000	4.85	215,000,000	1,800,000	–	Available-for-sale financial assets	Establishment, increase in share capital
Guangdong Development Bank Ltd.	48,558,031	12,784,616	0.11	48,558,031	–	–	Available-for-sale financial assets	Establishment of investment
Evergrowing Bank Co., Ltd.	7,000,000	35,000,000	3.50	7,000,000	–	–	Available-for-sale financial assets	Establishment of investment
Yueyang City Commercial Bank Ltd.	3,500,000	3,536,400	1.59	980,000	–	–	Available-for-sale financial assets	Establishment of investment

1. These are consolidated entities, and therefore their initial investment amounts and carrying amounts at the end of the period are not shown in the consolidated balance sheet.
2. Financial enterprises include securities companies, commercial banks, insurance companies, futures companies and trust companies.
3. Allowances for impairment losses have been deducted from the carrying amount at the end of the period.
4. Gain/Loss during the reporting period refers to the effect of the investment on the consolidated net profit of the Group for the reporting period.

Purchase and Disposal of Shares of Other Listed Companies

Stock name	Number of shares at the beginning of the period	Number of shares purchased during the reporting period	Number of shares disposed during the reporting period	Number of shares at the end of the period	Amount of funds used (RMB)	Investment gain/(loss) (RMB)
Total	205,972,500	232,589,058	191,656,500	246,905,058	544,875,052	(424,333,603)

KPMG

Independent auditor's report to the shareholders of China Construction Bank Corporation
(a joint stock company incorporated in the People's Republic of China with limited liability)

We have audited the consolidated financial statements of China Construction Bank Corporation (the "Bank") and its subsidiaries (collectively the "Group") set out on pages 143 to 337, which comprise the consolidated and Bank balance sheets as at 31 December 2008, and the consolidated income statement, the consolidated and Bank statements of changes in equity, the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

DIRECTORS' RESPONSIBILITY FOR THE 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 promulgated by the International Accounting Standards Board 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 financial statements that are free from material misstatements, 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. This report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the 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 true and fair presentation of the 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 principles used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

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

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Bank and of the Group as at 31 December 2008 and of the Group's profit and cash flows for the year then ended in accordance with International Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

KPMG
Certified Public Accountants
8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong

27 March 2009

Financial Statements

Consolidated Income Statement

For the year ended 31 December 2008
(Expressed in millions of Renminbi unless otherwise stated)

	Note	2008	2007
Interest income		**356,500**	284,823
Interest expense		**(131,580)**	(92,048)
Net interest income	6	**224,920**	192,775
Fee and commission income		**40,056**	32,731
Fee and commission expense		**(1,610)**	(1,418)
Net fee and commission income	7	**38,446**	31,313
Net trading gain	8	**3,213**	1,197
Dividend income	9	**150**	343
Net (loss)/income arising from investment securities	10	**(2,252)**	1,298
Other operating income/(loss), net	11	**5,270**	(6,209)
Operating income		**269,747**	220,717
Operating expenses	12	**(99,193)**	(92,327)
		170,554	128,390
Provisions for impairment losses on			
— loans and advances to customers		**(36,246)**	(20,106)
— others		**(14,583)**	(7,489)
Impairment losses	13	**(50,829)**	(27,595)
Share of profit in associate and jointly controlled entity		**16**	21
Profit before tax		**119,741**	100,816
Income tax	16	**(27,099)**	(31,674)
Net profit		**92,642**	69,142
Attributable to:			
Equity shareholders of the Bank		**92,599**	69,053
Minority interests		**43**	89
Net profit		**92,642**	69,142
Cash dividends payable to equity shareholders of the Bank			
Interim cash dividend declared during the year	55(1)	**25,823**	15,054
Special cash dividend declared during the year	55(1)	**—**	16,339
Final cash dividend proposed after the balance sheet date	55(1)	**19,560**	15,190
		45,383	46,583
Basic and diluted earnings per share (in RMB)	17	**0.40**	0.30

The notes on pages 153 to 337 form part of these financial statements.

Consolidated Balance Sheet

As at 31 December 2008
(Expressed in millions of Renminbi unless otherwise stated)

	Note	2008	2007
Assets:			
Cash and deposits with central banks	18	**1,247,450**	843,724
Deposits with banks and non-bank financial institutions	19	**33,096**	24,108
Precious metals		**5,160**	1,013
Placements with banks and non-bank financial institutions	20	**16,836**	64,690
Trading financial assets	21	**50,309**	29,819
Positive fair value of derivatives	22	**21,299**	14,632
Financial assets held under resale agreements	23	**208,548**	137,245
Interest receivable	24	**38,317**	33,900
Loans and advances to customers	25	**3,683,575**	3,183,229
Available-for-sale financial assets	26	**550,838**	429,620
Held-to-maturity investments	27	**1,041,783**	1,191,035
Debt securities classified as receivables	28	**551,818**	551,336
Interests in associate and jointly controlled entity	30	**1,728**	1,099
Fixed assets	31	**63,957**	58,287
Long-term lease prepayment	32	**17,295**	17,650
Intangible assets	33	**1,253**	1,134
Goodwill	34	**1,527**	1,624
Deferred tax assets	35	**7,855**	35
Other assets	36	**12,808**	13,997
Total assets		**7,555,452**	6,598,177
Liabilities:			
Borrowings from central banks		**6**	6
Deposits from banks and non-bank financial institutions	39	**447,464**	516,563
Placements from banks and non-bank financial institutions	40	**43,108**	30,924
Trading financial liabilities	41	**3,975**	10,809
Negative fair value of derivatives	22	**18,565**	7,952
Financial assets sold under repurchase agreements	42	**864**	109,541
Deposits from customers	43	**6,375,915**	5,329,507
Accrued staff costs	44	**25,153**	22,747
Taxes payable	45	**35,538**	33,514
Interest payable	46	**59,695**	38,902
Provisions	47	**1,806**	1,656
Debt securities issued	48	**53,810**	49,212
Deferred tax liabilities	35	**5**	771
Other liabilities	49	**21,986**	23,792
Total liabilities		**7,087,890**	6,175,896

The notes on pages 153 to 337 form part of these financial statements.

(Expressed in millions of Renminbi unless otherwise stated)

	Note	2008	2007
Equity:			
Share capital	50	**233,689**	233,689
Capital reserve	51	**90,241**	90,241
Investment revaluation reserve	52	**11,156**	16,408
Surplus reserve	53	**26,922**	17,845
General reserve	54	**46,628**	31,548
Retained earnings	55	**59,593**	32,164
Exchange reserve		**(2,263)**	(918)
Total equity attributable to equity shareholders of the Bank		**465,966**	420,977
Minority interests		**1,596**	1,304
Total equity		**467,562**	422,281
Total liabilities and equity		**7,555,452**	6,598,177

Approved and authorised for issue by the board of directors on 27 March 2009.

Zhang Jianguo	**Tse Hau Yin, Aloysius**	**Song Fengming**
Vice chairman, executive director and president	*Independent non-executive director*	*Independent non-executive director*

The notes on pages 153 to 337 form part of these financial statements.

Balance Sheet

As at 31 December 2008
(Expressed in millions of Renminbi unless otherwise stated)

	Note	2008	2007
Assets:			
Cash and deposits with central banks	18	**1,247,053**	843,456
Deposits with banks and non-bank financial institutions	19	**28,425**	23,807
Precious metals		**5,160**	1,013
Placements with banks and non-bank financial institutions	20	**28,426**	75,931
Trading financial assets	21	**44,491**	23,528
Positive fair value of derivatives	22	**20,335**	14,296
Financial assets held under resale agreements	23	**208,548**	137,245
Interest receivable	24	**38,297**	33,903
Loans and advances to customers	25	**3,639,940**	3,152,116
Available-for-sale financial assets	26	**551,156**	428,232
Held-to-maturity investments	27	**1,041,783**	1,190,425
Debt securities classified as receivables	28	**551,818**	551,336
Investments in subsidiaries	29	**4,670**	4,006
Fixed assets	31	**63,723**	58,094
Long-term lease prepayment	32	**17,229**	17,578
Intangible assets	33	**1,233**	1,129
Deferred tax assets	35	**8,059**	33
Other assets	36	**26,222**	25,711
Total assets		**7,526,568**	6,581,839
Liabilities:			
Borrowings from central banks		**6**	6
Deposits from banks and non-bank financial institutions	39	**448,461**	521,317
Placements from banks and non-bank financial institutions	40	**53,191**	46,265
Trading financial liabilities	41	**3,975**	10,809
Negative fair value of derivatives	22	**18,103**	7,609
Financial assets sold under repurchase agreements	42	**864**	109,541
Deposits from customers	43	**6,342,985**	5,298,436
Accrued staff costs	44	**24,807**	22,507
Taxes payable	45	**35,310**	33,357
Interest payable	46	**59,652**	38,870
Provisions	47	**1,806**	1,656
Debt securities issued	48	**52,531**	48,275
Deferred tax liabilities	35	**—**	602
Other liabilities	49	**21,321**	23,072
Total liabilities		**7,063,012**	6,162,322

The notes on pages 153 to 337 form part of these financial statements.

(Expressed in millions of Renminbi unless otherwise stated)

	Note	2008	2007
Equity:			
Share capital	50	**233,689**	233,689
Capital reserve	51	**90,241**	90,241
Investment revaluation reserve	52	**11,138**	16,388
Surplus reserve	53	**26,922**	17,845
General reserve	54	**46,200**	31,200
Retained earnings	55	**55,867**	30,190
Exchange reserve		**(501)**	(36)
Total equity		**463,556**	419,517
Total liabilities and equity		**7,526,568**	6,581,839

Approved and authorised for issue by the board of directors on 27 March 2009.

Zhang Jianguo	**Tse Hau Yin, Aloysius**	**Song Fengming**
Vice chairman, executive director and president	*Independent non-executive director*	*Independent non-executive director*

The notes on pages 153 to 337 form part of these financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 December 2008
(Expressed in millions of Renminbi unless otherwise stated)

	Note	Attributable to equity shareholders of the Bank								
	Note	Share capital	Capital reserve	Investment revaluation reserve	Surplus reserve	General reserve	Retained earnings	Exchange reserve	Minority interests	Total equity
As at 1 January 2008		233,689	90,241	16,408	17,845	31,548	32,164	(918)	1,304	422,281
Movements during the year		–	–	(5,252)	9,077	15,080	27,429	(1,345)	292	45,281
(1) Net profit		–	–	–	–	–	92,599	–	43	92,642
(2) Gain and loss directly recognised in equity		–	–	(5,252)	–	–	–	(1,345)	(2)	(6,599)
(i) Net changes in fair value of available-for-sale financial assets		–	–	(6,996)	–	–	–	–	(2)	(6,998)
– Recognised in equity	52	–	–	(18,996)	–	–	–	–	(2)	(18,998)
– Recognised in income statement	52	–	–	12,000	–	–	–	–	–	12,000
(ii) Deferred tax in relation to items recognised in equity	35(2)	–	–	1,744	–	–	–	–	–	1,744
(iii) Exchange reserve		–	–	–	–	–	–	(1,345)	–	(1,345)
Subtotal of (1) and (2)		–	–	(5,252)	–	–	92,599	(1,345)	41	86,043
(3) Changes in share capital		–	–	–	–	–	–	–	274	274
(i) Capital injection by minority interests		–	–	–	–	–	–	–	212	212
(ii) Disposal of equity in a subsidiary		–	–	–	–	–	–	–	38	38
(iii) Minority interests of a new subsidiary		–	–	–	–	–	–	–	24	24
(4) Profit distribution		–	–	–	9,077	15,080	(65,170)	–	(23)	(41,036)
(i) Appropriation to surplus reserve		–	–	–	9,077	–	(9,077)	–	–	–
(ii) Appropriation to general reserve		–	–	–	–	15,080	(15,080)	–	–	–
(iii) Appropriation to shareholders		–	–	–	–	–	(41,013)	–	(23)	(41,036)
As at 31 December 2008		233,689	90,241	11,156	26,922	46,628	59,593	(2,263)	1,596	467,562

The notes on pages 153 to 337 form part of these financial statements.

(Expressed in millions of Renminbi unless otherwise stated)

		Attributable to equity shareholders of the Bank								
	Note	Share capital	Capital reserve	Investment revaluation reserve	Surplus reserve	General reserve	Retained earnings	Exchange reserve	Minority interests	Total equity
As at 1 January 2007		224,689	42,091	(1,226)	11,133	10,343	43,092	(13)	95	330,204
Movements during the year		9,000	48,150	17,634	6,712	21,205	(10,928)	(905)	1,209	92,077
(1) Net profit		–	–	–	–	–	69,053	–	89	69,142
(2) Gain and loss directly recognised in equity		–	31	17,634	–	–	–	(905)	–	16,760
(i) Net changes in fair value of available-for-sale financial assets		–	–	23,716	–	–	–	–	–	23,716
– Recognised in equity	52	–	–	21,202	–	–	–	–	–	21,202
– Recognised in income statement	52	–	–	2,514	–	–	–	–	–	2,514
(ii) Deferred tax in relation to items recognised in equity	35(2)	–	–	(5,937)	–	–	–	–	–	(5,937)
(iii) Effect of change in tax rate	35(2)	–	–	(145)	–	–	–	–	–	(145)
(iv) Exchange reserve		–	–	–	–	–	–	(905)	–	(905)
(v) Others		–	31	–	–	–	–	–	–	31
Subtotal of (1) and (2)		–	31	17,634	–	–	69,053	(905)	89	85,902
(3) Changes in share capital		9,000	48,119	–	–	–	–	–	1,120	58,239
(i) Share issuance		9,000	48,119	–	–	–	–	–	–	57,119
(ii) Minority interests of a new subsidiary		–	–	–	–	–	–	–	1,120	1,120
(4) Profit distribution		–	–	–	6,712	21,205	(79,981)	–	–	(52,064)
(i) Appropriation to surplus reserve		–	–	–	6,712	–	(6,712)	–	–	–
(ii) Appropriation to general reserve		–	–	–	–	21,205	(21,205)	–	–	–
(iii) Appropriation to shareholders		–	–	–	–	–	(52,064)	–	–	(52,064)
As at 31 December 2007		233,689	90,241	16,408	17,845	31,548	32,164	(918)	1,304	422,281

The notes on pages 153 to 337 form part of these financial statements.

Statement of Changes in Equity

For the year ended 31 December 2008
(Expressed in millions of Renminbi unless otherwise stated)

	Note	Share capital	Capital reserve	Investment revaluation reserve	Surplus reserve	General reserve	Retained earnings	Exchange reserve	Total equity
As at 1 January 2008		**233,689**	**90,241**	**16,388**	**17,845**	**31,200**	**30,190**	**(36)**	**419,517**
Movements during the year		**–**	**–**	**(5,250)**	**9,077**	**15,000**	**25,677**	**(465)**	**44,039**
(1) Net profit		**–**	**–**	**–**	**–**	**–**	**90,767**	**–**	**90,767**
(2) Gain and loss directly recognised in equity		**–**	**–**	**(5,250)**	**–**	**–**	**–**	**(465)**	**(5,715)**
(i) Net changes in fair value of available-for-sale financial assets		**–**	**–**	**(6,993)**	**–**	**–**	**–**	**–**	**(6,993)**
– Recognised in equity	52	**–**	**–**	**(18,993)**	**–**	**–**	**–**	**–**	**(18,993)**
– Recognised in income statement	52	**–**	**–**	**12,000**	**–**	**–**	**–**	**–**	**12,000**
(ii) Deferred tax in relation to items recognised in equity	35(2)	**–**	**–**	**1,743**	**–**	**–**	**–**	**–**	**1,743**
(iii) Exchange reserve		**–**	**–**	**–**	**–**	**–**	**–**	**(465)**	**(465)**
Subtotal of (1) and (2)		**–**	**–**	**(5,250)**	**–**	**–**	**90,767**	**(465)**	**85,052**
(3) Profit distribution		**–**	**–**	**–**	**9,077**	**15,000**	**(65,090)**	**–**	**(41,013)**
(i) Appropriation to surplus reserve		**–**	**–**	**–**	**9,077**	**–**	**(9,077)**	**–**	**–**
(ii) Appropriation to general reserve		**–**	**–**	**–**	**–**	**15,000**	**(15,000)**	**–**	**–**
(iii) Appropriation to shareholders		**–**	**–**	**–**	**–**	**–**	**(41,013)**	**–**	**(41,013)**
As at 31 December 2008		**233,689**	**90,241**	**11,138**	**26,922**	**46,200**	**55,867**	**(501)**	**463,556**
As at 1 January 2007		224,689	42,091	(1,248)	11,133	10,341	42,708	(3)	329,711
Movements during the year		9,000	48,150	17,636	6,712	20,859	(12,518)	(33)	89,806
(1) Net profit		–	–	–	–	–	67,117	–	67,117
(2) Gain and loss directly recognised in equity		–	31	17,636	–	–	–	(33)	17,634
(i) Net changes in fair value of available-for-sale financial assets		–	–	23,718	–	–	–	–	23,718
– Recognised in equity	52	–	–	21,204	–	–	–	–	21,204
– Recognised in income statement	52	–	–	2,514	–	–	–	–	2,514
(ii) Deferred tax in relation to items recognised in equity	35(2)	–	–	(5,937)	–	–	–	–	(5,937)
(iii) Effect of change in tax rate	35(2)	–	–	(145)	–	–	–	–	(145)
(iv) Exchange reserve		–	–	–	–	–	–	(33)	(33)
(v) Others		–	31	–	–	–	–	–	31
Subtotal of (1) and (2)		–	31	17,636	–	–	67,117	(33)	84,751
(3) Changes in share capital		9,000	48,119	–	–	–	–	–	57,119
(i) Share issuance		9,000	48,119	–	–	–	–	–	57,119
(4) Profit distribution		–	–	–	6,712	20,859	(79,635)	–	(52,064)
(i) Appropriation to surplus reserve		–	–	–	6,712	–	(6,712)	–	–
(ii) Appropriation to general reserve		–	–	–	–	20,859	(20,859)	–	–
(iii) Appropriation to shareholders		–	–	–	–	–	(52,064)	–	(52,064)
As at 31 December 2007		233,689	90,241	16,388	17,845	31,200	30,190	(36)	419,517

The notes on pages 153 to 337 form part of these financial statements.

Consolidated Cash Flow Statement

For the year ended 31 December 2008
(Expressed in millions of Renminbi unless otherwise stated)

	Note	2008	2007
Operating activities			
Profit before tax		119,741	100,816
Adjustments for:			
— dividend income	9	(150)	(343)
— revaluation gain on trading and derivatives financial instruments		(1,977)	(659)
— net loss/(gain) on disposal of investment securities		2,252	(1,298)
— net gain on disposal of fixed assets and other long-term assets		(99)	(174)
— unwinding of discount		(1,564)	(1,939)
— share of profit in associate and jointly controlled entity		(16)	(21)
— unrealised foreign exchange loss		10,454	8,309
— depreciation and amortisation	12	9,351	7,847
— impairment losses	13	50,829	27,595
— interest expense on bonds issued		2,030	1,942
		190,851	142,075
Changes in operating assets and liabilities:			
Net increase in deposits with central banks and with banks and non-bank financial institutions		(198,447)	(331,585)
Net decrease/(increase) in placements with banks and non-bank financial institutions		7,770	(1,469)
Net increase in loans and advances to customers		(551,987)	(418,314)
Increase in other operating assets		(160,973)	(135,953)
Net decrease in borrowings from central banks		—	(15)
Net increase in placements from banks and non-bank financial institutions		15,084	7,213
Net increase in deposits from customers and from banks and non-bank financial institutions		989,418	938,477
Net increase in certificates of deposit issued		2,435	2,913
Income tax paid		(32,187)	(24,219)
(Decrease)/increase in other operating liabilities		(81,318)	115,191
Net cash from operating activities		180,646	294,314

The notes on pages 153 to 337 form part of these financial statements.

(Expressed in millions of Renminbi unless otherwise stated)

	Note	2008	2007
Investing activities			
Proceeds from disposal and redemption of investment securities		968,424	857,744
Dividend received		150	343
Proceeds from capital contribution by minority interests	58(2)	236	1,120
Proceeds from disposal of shares of subsidiaries	58(3)	38	—
Proceeds from disposal of fixed assets and other long-term assets		655	588
Payments on acquisition of investment securities		(912,363)	(1,128,576)
Payments on acquisition of associate and jointly controlled entity	58(2)	(682)	(1,001)
Payments on acquisition of fixed assets and other long-term assets		(17,699)	(12,925)
Net cash from/(used in) investing activities		38,759	(282,707)
Financing activities			
Proceeds from bonds issued		2,852	—
Proceeds from share issuance		—	57,119
Dividend paid		(40,960)	(52,064)
Interest paid on bonds issued		(2,005)	(1,915)
Net cash (used in)/from financing activities		(40,113)	3,140
Effect of exchange rate changes on cash and cash equivalents held		(3,989)	(1,728)
Net increase in cash and cash equivalents		175,303	13,019
Cash and cash equivalents as at 1 January	58(1)	180,508	167,489
Cash and cash equivalents as at 31 December	58(1)	355,811	180,508
Cash flows from operating activities include:			
Interest received		283,299	270,276
Interest paid, excluding interest expense on bonds issued		(108,771)	(85,525)

The notes on pages 153 to 337 form part of these financial statements.

(Expressed in millions of Renminbi unless otherwise stated)

1 COMPANY STATUS

China Construction Bank Corporation (the "Bank") is a joint stock company with limited liability incorporated in the People's Republic of China (the "PRC") on 17 September 2004 ("Incorporation Date"), and headquartered in Beijing. The Bank obtained the financial service certificate on 15 September 2004, as approved by the China Banking Regulatory Commission (the "CBRC"), and the business license on 17 September 2004, as approved by the State Administration for Industry and Commerce of the PRC. The Bank is under the supervision of the banking regulatory bodies empowered by the State Council of the PRC (the "State Council"). The overseas financial operations of the Bank are under the supervision of their respective local jurisdictions.

With the approval of the State Council on 30 December 2003, China Construction Bank ("CCB") underwent a restructuring (the "Restructuring"). Pursuant to the Restructuring, the Bank succeeded CCB's commercial banking businesses and related assets and liabilities as at 31 December 2003 ("Restructuring Date").

The Bank issued 194,230 million shares with a par value of RMB1 each on the Incorporation Date. On 27 October 2005, the Bank publicly offered 30,459 million H shares with a par value of RMB1 each on the Main Board of The Stock Exchange of Hong Kong Limited (the "SEHK"). On 25 September 2007, the Bank publicly offered 9,000 million A shares with a par value of RMB1 each on the Shanghai Stock Exchange (the "SSE"). All H and A shares rank pari passu with the same rights and benefits.

The principal activities of the Bank and its subsidiaries (collectively the "Group") are the provision of corporate and personal banking services, conducting treasury business, the provision of asset management, trustee, finance leasing and other financial services.

For the purpose of these financial statements, Mainland China refers to the PRC excluding the Hong Kong Special Administrative Region of the PRC ("Hong Kong"), the Macau Special Administrative Region of the PRC ("Macau") and Taiwan. Overseas refers to countries and regions other than Mainland China.

The Group mainly operates in Mainland China with branches covering all provinces, autonomous regions, municipalities, and has several subsidiaries in the PRC. The Group also has branches in Hong Kong, Singapore, Frankfurt, Johannesburg, Tokyo and Seoul, as well as several subsidiaries in Hong Kong.

As at 31 December 2008, Central Huijin Investments Limited ("Huijin") directly and indirectly held 57.07% shares of the Bank, and exercises the rights and obligations as an investor on behalf of the PRC Government.

The financial statements were approved by the board of directors of the Bank on 27 March 2009.

2 BASIS OF PREPARATION

The accounting year of the Group is from 1 January to 31 December.

The consolidated financial statements for the year ended 31 December 2008 comprise the Bank and its subsidiaries and the Group's interests in associates and jointly controlled entity.

The functional currency of domestic branches and subsidiaries of the Group is Renminbi. The functional currencies of overseas branches and subsidiaries are determined in accordance with the primary economic environment in which they operate, and are translated into Renminbi for the preparation of the financial statements according to Note 4(2)(b). The financial statements of the Group are presented in Renminbi and, unless otherwise stated, expressed in millions of Renminbi.

The measurement basis used in the preparation of the financial statements of the Group is historical cost basis, except for the following assets and liabilities which are stated at their fair value: trading financial assets, trading financial liabilities and available-for-sale financial assets, except those for which a reliable measure of fair value is not available; and certain non-financial assets which are stated at deemed cost. The measurement bases of major assets and liabilities are stated in Note 4.

The preparation of the financial statements in conformity with International Financial Reporting Standards ("IFRS") requires management to make judgements, estimates and assumptions that affect the application of policies and the reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. The estimates and associated assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected. Judgements made by management in the application of IFRS that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the subsequent period are discussed in Note 4(22).

3 STATEMENT OF COMPLIANCE

The financial statements have been prepared in accordance with all applicable IFRS and its interpretations promulgated by the International Accounting Standards Board (the "IASB"), and the disclosure requirements of the Hong Kong Companies Ordinance. The financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

During 2008, the Group adopted the following amendments to standards and interpretations:

Reclassification of Financial Assets (Amendments to IAS 39 Financial Instruments: Recognition and Measurement and IFRS 7 Financial Instruments: Disclosures) addresses the permission to reclassify non-derivative financial assets (other than those designated at fair value through profit or loss upon initial recognition) out of the fair value through profit or loss category in particular circumstances. The amendment also permits the entity to transfer from the available-for-sale category to the loans and receivables category a financial asset that would have met the definition of loans and receivables if the financial asset had not been designated as available-for-sale and the Group has the intention and ability to hold that financial asset for the foreseeable future. The Group has not made such reclassification during the year ended 31 December 2008.

IFRIC 13 Customer Loyalty Programmes ("IFRIC 13") addresses the accounting by entities that operate, or otherwise participate in, customer loyalty programmes under which the customer can redeem credits for awards such as free or discounted goods or services. The Bank early adopted IFRIC 13 and the impact on prior accounting period was considered not significant.

The accounting policies set out below have been applied consistently by the Group in the preparation of these financial statements.

4 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

(1) Consolidated financial statements

(a) Business combinations

The Group, at the acquisition date, allocates the cost of a business combination by recognising the acquiree's identifiable assets, liabilities and contingent liabilities at their fair value at that day. Where the cost of a business combination exceeds the Group's interest in the fair value of the acquiree's identifiable net assets, the difference is recognised as goodwill in accordance with the accounting policies set out in Note 4(9); where the cost of a business combination is less than the Group's interest in the fair value of the acquiree's identifiable net assets, the difference is recognised in the income statement.

Acquisition date mentioned above is the date that the Group effectively obtains control of the acquiree.

(b) Subsidiaries and minority interests

Subsidiaries are those enterprises controlled by the Bank. Control exists when the Bank has the power, directly or indirectly, to govern the financial and operating policies of an enterprise so as to obtain benefits from its operating activities. In assessing control, potential voting rights that presently are exercisable are taken into account.

For the separate financial statements of the Bank, investments in subsidiaries are accounted for at cost less impairment loss. At initial recognition, investment in subsidiaries is measured at: the cost of acquisition determined at the acquisition date when the subsidiaries are acquired through business combination; or the cost of capital injected into the subsidiaries set up by the Group. Impairment losses on investments in subsidiaries are accounted for in accordance with the accounting policies as set out in Note 4(11).

The results and affairs of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. When preparing the consolidated financial statements, the Bank shall make necessary adjustments on the accounting period and accounting policies of subsidiaries to comply with those of the Bank.

Intragroup balances and transactions, and any profits or losses arising from intragroup transactions are eliminated in full in preparing the consolidated financial statements.

4 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

(1) Consolidated financial statements (continued)

(b) Subsidiaries and minority interests (continued)

The portion of a subsidiary's net assets that is attributable to equity interests that are not owned by the Bank, whether directly or indirectly through subsidiaries, is treated as minority interests and presented as "minority interests" in the consolidated balance sheet within total equity. The portion of net profits or losses of subsidiaries for the year attributable to minority interests is presented in the consolidated income statement as "minority interests", a component of the Group's net profit.

Where losses applicable to the minority exceed the minority's interest in the equity of a subsidiary, the excess, and any further losses applicable to the minority, are charged against the Group's interest except to the extent that the minority has a binding obligation (such as the articles of association or agreement stipulate) to, and is able to, make additional investment to cover the losses. If the subsidiary subsequently reports profits, the Group's interest is allocated all such profits until the minority's share of losses previously absorbed by the Group has been recovered.

(c) Special purpose entities

The Group has established a number of Special Purpose Entities ("SPEs") for investment and securitisation purposes. The Group evaluates the substance of its relationship with the SPEs as well as the SPEs' risks and rewards to determine whether the Group controls the SPEs. The following circumstances, which may indicate a relationship in which the Group controls a SPE are taken into account: (i) in substance, the activities of the SPE are being conducted on behalf of the Group according to its specific business needs so that the Group obtains benefits from the SPE's operations; (ii) in substance, the Group has the decision-making powers to obtain the majority of the benefits of the activities of the SPE; (iii) in substance, the Group has rights to obtain the majority of the benefits of the SPE and therefore may be exposed to risks incident to the activities of the SPE; or (iv) in substance, the Group retains the majority of the residual or ownership risks related to the SPE or its assets in order to obtain benefits from its activities. Where the evaluation result indicates that control exists, the Group will consolidate the SPE.

4 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

(1) Consolidated financial statements (continued)

(d) Associate and jointly controlled entity

An associate is an enterprise in which the Group has significant influence. 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 policy decisions.

A jointly controlled entity is an enterprise which operates under joint control between the Group and other parties. Joint control is the contractually agreed sharing of control over an economic activity, and exists only when the strategic financial and operating decisions relating to the activity require the unanimous consent of the parties sharing the control.

Investments in associate or jointly controlled entity are accounted for using the equity method in the consolidated financial statements and are initially recorded at acquisition cost, and adjusted thereafter for the post acquisition change in the Group's share of net assets of the associate or jointly controlled entity. The consolidated income statement includes the Group's share of the post-acquisition, post-tax results of the associate or jointly controlled entity for the year. The Group's interest in associate or jointly controlled entity is included from the date that significant influence or joint control commences until the date that significant influence or joint control ceases.

Profits and losses resulting from transactions between the Group and its associate or jointly controlled entity are eliminated to the extent of the Group's interest in the associate or jointly controlled entity.

The Group discontinues recognising its share of net losses of the associate or jointly controlled entity after the carrying amount of investments in associate and jointly controlled entity together with any long-term interests that in substance form part of the Group's net investment in the associate or jointly controlled entity are reduced to zero, except to the extent that the Group has incurred legal or constructive obligations to assume additional losses. Where the associate or jointly controlled entity makes net profits subsequently, the Group resumes recognising its share of those profits only after its share of the profits equals the share of losses not recognised.

4 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

(2) Translation of foreign currencies

(a) Translation of foreign currency transactions

Foreign currency transactions are, on initial recognition, translated into the functional currency at the spot exchange rates at the dates of the transactions. Monetary items denominated in foreign currencies are translated into the functional currency at the spot exchange rates at the balance sheet date. The resulting exchange differences are recognised in income statement. Non-monetary items denominated in foreign currencies that are measured at historical cost are translated into functional currency using the spot exchange rates at the transaction dates. Non-monetary items denominated in foreign currencies that are measured at fair value are translated using the spot exchange rates at the dates the fair value are determined; the exchange differences are recognised in the income statement, except for the differences arising from the translation of available-for-sale equity instruments, which are recognised in equity.

(b) Translation of financial statements denominated in foreign currencies

Foreign currency financial statements of overseas branches and subsidiaries are translated into Renminbi for the preparation of consolidated financial statements. The assets and liabilities in the financial statements denominated in foreign currencies are translated into Renminbi at the spot exchange rates ruling at the balance sheet date. The income and expenses of foreign operations are translated into Renminbi at the spot exchange rates or the rates that approximate the spot exchange rates on the transaction dates. Foreign exchange differences arising from transaction are recognised as “exchange reserve” in the shareholder’s equity on the balance sheet.

(3) Financial instruments

(a) Categorisation

The Group classifies financial instruments into different categories at inception, depending on the purposes for which the assets were acquired or the liabilities were incurred. The categories are: financial assets and financial liabilities at fair value through profit or loss, held-to-maturity investments, loans and receivables, available-for-sale financial assets and other financial liabilities.

4 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

(3) Financial instruments (continued)

(a) Categorisation (continued)

Financial assets and financial liabilities at fair value through profit or loss

Financial assets and financial liabilities at fair value through profit or loss include those classified as held for trading, and those designated as at fair value through profit or loss.

A financial asset or financial liability is classified as held for trading if it is: (i) acquired or incurred principally for the purpose of selling or repurchasing it in the near term; (ii) part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking; or (iii) a derivative (except for a derivative that is a designated and effective hedging instrument or a financial guarantee contract).

Financial assets or financial liabilities are designated at fair value through profit or loss upon initial recognition when: (i) the financial assets or financial liabilities are managed, evaluated and reported internally on a fair value basis; (ii) the designation eliminates or significantly reduces an accounting mismatch in the gain and loss recognition arising from the difference in measurement basis of the financial assets or financial liabilities; or (iii) if a contract contains one or more embedded derivatives, an entity may designate the entire hybrid (combined) contract as a financial asset or financial liability at fair value through profit or loss unless: the embedded derivative(s) does not significantly modify the cash flows that otherwise would be required by the contract; or it is clear with little or no analysis when a similar hybrid (combined) instrument is first considered that separation of the embedded derivative(s) is prohibited.

Financial assets and financial liabilities designated at fair value through profit or loss are presented on the balance sheet as part of "trading financial assets" and "trading financial liabilities" respectively.

Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity that the Group has the positive intention and ability to hold to maturity, other than: (i) those that the Group, upon initial recognition, designates as at fair value through profit or loss or as available-for-sale; or (ii) those that meet the definition of loans and receivables.

4 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

(3) Financial instruments (continued)

(a) Categorisation (continued)

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, other than: (i) those that the Group intends to sell immediately or in the near term, which will be classified as held for trading; (ii) those that the Group, upon initial recognition, designates as at fair value through profit or loss or as available-for-sale; or (iii) those where the Group may not recover substantially all of its initial investment, other than because of credit deterioration, which will be classified as available-for-sale. Loans and receivables mainly comprise deposits with central banks, deposits and placements with banks and non-bank financial institutions, financial assets held under resale agreements, loans and advances to customers, and debt securities classified as receivables.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are designated as available-for-sale or are not classified as: (i) financial assets at fair value through profit or loss; (ii) held-to-maturity investments or; (iii) loans and receivables.

Other financial liabilities

Other financial liabilities are financial liabilities other than those designated as at fair value through profit or loss and mainly comprise borrowing from central banks, deposits and placements from banks and non-bank financial institutions, financial assets sold under repurchase agreements, deposits from customers and debt securities issued.

Investment securities in the financial statements comprise the securities classified as held-to-maturity investments, available-for-sale financial assets and debt securities classified as receivables.

4 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

(3) Financial instruments (continued)

(b) Derivatives and embedded derivatives

The Group uses derivatives to hedge its exposure to foreign exchange and interest rate risks. Derivatives are recognised at fair value upon initial recognition. The positive fair value is recognised as an asset while the negative fair value is recognised as a liability. The gain or loss on re-measurement to fair value is recognised in the income statement.

Certain derivatives are embedded into non-derivative hybrid instruments (the host contracts). The embedded derivatives are separated from the host contract and accounted for as a separate derivative when (i) the economic characteristics and risks of the embedded derivative are not closely related to the host contract; (ii) a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and (iii) the hybrid (combined) instrument is not measured at fair value with changes in fair value recognised in the income statement. When the embedded derivative is separated, the host contract is accounted for as a financial instrument in accordance with the accounting policies as set out in Note 4(3).

(c) Recognition and derecognition

All financial assets and financial liabilities are recognised on the balance sheet, when and only when, the Group becomes a party to the contractual provisions of the instrument.

The Group derecognises a financial asset if the part being considered for derecognition meets one of the following conditions: (i) the contractual rights to receive the cash flows from the financial asset expire; or (ii) the contractual rights to receive the cash flows of the financial asset have been transferred and the Group transfers substantially all the risks and rewards of ownership of the financial asset; or (iii) the Group retains the contractual rights to receive the cash flows of the financial asset, but assumes a contractual obligation to pay the cash flows to the eventual recipient in an agreement that meets all the conditions of transfer of cash flows and transfers substantially all the risks and rewards of ownership of the financial asset.

If the Group neither transfers nor retains substantially all the risks and rewards of ownership of the financial asset, but retains control, the Group continues to recognise the financial asset to the extent of its continuing involvement in the financial asset. If the Group has not retained control, it derecognises the financial asset and recognises separately as assets or liabilities any rights and obligations created or retained in the transfer.

4 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

(3) Financial instruments (continued)

(c) Recognition and derecognition (continued)

The financial liability is derecognised only when: (i) the underlying present obligation specified in the contracts is discharged, cancelled or expired, or (ii) an agreement between the Group and an existing lender to replace the original financial liability with a new financial liability with substantially different terms, or a substantial modification of the terms of an existing financial liability is accounted for as an extinguishment of the original financial liability and recognition of a new financial liability. The difference between the carrying amount of the financial liability derecognised and the consideration paid is recognised in the income statement.

(d) Measurement

Financial instruments are measured initially at fair value plus, in the case of a financial instrument not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the instrument. Transaction costs for financial instruments at fair value through profit or loss are expensed immediately.

Subsequent to initial recognition, held-to-maturity investments, loans and receivables and other financial liabilities are measured at amortised cost, while other categories of financial instruments are measured at fair value, without any deduction for transaction costs that may occur on sale or other disposal. Investments in available-for-sale equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured, and derivatives that are linked to and must be settled by delivery of such unquoted equity instruments are measured at cost less impairment losses, if any.

Gains and losses from changes in the fair value of financial instruments at fair value through profit or loss are recognised in the income statement.

Unrealised gains and losses arising from changes in the fair value of available-for-sale financial assets are recognised directly in equity, except for impairment losses and foreign exchange gains and losses on monetary items such as debt securities which are recognised in the income statement.

When the available-for-sale financial assets are sold, gains or losses on disposal include the difference between the net sale proceeds and the carrying value, and the accumulated fair value adjustments in equity that are released from equity.

4 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

(3) Financial instruments (continued)

(d) Measurement (continued)

For financial assets and financial liabilities carried at amortised cost, a gain or loss is recognised in the income statement when the financial asset or financial liability is derecognised, impaired, or through the amortisation process.

(e) Impairment

The Group assesses at the balance sheet date the carrying amount of financial assets (except for those at fair value through profit or loss). If there is any objective evidence that a financial asset is impaired, the Group will recognise the impairment loss in the income statement. Losses expected as a result of future events, no matter how likely, are not recognised as impairment losses.

Objective evidence that a financial asset is impaired includes one or more events that occurred after the initial recognition of the asset where the event (or events) has an impact on the estimated future cash flows of the financial asset that can be reliably estimated. Objective evidence includes the following loss event:

— significant financial difficulty of the borrower or issuer;

— a breach of contract, such as a default or delinquency in interest or principal payments;

— the Group, for economic or legal reasons relating to the borrower's financial difficulty, granting to the borrower a concession that the Group would not otherwise consider;

— it becoming probable that the borrower will enter bankruptcy or other financial reorganisation;

— disappearance of an active market for financial assets because of financial difficulties;

— observable data indicating that there is a measurable decrease in the estimated future cash flows from a group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the group, including: adverse changes in the payment status of borrowers in the group, an increase in the unemployment rate in the geographical area of the borrowers, a decrease in property prices for mortgages in the relevant area, or adverse changes in industry conditions that affect the borrowers in the group;

4 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

(3) Financial instruments (continued)

(e) Impairment (continued)

— significant changes in the technological, market, economic or legal environment that have an adverse effect on the issuer of an equity instrument;

— a significant or prolonged decline in the fair value of an investment in an equity instrument below its cost; and

— other objective evidence indicating there is an impairment of the financial asset.

Loans and receivables and held-to-maturity investments
Individual assessment
Loans and receivables and held-to-maturity investments, which are considered individually significant, are assessed individually for impairment. If there is objective evidence that an impairment loss on loans and receivables or held-to-maturity investments carried at amortised cost has been incurred on an individual basis, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the asset's original effective interest rate, and recognised in the income statement.

Cash flows relating to short-term loans and receivables and held-to-maturity investments are not discounted if the effect of discounting is immaterial. The calculation of the present value of the estimated future cash flows of a collateralised loan or receivable reflects the cash flows that may result from foreclosure less costs for obtaining and selling the collateral, whether or not foreclosure is probable.

Collective assessment
Homogeneous groups of loans and advances to customers not considered individually significant and individually assessed loans and receivables and held-to-maturity investments with no objective evidence of impairment on an individual basis are assessed for impairment losses on a collective basis. If there is observable data indicating that there is a measurable decrease in the estimated future cash flows from a group of financial assets since the initial recognition of those financial assets, the impairment is recognised and recorded in the income statement.

4 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

(3) Financial instruments (continued)

(e) Impairment (continued)

Loans and receivables and held-to-maturity investments (continued)

Collective assessment (continued)

For homogeneous groups of loans and advances that are not considered individually significant, the Group adopts a flow rate methodology to assess impairment losses on a collective basis. This methodology utilises a statistical analysis of historical trends of probability of default and amount of consequential loss, as well as an adjustment of observable data that reflects the current economic conditions.

Loans and receivables and held-to-maturity investments which are individually significant and therefore have been individually assessed but for which no impairment can be identified, are grouped together in portfolios of similar credit risk characteristics for the purpose of assessing a collective impairment loss. The collective impairment loss is assessed after taking into account: (i) historical loss experience in portfolios of similar risk characteristics; (ii) the emergence period between a loss occurring and that loss being identified; and (iii) the current economic and credit environments and whether in management's experience these indicate that the actual level of inherent losses is likely to be greater or less than that suggested by historical experience.

The emergence period between a loss occurring and its identification is determined by management based on the historical experience of the markets where the Group operates.

Impairment losses recognised on a collective basis represent an interim step pending the identification of impairment losses on individual assets (which are subject to individual assessment) in the pool of financial assets that are collectively assessed for impairment.

Collective assessment covers those loans and receivables and held-to-maturity investments that were impaired at the balance sheet date but was not individually identified as such until some time in the future. As soon as information is available to specifically identify objective evidence of impairment on individual assets in a pool, those assets are removed from the pool of collectively assessed financial assets.

4 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

(3) Financial instruments (continued)

(e) Impairment (continued)

Loans and receivables and held-to-maturity investments (continued)

Impairment reversal and loan write-off

If, in a subsequent period, the amount of the impairment loss on loans and receivables and held-to-maturity investments decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed. The amount of the reversal is recognised in the income statement. The reversal shall not result in a carrying amount of the financial asset that exceeds the amortised cost at the date of the reversal had the impairment not been recognised.

When the Group determines that a loan has no reasonable prospect of recovery after the Group has completed all the necessary legal or other proceedings, the loan is written off against its allowance for impairment losses. If in a subsequent period the loan written off is recovered, the amount recovered will be recognised in the income statement through impairment losses.

Rescheduled loans

Rescheduled loans are loans that have been restructured due to deterioration in the borrower's financial position to the extent that the borrower is unable to repay according to the original terms and where the Group has made concessions that it would not otherwise consider under normal circumstances. Rescheduled loans are assessed individually and classified as impaired loans and advances upon restructuring. Rescheduled loans are subject to ongoing monitoring. Once a rescheduled loan has met specific conditions by the end of the observation period of normally 6 months, with the approval from management, they would no longer be considered as impaired.

4 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

(3) Financial instruments (continued)

(e) Impairment (continued)

Available-for-sale financial assets

When an available-for-sale financial asset is impaired, the cumulative loss arising from decline in fair value that had been recognised directly in equity is removed from equity and recognised in the income statement even though the financial asset has not been derecognised. The amount of the cumulative loss that is removed from equity is the difference between the acquisition cost (net of any principal repayment and amortisation) and current fair value, less any impairment loss on that financial asset previously recognised in the income statement. For available-for-sale investments in equity instruments measured at cost, the amount of any impairment loss is measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset and recognised in the income statement.

If, in a subsequent period, the fair value of available-for-sale financial assets increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in the income statement, the impairment loss shall be treated in accordance with the following principles: (i) the impairment loss on debt instruments classified as available-for-sale shall be reversed, with the amount of the reversal recognised in the income statement; (ii) the impairment loss on equity instruments classified as available-for-sale shall not be reversed through the income statement. Any subsequent increase in the fair value of such assets is recognised directly in the equity; or (iii) the impairment loss in respect of available-for-sale equity investments carried at cost shall not be reversed. The impairment losses recognised in an interim period in respect of such financial assets shall not be reversed in a subsequent period. This is the case even if no loss or a smaller loss would have been recognised had the impairment been assessed only at the end of the year to which the interim period relates.

4 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

(3) Financial instruments (continued)

(f) Fair value measurement

If there is an active market for financial instruments, the fair value of financial instruments is based on quoted market prices without any deduction for transaction costs that may occur on sales or disposals. The appropriate quoted price in an active market for financial assets held or liabilities to be issued is usually the current bid price and for financial assets to be acquired or liabilities held, the asking price. A quoted price is from an active market where price information is readily and regularly available from an exchange, dealer, industry group or pricing service agency and that price information represents actual and regularly occurring market transactions on an arm's length basis.

If a quoted market price is not available, the fair value of the financial instruments is estimated using valuation techniques. Valuation techniques applied include recent arm's length market transactions between knowledgeable and willing parties, reference to the fair value of another instrument that is substantially the same, discounted cash flow analysis and option pricing models. The Group selects valuation techniques that are commonly accepted by market participants for pricing the instruments and these techniques have been demonstrated to provide reliable estimates of prices obtained in actual market transactions. Periodically, the Group reviews the valuation techniques and tests them for validity.

(g) Offsetting

Financial assets and financial liabilities are offset and the net amount is reported on the balance sheet when the Group has a legally enforceable right to offset the recognised amounts and the transactions are intended to be settled on a net basis, or by realising the asset and settling the liability simultaneously.

(h) Securitisations

The Group securitises certain loans, which generally involves the sale of these assets to SPEs, which in turn issue securities to investors. Interests in the securitised financial assets may be retained in the form of credit enhancement or subordinated tranches, or other residual interests ("retained interests"). Retained interests are carried at fair value on inception date on the Group's balance sheet. Gains or losses on securitisation are the difference between the carrying amount of the transferred financial assets and the consideration received (including retained interest), which is recognised in the income statement.

4 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

(3) Financial instruments (continued)

(i) Financial assets held under resale agreements and financial assets sold under repurchase agreements

Financial assets held under resale agreements are transactions where the Group acquires financial assets which will be resold at a predetermined price at a future date under resale agreements. Financial assets sold under repurchase agreements are transactions where the Group sells financial assets which will be repurchased at a predetermined price at a future date under repurchase agreements.

The cash advanced or received is recognised as amounts held under resale or sold under repurchase agreements on the balance sheet. Assets held under resale agreements are not recognised and recorded as off-balance sheet items. Assets sold under repurchase agreements continue to be recognised on the balance sheet.

The difference between the purchase and resale consideration, and that between the sale and repurchase consideration, is amortised over the period of the respective transaction using the effective interest method and is included in interest income and interest expenses respectively.

(4) Precious metals

Precious metals comprise gold and other precious metals. Precious metals that are acquired or incurred by the Group principally for trading purpose are initially recognised at fair value and re-measured at fair value less cost to sell with changes in fair value less cost to sell included in "net trading gain" in the income statement. Precious metals that are not acquired or incurred by the Group principally for trading purpose are carried at lower of cost and net realisable value.

(5) Fixed assets

Fixed assets are assets held by the Group for the conduct of business and are expected to be used for more than one year. Construction in progress is the property and equipment under construction, which is transferred to fixed assets when ready for its intended use.

(a) Cost

Fixed assets are initially recognised at cost, except for the fixed assets and construction in progress obtained from CCB by the Bank which were recognised at the revalued amount as deemed cost on the Restructuring Date. The cost of a purchased fixed asset comprises the purchase price, related taxes, and any directly attributable expenditures for bringing the asset to working condition for its intended use. The cost of a self-constructed fixed asset comprises the construction materials, direct labour costs and those expenditures necessarily incurred for bringing the asset to working condition for its intended use.

(Expressed in millions of Renminbi unless otherwise stated)

4 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

(5) Fixed assets (continued)

(a) *Cost (continued)*

Where the individual components of an item of fixed asset have different useful lives or provide benefits to the Group in different patterns thus necessitating use of different depreciation rates or methods, they are recognised as separate fixed assets.

Subsequent costs, including the cost of replacing part of an item of fixed assets, are recognised in the carrying amount of the item if the recognition criteria are satisfied, and the carrying amount of the replaced part is derecognised. Expenditures relating to ordinary maintenance of fixed assets are recognised in the income statement.

(b) *Depreciation and impairment*

Depreciation is calculated to write off to the income statement the cost of items of fixed assets, less their estimated residual value, if any, using the straight line method over their estimated useful lives. Impaired fixed assets are depreciated net of accumulated impairment losses. No depreciation is provided on construction in progress.

The estimated useful lives, residual values and depreciation rates of respective fixed assets are as follows:

Types of assets	Estimated useful lives	Estimated net residual values	Depreciation rates
Bank premises	30–35 years	3%	2.8%–3.2%
Equipment	3–8 years	3%	12.1%–32.3%
Others	4–11 years	3%	8.8%–24.3%

The Group reviews the estimated useful life and estimated residual value of a fixed asset and the depreciation method applied at least once a financial year.

Impairment losses on fixed assets are accounted for in accordance with the accounting policies as set out in Note 4(11).

(c) *Disposal*

Gains or losses arising from the retirement or disposal of a fixed asset are determined as the difference between the net disposal proceeds and the carrying amount of the fixed asset and are recognised in the income statement on the date of retirement or disposal.

4 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

(6) Lease

A finance lease is a lease that transfers substantially all the risks and rewards incidental to ownership of an asset to the lessee, irrespective of whether the legal title to the asset is eventually transferred or not. An operating lease is a lease other than a finance lease.

(a) Finance lease

Where the Group is a lessor under finance leases, an amount representing the sum of the minimum lease payments and initial direct costs at the commencement of the lease term, is included in “loans and advances to customers” on the balance sheet as a lease receivable. Unrecognised finance income under finance leases is amortised using the effective interest rate method over the lease term. Finance income implicit in the lease payment is recognised as “interest income” over the period of the leases in proportion to the funds invested. Hire purchase contracts having the characteristics of finance leases are accounted for in the same manner as finance leases.

Impairment losses on lease receivables are accounted for in accordance with the accounting policies as set out in Note 4(3)(e).

(b) Operating lease

Where the Group has the use of assets held under operating leases, payments made under the leases are charged to the income statement, using the straight-line method, over the accounting periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased assets. Lease incentives received are recognised in the income statement as an integral part of the aggregate net lease payments made. Contingent rentals are charged to the income statement in the accounting period in which they are incurred.

(7) Long-term lease prepayments

Long-term lease prepayments are initially recognised at cost. The long-term lease prepayments obtained from CCB by the Bank on the date of Restructuring were recorded at the revalued amount. The cost of the long-term lease prepayments is amortised on a straight-line basis over their authorised useful lives which range from 30 to 50 years, and charged to the income statement. Impaired long-term lease prepayments are amortised net of accumulated impairment losses.

Impairment losses on long-term lease prepayments are accounted for in accordance with the accounting policies as set out in Note 4(11).

4 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

(8) Intangible assets

Software and other intangible assets are initially recognised at cost. The cost less estimated residual values (if any) of the intangible assets is amortised on a straight-line basis over their useful lives, and charged to the income statement. Impaired intangible assets are amortised net of accumulated impairment losses.

Impairment losses on intangible assets are accounted for in accordance with the accounting policies as set out in Note 4(11).

(9) Goodwill

Goodwill represents the excess of the cost of a business combination over the Group's interest in the fair value of the acquiree's identifiable net assets. Goodwill is not amortised. Goodwill is allocated to the related cash-generating unit ("CGU") or group of CGUs. The Group performs impairment test on goodwill semi-annually. On disposal of the related CGU or group of CGUs, any attributable amount of the purchased goodwill net of allowances for impairment losses, if any, is included in the calculation of the profit or loss on disposal.

Impairment loss on goodwill is accounted for in accordance with the accounting policies as set out in Note 4(11).

(10) Repossessed assets

In the recovery of impaired loans and advances, the Group may take possession of assets held as collateral through court proceedings or voluntary delivery of possession by the borrowers. Repossessed assets are recognised and reported in "other assets" in the balance sheet when the Group intended to achieve an orderly realisation of the impaired assets and the Group is no longer seeking repayment from the borrower.

When the Group seizes assets to compensate for the losses of loans and advances and interest receivable, the repossessed assets are initially recognised at fair value, plus any taxes paid for the seizure of the assets, litigation fees and other expenses incurred for collecting the repossessed assets are included in the carrying value of repossessed assets. Repossessed assets are recognised at the carrying value, net of allowances for impairment losses (Note 4(11)).

(11) Allowances for impairment losses on non-financial assets

The Group assesses at the balance sheet date whether there is any indication that a non-financial asset may be impaired. If any indication exists that an asset may be impaired, the Group estimates the recoverable amount of the asset.

4 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

(11) Allowances for impairment losses on non-financial assets (continued)

If there is any indication that an asset may be impaired and it is not possible to estimate the recoverable amount of an individual asset, the Group determines the recoverable amount of the CGU to which the asset belongs.

CGU is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash flows from other assets or groups of assets.

The recoverable amount of an asset (or CGU, group of CGUs) is the higher of its fair value less costs to sell and the present value of the expected future cash flows. The Group considers all relevant factors in estimating the present value of future cash flows, such as the expected future cash flows, the useful life and the discount rate.

(a) Testing CGU with goodwill for impairment

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to the CGU or group of CGUs that is expected to benefit from the synergies of the combination.

A CGU or group of CGUs to which goodwill has been allocated is tested for impairment by the Group semi-annually, or whenever there is an indication that the CGU or group of CGUs are impaired, by comparing the carrying amount of the CGU or group of CGUs, including the goodwill, with the recoverable amount of the CGU or group of CGUs. The recoverable amount of the CGU or group of CGUs are the estimated future cash flows, which are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the CGU or group of CGUs with allocated goodwill.

At the time of impairment testing of a CGU or group of CGUs to which goodwill has been allocated, there may be an indication of an impairment of an asset within the CGU containing the goodwill. In such circumstances, the Group tests the asset for impairment first, and recognises any impairment loss for that asset before testing for impairment on the CGU or group of CGUs containing the goodwill. Similarly, there may be an indication of an impairment of a CGU within a group of CGUs containing the goodwill. In such circumstances, the entity tests the CGU for impairment first, and recognises any impairment loss for that CGU, before testing for impairment the group of CGUs to which the goodwill is allocated.

4 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

(11) Allowances for impairment losses on non-financial assets (continued)

(b) Impairment loss

If the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. That reduction is recognised as an impairment loss and charged to the income statement.

For a CGU or a group of CGUs, the amount of impairment loss firstly reduces the carrying amount of any goodwill allocated to the CGU or group of CGUs, and then reduces the carrying amount of other assets (other than goodwill) within the CGU or group of CGUs, pro rata on the basis of the carrying amount of each asset.

(c) Reversing an impairment loss

If, in a subsequent period, the amount of impairment loss of the non-financial asset except for goodwill decreases and the decrease can be linked objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through the income statement. A reversal of impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior periods.

An impairment loss in respect of goodwill is not reversed.

(12) Employee benefits

Employee benefits are all forms of consideration given and other relevant expenditures incurred by the Group in exchange for services rendered by employees. Except for termination benefits, employee benefits are recognised as a liability in the period in which the associated services are rendered by its employees, with a corresponding increase in cost of relevant assets or the expenses in the income statement. Where payment or settlement is deferred and the effect of discount would be material, these amounts are stated at their present values on the balance sheet.

(a) Staff incentive plan

As approved by the board of directors, for the purposes of providing incentives and rewards to eligible employees for their past services, the Group awards a specified amount of staff compensation to the staff incentive plan independently managed by a designated staff committee for those eligible participating employees. The Group recognises its contribution to the plan when it has a present legal or constructive obligation to make such payment and a reliable estimate of the obligation can be made.

4 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

(12) Employee benefits (continued)

(b) Defined contribution retirement schemes

Pursuant to the relevant laws and regulations in the PRC, the Group has joined defined contribution retirement schemes for the employees arranged by local government labour and security authorities. The Group makes contributions to the retirement schemes at the applicable rates based on the amounts stipulated by the local government organisations. The contributions are charged to the income statement on an accrual basis. When employees retire, the local government labour and security authorities are responsible for the payment of the basic retirement benefits to the retired employees.

In addition to the statutory provision schemes, the Bank's employees have joined the annuity scheme set up by the Bank under "CCBC Annuity Scheme" (the "scheme") in accordance with state enterprise annuity regulations. The Bank has made annuity contributions in proportion to its employees' gross wages, which are expensed in the income statement when the contributions are made.

(c) Supplementary retirement benefits

The Group pays supplementary retirement benefits for its employees in Mainland China who retired on or before 31 December 2003 in addition to the contributions made to statutory insurance schemes. The Group's obligations in respect of supplementary retirement benefits are calculated by estimating the amount of future obligations that the Group is committed to pay to the employees after their retirement using actuarial techniques. Such obligations are discounted with interest yield of government bonds with similar duration at balance sheet date. In calculating the Group's obligations, to the extent that any cumulative unrecognised gains or losses exceed 10% of the present value of the obligation at the balance sheet date, that portion is recognised in the income statement. Otherwise, the gain or loss is not recognised.

(d) Housing fund and other social insurance

In accordance with the related laws, regulations and policies of the PRC, the Group participates in mandatory social insurance programmes, including housing fund, basic medical insurance, unemployment insurance, work injury insurance and maternity insurance etc. The Group makes housing fund and social insurance contributions to government agencies in proportion to each employees' salary and expenses and recognise them in the income statement on an accrual basis.

4 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

(12) Employee benefits (continued)

(e) Termination benefits

Where the Group terminates the employment relationship with employees before the end of the employment contracts or provides compensation as an offer to encourage employees to accept voluntary redundancy, a provision is recognised for the compensation arising from termination of employment relationship, with a corresponding charge to the income statement for the current period, when both of the following conditions are satisfied: (i) the Group has a formal plan for termination of employment relationship or has made an offer for voluntary redundancy, which will be implemented immediately; (ii) the Group cannot unilaterally withdraw from the termination plan or the redundancy offer.

Early retirement expenses
The Group recognises the present value of all its liabilities to employees who agreed to retire early in return for certain future payments as expenses in the income statement when the relevant staff accepts the early retirement arrangement and ceases to provide any services to the Group. Differences arising from changes in assumptions and estimates of the present value of the liabilities are recognised in the income statement when incurred.

(13) Provisions and contingent liabilities

A provision is recognised on the balance sheet if, as the result of a past event, the Group has a present legal or constructive obligation that can be reliably estimated and it is probable that an outflow of economic benefits will be required to settle the obligation. A provision is initially measured at the best estimate of the expenditure required to settle the related present obligation. Factors pertaining to a contingency such as the risks, uncertainties and time value of money are taken into account as a whole in reaching the best estimate. Where the effect of the time value of money is material, the best estimate is determined by discounting the related future cash outflows.

A potential obligation arising from a past transaction or event whose existence can only be confirmed by the occurrence or non-occurrence of future uncertain events; or a present obligation that arises from past transactions or events where it is not probable that an outflow of economic benefits is required to settle the obligation or the amount of the obligation cannot be measured reliably, is disclosed as a contingent liability unless the probability of outflow of economic benefit is remote.

4 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

(14) Financial guarantees

Financial guarantees are contracts that require the guarantor (the "issuer") to make specified payments to reimburse the beneficiary of the guarantee (the "holder") for a loss the holder incurs when a specified debtor fails to make payment when due in accordance with the terms of a debt instrument. The fair value of the guarantee (being the guarantee fees received) is initially recognised as deferred income in "other liabilities". The deferred income is amortised in the income statement over the term of the guarantee as income from financial guarantees issued. Provisions are recognised on the balance sheet if and when it becomes probable that the holder of the guarantee will call upon the Group under the guarantee, and the amount of that claim on the Group is expected to exceed the carrying amount of the deferred income.

(15) Fiduciary activities

The Group's fiduciary business refers to the management of assets for customers in accordance with custody agreements signed by the Group and securities investment funds, insurance companies, annuity plans and other organisations. The Group fulfils its fiduciary duty and receives relevant fees in accordance with these agreements, and does not take up any risks and rewards related to the assets under custody, which are recorded as off-balance-sheet items.

The Group conducts entrusted lending business, whereby it enters into entrusted loan agreements with customers. Under the terms of these agreements, the customers provide funding (the "entrusted funds") to the Group, and the Group grants loans to third parties (the "entrusted loans") according to the instructions of the customers. As the Group does not assume the risks and rewards of the entrusted loans and the corresponding entrusted funds, entrusted loans and funds are recorded as off-balance sheet items at their principal amounts and no impairment assessments are made for these entrusted loans.

(16) Income recognition

Provided it is probable that economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognised in the income statement as follows:

(a) Interest income

Interest income for interest bearing financial instruments is recognised in the income statement based on effective interest method. Interest income includes the amortisation of any discount or premium or other differences between the initial carrying amount of an interest-bearing instrument and its amount at maturity calculated on an effective interest basis.

4 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

(16) Income recognition (continued)

(a) *Interest income* (continued)

The effective interest basis is a method of calculating the amortised cost of financial assets and liabilities and of allocating the interest income and interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial instrument. When calculating the effective interest rate, the Group estimates cash flows considering all contractual terms of the financial instrument (for example, prepayment, call and similar options) 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.

Interest on the impaired financial assets is recognised using the rate of interest used to discount future cash flows for the purpose of measuring the related impairment loss.

(b) *Fee and commission income*

Fee and commission income is recognised in the income statement when the corresponding service is provided. Origination or commitment fees received by the Group which result in the creation or acquisition of a financial asset are deferred and recognised as an adjustment to the effective interest rate. If the commitment expires without the Group making a loan, the fee is recognised as revenue on expiry.

(c) *Finance income from finance leases and hire purchase contracts*

Finance income implicit in finance lease and hire purchase payments is recognised as interest income over the period of the leases so as to produce an approximately constant periodic rate of return on the outstanding net investment in the leases for each accounting period. Contingent rentals receivable are recognised as income in the accounting period in which they are earned.

(d) *Dividend income*

Dividend income from unlisted equity investments is recognised in the income statement on the date when the Group’s right to receive payment is established. Dividend income from a listed equity investment is recognised when the share price of the investment goes ex-dividend.

4 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

(17) Income tax

Current income tax is the expected tax payable on the taxable income for the period, using tax rates enacted or substantially enacted at the balance sheet date, and any adjustment to tax payable in respect of previous periods. Deferred tax is provided for using the balance sheet liability method, which refers to the temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax also arises from unused tax losses and unused tax credits. A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the asset can be utilised.

Current income tax and movements in deferred tax balances are recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

At the balance sheet date, deferred tax assets and deferred tax liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled according to the requirements of tax laws. The Group also considers the possibility of realisation and the settlement of deferred tax assets and deferred tax liabilities in the calculation.

Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities if the Group has the legally enforceable right to offset current tax assets against current tax liabilities and the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on the same taxable entity. Otherwise, the balances of deferred tax assets and deferred tax liabilities, and movements therein, are presented separately from each other and are not offset.

(18) Cash equivalents

Cash equivalents are short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition.

(19) Profit distribution

Proposed dividends which are declared and approved after the balance sheet date are not recognised as a liability on the balance sheet and are instead disclosed as a subsequent event after the balance sheet date in the note to the financial statements. Dividends payable are recognised as liabilities in the period in which they are approved.

4 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

(20) Related parties

If the Group has the power, directly or indirectly, to control, jointly control or exercise significant influence over another party, or vice versa, or where the Group and one or more parties are subject to common control, joint control or significant influence from another party, they are considered to be related parties. Related parties may be individuals or enterprises. The Group's related parties include but are not limited to the following:

(a) the Bank's parents;

(b) the Bank's subsidiaries;

(c) other entities which are controlled by the Bank's parents;

(d) an investor who has joint control over the Group;

(e) an investor who can exercise significant influence over the Group;

(f) an associate of the Group;

(g) a jointly controlled entity of the Group;

(h) principal individual investors of the Group, and close family members of such individuals (principal individual investors are the individual investors who have the power, directly or indirectly, to control, jointly control or exercise significant influence over another party);

(i) key management personnel of the Group and close family members of such individuals (key management personnel represent those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any director of that entity);

(j) key management personnel of the Bank's parents and close family members of such individuals;

(k) other entities that are controlled, jointly controlled, or significantly influenced by the Group's principal individual investors, key management personnel, or close family members of such individuals; and

(l) a post-employment benefit plan for the benefit of employees of the Group, or of any entity that is a related party of the Group.

4 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

(21) Segment reporting

The Group discloses its business and geographical segment information in the financial statements. A business segment is a distinguishable component of the Group that is engaged in providing an individual product or service or a group of related products or services and that is subject to risks and rewards different from those of other segments. A geographical segment is a distinguishable component of the Group that is engaged in providing products or services within a particular economic environment and that is subject to risks and rewards different from those of other segments.

(22) Significant accounting estimates and judgements

(a) Impairment losses on loans and advances, available-for-sale and held-to-maturity debt investments

The Group reviews the portfolios of loans and advances, and available-for-sale and held-to-maturity debt investments periodically to assess whether impairment losses exist and if they exist, the amounts of impairment losses. Objective evidence for impairment includes observable data indicating that there is a measurable decrease in the estimated future cash flows identified with an individual loan and advance, available-for-sale or held-to-maturity debt investments. It also includes observable data indicating adverse changes in the repayment status of borrowers or issuers in the assets portfolio or national or local economic conditions that correlate with defaults on the assets in the portfolio.

The impairment loss for a loan that is individually assessed for impairment is the decrease in the estimated discounted future cash flows. Same principle is adopted for impairment loss on held-to-maturity debt investments which are individually assessed, except that as a practical expedient, the Group may measure the impairment loss on the basis of the instrument's fair value using an observable market price at the measurement date. The impairment loss for an available-for-sale debt investment is the difference between the acquisition cost (net of any principal repayments and amortisation) and the fair value, less any impairment loss previously recognised in the income statement at the measurement date.

When loans and advances and held-to-maturity debt investments are collectively assessed for impairment, the estimate is based on historical loss experience for assets with credit risk characteristics similar to the loans and advances and held-to-maturity debt investments that are being assessed. Historical loss experience is adjusted on the basis of the relevant observable data that reflects current economic conditions. Management reviews the methodology and assumptions used in estimating future cash flows regularly to reduce any difference between loss estimates and actual losses.

4 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

(22) Significant accounting estimates and judgements (continued)

(b) Impairment of available-for-sale equity instruments

For available-for-sale equity instruments, a significant or prolonged decline in fair value below cost is considered to be objective evidence of impairment. Judgement is required when determining whether a decline in fair value has been significant or prolonged. In making this judgement, the Group considers historical market volatility and share price data of the specific equity instrument as well as other factors, such as sector performance, and financial information regarding the investee.

(c) Fair value of financial instruments

The fair value of financial instruments that are traded in an active market is based on their quoted market prices in an active market at the valuation date. A quoted market price is a price from an active market where price information is readily and regularly available from an exchange or from a dealer quotation and where this price information represents actual and recurring market transactions on an arm's length basis.

For all other financial instruments the Group determines fair values using valuation techniques which include discounted cash flow models, as well as other types of valuation model. Assumptions and inputs used in valuation techniques include risk-free and benchmark interest rates, credit spreads and foreign currency exchange rates. Where discounted cash flow techniques are used, estimated cash flows are based on management's best estimates and the discount rate used is a market rate at the balance sheet date applicable for an instrument with similar terms and conditions. Where other pricing models are used, inputs are based on observable market data at the balance sheet date.

The objective of valuation techniques is to arrive at a fair value determination that reflects the price of the financial instrument at the reporting date that would have been determined by market participants acting at arm's length.

(d) Classification of held-to-maturity investments

In evaluating whether the requirements to classify a financial asset as held-to-maturity are met, management makes significant judgements. Change of the Group in sustaining the intention and ability to hold specific investments until maturity may result in reclassification of the whole portfolio as available-for-sale.

4 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

(22) Significant accounting estimates and judgements (continued)

(e) Income taxes

Determining income tax provisions involves judgement on the future tax treatment of certain transactions. The Group carefully evaluates the tax implications of transactions and tax provisions are set up accordingly. The tax treatment of such transactions is reconsidered periodically to take into account all changes in tax legislations. Deferred tax assets are recognised for tax losses not yet used and temporary deductible differences. As those deferred tax assets can only be recognised to the extent that it is probable that future taxable profits will be available against which the unused tax credits can be utilised, management's judgement is required to assess the probability of future taxable profits. Management's assessment is constantly reviewed and additional deferred tax assets are recognised if it becomes probable that future taxable profits will allow the deferred tax assets to be recovered.

(f) Employee retirement benefit obligations

The Group has established liabilities in connection with benefits paid to certain retired and early retired employees. The amounts of employee benefit expense and these liabilities are dependent on assumptions used in calculating such amounts. These assumptions include discount rates, pension benefit inflation rates, medical benefit inflation rates, and other factors. Actual results that differ from the assumptions are recognised to the extent that any cumulative unrecognised gains or losses exceed 10% of the present value of the obligation at the balance sheet date. While management believes that its assumptions are appropriate, differences in actual experience or changes in assumptions may affect the Group's expense related to its employee retirement benefit obligations.

5 TAXATION

The Group's main applicable taxes and tax rates are as follows:

Business tax

Business tax is charged at 5% on taxable income.

City construction tax

City construction tax is calculated as 1%–7% of business tax.

Education surcharge

Education surcharge is calculated as 3% of business tax.

(Expressed in millions of Renminbi unless otherwise stated)

5 TAXATION (continued)

Income tax

On 16 March 2007, the Fifth Plenary Session of the Tenth National People's Congress passed the unified enterprise income tax law ("new income tax law"). Pursuant to the new income tax law, the income tax rate that is applicable to the Bank is reduced from 33% to 25% effective from 1 January 2008. Taxation on overseas operations is charged at the relevant local rates. Tax paid on overseas operations is set off to the extent it is allowed under the relevant income tax laws of the PRC. All tax exemptions are determined upon approval from the relevant tax authorities.

Current liabilities arising from the above taxes are presented as "taxes payable" on the balance sheet.

6 NET INTEREST INCOME

	Note	2008	2007
Interest income arising from:			
Deposits with central banks		**17,960**	11,272
Deposits with banks and non-bank financial institutions		**548**	436
Placements with banks and non-bank financial institutions		**1,423**	1,691
Trading financial assets		**2,383**	450
Financial assets held under resale agreements		**4,749**	3,536
Investment securities	(3)	**77,494**	69,160
Loans and advances to customers			
— Corporate loans and advances		**189,568**	150,181
— Personal loans and advances		**54,785**	42,594
— Discounted bills		**7,590**	5,503
Total		**356,500**	284,823
Interest expense arising from:			
Deposits from banks and non-bank financial institutions		**(9,764)**	(7,508)
Placements from banks and non-bank financial institutions		**(1,360)**	(1,594)
Trading financial liabilities		**(299)**	(837)
Financial assets sold under repurchase agreements		**(571)**	(1,566)
Debt securities issued		**(2,426)**	(2,363)
Deposits from customers			
— Corporate deposits		**(55,494)**	(38,800)
— Personal deposits		**(61,666)**	(39,380)
Total		**(131,580)**	(92,048)
Net interest income		**224,920**	192,775

(Expressed in millions of Renminbi unless otherwise stated)

6 NET INTEREST INCOME (continued)

Notes:

(1) The interest income and expense from financial assets and liabilities at fair value through profit or loss are listed as follows:

	2008	2007
Interest income	2,383	450
Interest expense	(299)	(837)

The interest income and expense from financial assets and liabilities not at fair value through profit or loss are listed as follows:

	2008	2007
Interest income	354,117	284,373
Interest expense	(131,281)	(91,211)

(2) Interest income from impaired financial assets is listed as follows:

	2008	2007
Interest income from impaired loans	1,652	2,034
Interest income from other impaired financial assets	1,852	77
Total	3,504	2,111

(3) Investment securities include securities classified as held-to-maturity investments, available-for-sale financial assets and debt securities classified as receivables. The interest income from investment securities is mainly derived from unlisted debt securities.

(4) Interest expense on financial liabilities with maturity over five years mainly represented the interest expense on debt securities issued.

(Expressed in millions of Renminbi unless otherwise stated)

7 NET FEE AND COMMISSION INCOME

	2008	2007
Fee and commission income:		
Agency service fees	10,289	16,439
Bank card fees	7,153	5,254
Consultancy and advisory fees	6,998	2,792
Settlement and clearing fees	4,797	3,261
Commission on trust and fiduciary activities	4,759	3,267
Credit commitment fees	1,791	485
Guarantee fees	1,311	578
Others	2,958	655
Total	40,056	32,731
Fee and commission expense:		
Bank card transaction fees	(888)	(697)
Inter-bank transaction fees	(327)	(306)
Others	(395)	(415)
Total	(1,610)	(1,418)
Net fee and commission income	38,446	31,313

8 NET TRADING GAIN

	2008	2007
Debt securities	846	134
Derivatives	1,795	329
Equity investments	385	660
Others	187	74
Total	3,213	1,197

As at 31 December 2008, trading gain related to financial assets designated at fair value through profit or loss of the Group amounted to RMB812 million (2007: RMB364 million). Trading loss related to financial liabilities designated at fair value through profit or loss of the Group amounted to RMB46 million (2007: RMB10 million).

(Expressed in millions of Renminbi unless otherwise stated)

9 DIVIDEND INCOME

	2008	2007
Dividend income from listed trading equity investments	15	46
Dividend income from available-for-sale equity investments		
— Listed	95	116
— Unlisted	40	181
Total	150	343

10 NET (LOSS)/INCOME ARISING FROM INVESTMENT SECURITIES

	2008	2007
Net income on sale of available-for-sale securities	1,898	1,375
Net revaluation loss transferred from equity on disposal	(247)	(79)
Net loss on sale of held-to-maturity investments	(3,905)	(4)
Net income on sale of debt securities classified as receivables	2	6
Total	(2,252)	1,298

11 OTHER OPERATING INCOME/(LOSS), NET

	2008	2007
Net foreign exchange gain/(loss)	2,642	(7,820)
Net gain on disposal of fixed assets	99	174
Net gain on disposal of repossessed assets	197	180
Others	2,332	1,257
Total	5,270	(6,209)

Net foreign exchange gain/(loss) includes the changes in fair value and net exchange gain/(loss) arising from currency interest swaps, foreign exchange options and cross currency swaps entered into in order to economically hedge long positions in foreign currency assets.

(Expressed in millions of Renminbi unless otherwise stated)

12 OPERATING EXPENSES

	2008	2007
Staff costs		
— Salaries, bonuses and allowances	32,252	27,762
— Defined contribution retirement schemes	4,294	3,645
— Other social insurance and welfare	5,813	5,670
— Housing fund	2,612	2,329
— Labour union expenses and employee education expenses	1,073	930
— Supplementary retirement benefits	568	505
— Early retirement expenses	—	8,998
— Staff termination costs	45	68
	46,657	49,907
Premises and equipment expenses		
— Depreciation charges	7,671	6,735
— Rent and property management expenses	3,581	3,078
— Maintenance	1,627	1,518
— Utilities	1,342	1,167
— Others	736	719
	14,957	13,217
Amortisation expenses	1,680	1,112
Business tax and surcharges	15,793	12,337
Audit fees	167	122
Other general and administrative expenses	19,939	15,632
Total	99,193	92,327

(Expressed in millions of Renminbi unless otherwise stated)

13 IMPAIRMENT LOSSES

	2008	2007
Loans and advances to customers		
— Additions	44,869	31,957
— Releases	(8,623)	(11,851)
Investment securities		
— Available-for-sale debt securities	10,622	1,831
— Available-for-sale equity investments	134	282
— Held-to-maturity investments	3,126	4,853
— Debt securities classified as receivables	(645)	109
Fixed assets	28	34
Other assets	1,318	380
Total	50,829	27,595

(Expressed in millions of Renminbi unless otherwise stated)

14 DIRECTORS' AND SUPERVISORS' EMOLUMENTS

The aggregate of the emoluments before individual income tax in respect of the directors and supervisors who held office during the year is as follows:

	2008						
	Fees RMB'000	Salaries and allowance RMB'000	Variable compensation RMB'000	Sub-total RMB'000	Contributions to defined contribution retirement schemes RMB'000	Other benefits in kind (note (vi)) RMB'000	Total (note (i)) RMB'000
Executive directors							
Guo Shuqing	–	898	566	1,464	23	82	1,569
Zhang Jianguo	–	873	584	1,457	23	81	1,561
Xin Shusen (note (ii))	–	741	570	1,311	23	75	1,409
Non-executive directors							
Wang Yonggang (note (iii))	–	–	–	–	–	–	–
Wang Yong (note (iii))	–	–	–	–	–	–	–
Wang Shumin (note (iii))	–	–	–	–	–	–	–
Liu Xianghui (note (iii))	–	–	–	–	–	–	–
Zhang Xiangdong (note (iii))	–	–	–	–	–	–	–
Li Xiaoling (note (iii))	–	–	–	–	–	–	–
Gregory L. Curl (note (iv))	390	–	–	390	–	–	390
Independent non-executive directors							
Lord Peter Levene	360	–	–	360	–	–	360
Song Fengming	440	–	–	440	–	–	440
Jenny Shipley	360	–	–	360	–	–	360
Elaine La Roche	410	–	–	410	–	–	410
Wong Kai-Man	388	–	–	388	–	–	388
Tse Hau Yin, Aloysius	440	–	–	440	–	–	440
Supervisors							
Xie Duyang	–	860	557	1,417	23	78	1,518
Liu Jin	–	548	369	917	23	61	1,001
Jin Panshi	–	548	369	917	23	61	1,001
Cheng Meifen (note (v))	26	–	–	26	–	–	26
Sun Zhixin (note (v))	26	–	–	26	–	–	26
Shuai Jinkun (note (ii) & (v))	2	–	–	2	–	–	2
Guo Feng	250	–	–	250	–	–	250
Dai Deming	270	–	–	270	–	–	270
	3,362	4,468	3,015	10,845	138	438	11,421
Former executive directors retired in 2008							
Zhao Lin (note (ii))	–	309	237	546	9	32	587
Luo Zhefu (note (ii))	–	741	569	1,310	23	76	1,409
Former supervisors retired in 2008							
Ning Liming (note (ii) & (v))	19	–	–	19	–	–	19
	3,381	5,518	3,821	12,720	170	546	13,436

(Expressed in millions of Renminbi unless otherwise stated)

14 DIRECTORS' AND SUPERVISORS' EMOLUMENTS (continued)

	2007						
	Fees RMB'000	Salaries and allowance RMB'000	Variable compensation RMB'000	Sub-total RMB'000	Contributions to defined contribution retirement schemes RMB'000	Other benefits in kind (note (vi)) RMB'000	Total RMB'000
Executive directors							
Guo Shuqing	–	600	748	1,348	21	414	1,783
Zhang Jianguo	–	576	772	1,348	21	405	1,774
Zhao Lin	–	492	691	1,183	21	369	1,573
Luo Zhefu	–	492	702	1,194	21	365	1,580
Non-executive directors							
Wang Yonggang (note (iii))	345	–	–	345	–	–	345
Wang Yong (note (iii))	210	–	–	210	–	–	210
Wang Shumin (note (iii))	360	–	–	360	–	–	360
Liu Xianghui (note (iii))	390	–	–	390	–	–	390
Zhang Xiangdong (note (iii))	380	–	–	380	–	–	380
Li Xiaoling (note (iii))	210	–	–	210	–	–	210
Gregory L. Curl (note (iv))	390	–	–	390	–	–	390
Independent non-executive directors							
Lord Peter Levene	360	–	–	360	–	–	360
Song Fengming	440	–	–	440	–	–	440
Jenny Shipley	60	–	–	60	–	–	60
Elaine La Roche	402	–	–	402	–	–	402
Wong Kai-Man	60	–	–	60	–	–	60
Tse Hau Yin, Aloysius	440	–	–	440	–	–	440
Supervisors							
Xie Duyang	–	564	719	1,283	21	384	1,688
Liu Jin	–	354	437	791	21	231	1,043
Jin Panshi	–	354	436	790	21	222	1,033
Cheng Meifen (note (v))	26	–	–	26	–	–	26
Sun Zhixin (note (v))	26	–	–	26	–	–	26
Ning Liming (note (v))	26	–	–	26	–	–	26
Guo Feng	250	–	–	250	–	–	250
Dai Deming	157	–	–	157	–	–	157
	4,532	3,432	4,505	12,469	147	2,390	15,006
Former non-executive directors retired in 2007							
Zhu Zhenmin	180	–	–	180	–	–	180
Jing Xuecheng	180	–	–	180	–	–	180
Former independent non-executive director retired in 2007							
Yashiro Masamoto	220	–	–	220	–	–	220
Former supervisors retired in 2007							
Chen Yueming	125	–	–	125	–	–	125
Cui Jianmin	135	–	–	135	–	–	135
	5,372	3,432	4,505	13,309	147	2,390	15,846

14 DIRECTORS' AND SUPERVISORS' EMOLUMENTS (continued)

Notes:

(i) The amounts of emoluments for the year ended 31 December 2008 in respect of the services rendered by the directors and supervisors are subject to approval of the Bank's shareholders in the Annual General Meeting to be held on 11 June 2009.

(ii) 2007 Annual General Meeting of the Bank held on 12 June 2008 elected Ms. Xin Shusen as executive director of the Bank. China Banking Regulatory Commission has approved of Ms. Xin Shusen qualifying for the position. Ms. Xin Shusen has become executive director of the Bank since 21 July 2008. The amounts of emoluments for Ms. Xin Shusen represent the emoluments for the whole year of 2008 for her services as executive director and vice president.

At the staff representative conference of the Bank held on 10 November 2008 elected Mr. Shuai Jinkun as the employee representative supervisor, until 2009 Annual General Meeting of the Bank.

Mr. Zhao Lin is no longer director, vice-chairman of the Bank since 6 May 2008.

Mr. Luo Zhefu is no longer director, vice-chairman of the Bank since 26 December 2008.

Ms. Ning Liming is no longer supervisor of the Bank since 12 September 2008.

(iii) The Bank does not need to pay the emoluments of non-executive directors appointed by Huijin for the services rendered in 2008 (Payment made for the services rendered in 2007 by non-executive directors appointed by Huijin amounted to RMB1.90 million).

(iv) The amount will be payable to Bank of America Corporation ("BOA") for his services as director after the approval of the Bank's shareholders as mentioned in note (i).

(v) The amounts only included fees for their services as supervisors.

(vi) Other benefits in kind included the Bank's contributions to medical fund, housing fund and other social insurances, which are payable to labour and security authorities based on the lower of certain percentage of the salaries and allowance or the prescribed upper limits as required by the relevant regulations issued by the government authorities. Other benefits also included the Bank's contribution to its own corporate annuity plan (which was set up in accordance with the relevant policies issued by the government authorities) and supplementary medical insurance.

None of the directors and supervisors received any inducements or compensation for loss of office, or waived any emoluments during the years ended 31 December 2008 and 2007.

(Expressed in millions of Renminbi unless otherwise stated)

15 INDIVIDUALS WITH HIGHEST EMOLUMENTS

None of the five individuals with the highest emoluments are directors or supervisors whose emoluments are disclosed in Note 14. The aggregate of the emoluments before individual income tax in respect of the five highest paid individuals during the year is as follows:

	2008 RMB'000	2007 RMB'000
Salaries and allowance	**9,387**	7,707
Variable compensation	**14,127**	10,792
Contributions to defined contribution retirement schemes	**794**	443
Other benefits in kind	**136**	106
	24,444	19,048

The number of these individuals whose emoluments before individual income tax are within the following bands is set out below.

	2008	2007
RMB3,000,001–RMB3,500,000	**–**	2
RMB3,500,001–RMB4,000,000	**–**	1
RMB4,000,001–RMB4,500,000	**3**	1
RMB4,500,001–RMB5,000,000	**–**	1
RMB5,000,001–RMB5,500,000	**1**	–
RMB6,500,001–RMB7,000,000	**1**	–

None of these individuals received any inducements, or compensation for loss of office, or waived any emoluments during the years ended 31 December 2008 and 2007.

(Expressed in millions of Renminbi unless otherwise stated)

16 INCOME TAX

(1) Income tax expenses

	2008	2007
Current tax		
— Mainland China	**33,905**	33,916
— Hong Kong	**299**	335
— Other countries and regions	**22**	22
	34,226	34,273
Adjustments for prior years	**(285)**	71
Deferred tax recognised in current year	**(6,842)**	(2,670)
Total	**27,099**	31,674

The provision for Mainland China income tax for 2008 is calculated at 25% (2007: 33%) of the estimated taxable income from Mainland operations for the year. The provision for Hong Kong profits tax for 2008 is calculated at 16.5% (2007: 17.5%) of the estimated taxable income from Hong Kong operations for the year. Taxation for other overseas operations is charged at the appropriate current rates of taxation ruling in the relevant tax jurisdictions.

(Expressed in millions of Renminbi unless otherwise stated)

16 INCOME TAX (continued)

(2) Reconciliation between tax expense and accounting profit

	Note	2008	2007
Profit before tax		119,741	100,816
Income tax calculated at statutory tax rate	(a)	29,935	33,269
Non-deductible expenses			
— Staff costs		684	612
— Impairment losses and bad debt write-off		8	1,247
— Others		446	926
		1,138	2,785
Non-taxable income			
— Interest income from PRC government bonds		(3,466)	(3,677)
— Others		(223)	(980)
		(3,689)	(4,657)
Total		27,384	31,397
Effect of change in tax rate on deferred tax	(a)	—	206
Adjustments for prior years		(285)	71
Income tax expenses		27,099	31,674

Note:

(a) Pursuant to the new income tax law, the income tax rate that is applicable to the Bank and its subsidiaries in the Mainland China reduced from 33% to 25% effective from 1 January 2008. Deferred tax assets and liabilities were adjusted for the change in tax rate through income statement or the equity in 2007.

(Expressed in millions of Renminbi unless otherwise stated)

17 EARNINGS PER SHARE

Basic earnings per share for the year ended 31 December 2008 have been computed by dividing the net profit attributable to shareholders of the Bank of RMB92,599 million (2007: RMB69,053 million) by 233,689 million shares (2007: 227,105 million shares), being the weighted average number of ordinary shares that were in issue during the year. There was no difference between basic and diluted earnings per share as there were no potentially dilutive shares outstanding during the years ended 31 December 2008 and 2007.

Weighted average number of ordinary shares (in million shares)

	2008	2007
Issued ordinary shares at 1 January	233,689	224,689
Weighted average of A-share issued during the year (note)	—	2,416
Weighted average number of ordinary shares at 31 December	233,689	227,105

Note: On 25 September 2007, the Bank issued 9,000 million A-shares. The time-weighting factor has been taken into account in arriving the weighted average number of ordinary shares as at 31 December. The time-weighting factor is the number of days that the shares are outstanding as a proportion of the total number of days in the period.

18 CASH AND DEPOSITS WITH CENTRAL BANKS

		Group		Bank	
	Note	2008	2007	2008	2007
Cash		34,313	32,240	34,110	32,081
Deposits with central banks					
— Statutory deposit reserves	(1)	921,817	724,941	921,680	724,832
— Surplus deposit reserves	(2)	277,981	74,938	277,924	74,938
— Fiscal deposits		13,339	11,605	13,339	11,605
		1,213,137	811,484	1,212,943	811,375
Total		1,247,450	843,724	1,247,053	843,456

(Expressed in millions of Renminbi unless otherwise stated)

18 CASH AND DEPOSITS WITH CENTRAL BANKS (continued)

Notes:

(1) The Group places statutory deposit reserves with the People's Bank of China ("PBC") and overseas central banks where it has operations. The statutory deposit reserves are not available for use in the Group's daily business.

As at the balance sheet date, the statutory deposit reserve rates applicable to domestic branches of the Bank were as follows:

	2008	2007
Reserve rate for RMB deposits	15.5%	14.5%
Reserve rate for foreign currency deposits	5.0%	5.0%

As at the balance sheet date, the statutory RMB deposit reserve rate applicable to domestic subsidiaries of the Bank was 13.5% (2007: 14.5%).

The amounts of statutory deposit reserves placed with the central banks of overseas countries are determined by local jurisdictions.

(2) The surplus deposit reserve maintained with the PBC is mainly for the purpose of clearing.

19 DEPOSITS WITH BANKS AND NON-BANK FINANCIAL INSTITUTIONS

(1) Analysed by type of counterparty

	Group		Bank	
	2008	2007	2008	2007
Deposits in Mainland China				
— Banks	9,821	10,318	7,601	10,316
— Non-bank financial institutions	10,234	9,758	10,234	9,758
	20,055	20,076	17,835	20,074
Deposits in overseas				
— Banks	11,385	4,065	10,611	3,766
— Non-bank financial institutions	1,677	—	—	—
	13,062	4,065	10,611	3,766
Gross balances	33,117	24,141	28,446	23,840
Allowances for impairment losses (Note 37)	(21)	(33)	(21)	(33)
Net balances	33,096	24,108	28,425	23,807

(Expressed in millions of Renminbi unless otherwise stated)

19 DEPOSITS WITH BANKS AND NON-BANK FINANCIAL INSTITUTIONS (continued)

(2) Analysed by legal form of counterparty

	Group		Bank	
	2008	2007	**2008**	2007
PRC state-owned banks and non-bank financial institutions	**10,253**	9,994	**10,253**	9,986
PRC joint-stock banks and non-bank financial institutions	**10,646**	10,109	**8,426**	9,912
Foreign-invested banks and non-bank financial institutions	**12,218**	4,038	**9,767**	3,942
Gross balances	**33,117**	24,141	**28,446**	23,840
Allowances for impairment losses (Note 37)	**(21)**	(33)	**(21)**	(33)
Net balances	**33,096**	24,108	**28,425**	23,807

20 PLACEMENTS WITH BANKS AND NON-BANK FINANCIAL INSTITUTIONS

(1) Analysed by type of counterparty

	Group		Bank	
	2008	2007	**2008**	2007
Placements in Mainland China				
— Banks	**13,912**	9,570	**13,912**	9,570
— Non-bank financial institutions	**291**	529	**291**	529
	14,203	10,099	**14,203**	10,099
Placements in overseas				
— Banks	**2,866**	55,086	**14,456**	66,327
— Non-bank financial institutions	**19**	—	**19**	—
	2,885	55,086	**14,475**	66,327
Gross balances	**17,088**	65,185	**28,678**	76,426
Allowances for impairment losses (Note 37)	**(252)**	(495)	**(252)**	(495)
Net balances	**16,836**	64,690	**28,426**	75,931

(Expressed in millions of Renminbi unless otherwise stated)

20 PLACEMENTS WITH BANKS AND NON-BANK FINANCIAL INSTITUTIONS (continued)

(2) Analysed by legal form of counterparty

	Group		Bank	
	2008	2007	**2008**	2007
PRC state-owned banks and non-bank financial institutions	**5,054**	635	**5,054**	635
PRC joint-stock banks and non-bank financial institutions	**5,411**	730	**5,411**	730
Foreign-invested banks and non-bank financial institutions	**6,623**	63,820	**18,213**	75,061
Gross balances	**17,088**	65,185	**28,678**	76,426
Allowances for impairment losses (Note 37)	**(252)**	(495)	**(252)**	(495)
Net balances	**16,836**	64,690	**28,426**	75,931

21 TRADING FINANCIAL ASSETS

		Group		Bank	
	Note	**2008**	2007	**2008**	2007
Trading financial assets	(1)				
— Debt securities		**44,693**	26,771	**44,491**	23,432
— Equity investments		**227**	895	**—**	—
— Funds		**93**	253	**—**	96
Subtotal		**45,013**	27,919	**44,491**	23,528
Financial assets designated at fair value through profit or loss	(2)				
— Debt securities		**1,495**	361	**—**	—
— Equity investments		**2,849**	1,078	**—**	—
— Convertible bonds		**952**	461	**—**	—
Subtotal		**5,296**	1,900	**—**	—
Total		**50,309**	29,819	**44,491**	23,528

(Expressed in millions of Renminbi unless otherwise stated)

21 TRADING FINANCIAL ASSETS (continued)

(1) Trading financial assets

	Group		Bank	
	2008	2007	**2008**	2007
Debt securities				
Issued by entities in Mainland China				
— Government	**897**	485	**897**	485
— The PBC	**34,375**	12,148	**34,375**	12,148
— Policy banks	**3,719**	5,539	**3,717**	5,533
— Banks and non-bank financial institutions	**2,540**	—	**2,537**	—
— State-owned enterprises	**726**	992	**726**	992
— Joint-stock enterprises	**774**	3,844	**774**	2,480
Issued by overseas entities				
— Governments	**34**	267	**34**	156
— Banks and non-bank financial institutions	**1,178**	2,759	**981**	1,172
— Public sector entities	**—**	12	**—**	—
— Others	**450**	725	**450**	466
Equity investments				
Issued by entities in Mainland China				
— Joint-stock enterprises	**195**	806	**—**	—
— Banks and non-bank financial institutions	**6**	33	**—**	—
Issued by overseas entities				
— Joint-stock enterprises	**26**	46	**—**	—
— Banks and non-bank financial institutions	**—**	10	**—**	—
Funds				
Issued by Joint-stock enterprises in Mainland China	**93**	253	**—**	96
Total	**45,013**	27,919	**44,491**	23,528
Listed in Hong Kong	**304**	1,029	**86**	165
Listed outside Hong Kong	**1,225**	1,717	**1,123**	1,478
Unlisted	**43,484**	25,173	**43,282**	21,885
Total	**45,013**	27,919	**44,491**	23,528

(Expressed in millions of Renminbi unless otherwise stated)

21 TRADING FINANCIAL ASSETS (continued)

(2) Financial assets designated at fair value through profit or loss

	Group	
	2008	2007
Debt securities		
Non-convertible bonds issued by joint-stock enterprises in Mainland China	1,243	59
Non-convertible bonds issued by overseas banks and non-bank financial institutions	252	302
Equity instruments		
Issued by joint-stock enterprises in Mainland China	976	672
Issued by overseas joint-stock enterprises	1,873	406
Convertible bonds		
Convertible bonds issued by joint-stock enterprises in Mainland China	952	461
Total	5,296	1,900
Listed in Hong Kong	222	34
Listed outside Hong Kong	236	268
Unlisted	4,838	1,598
Total	5,296	1,900

There was no significant limitation on the ability of the Group and the Bank to dispose of trading financial assets.

(Expressed in millions of Renminbi unless otherwise stated)

22 DERIVATIVES

(1) Analysed by type of contract

Group

	2008			2007		
	Notional amounts	Assets	Liabilities	Notional amounts	Assets	Liabilities
Interest rate contracts	183,695	9,016	9,451	121,169	1,322	1,403
Currency contracts	489,431	11,758	9,114	584,108	13,308	6,548
Precious metal contracts	510	10	—	67	—	1
Equity instrument contracts	806	515	—	36	2	—
Total	674,442	21,299	18,565	705,380	14,632	7,952

Bank

	2008			2007		
	Notional amounts	Assets	Liabilities	Notional amounts	Assets	Liabilities
Interest rate contracts	183,037	8,981	9,395	120,091	1,308	1,395
Currency contracts	472,676	11,344	8,708	569,020	12,986	6,213
Precious metal contracts	510	10	—	67	—	1
Equity instrument contracts	34	—	—	36	2	—
Total	656,257	20,335	18,103	689,214	14,296	7,609

The notional amounts of derivatives only represent the unsettled transaction volume as at balance sheet date, they do not represent the amounts at risk.

(Expressed in millions of Renminbi unless otherwise stated)

22 DERIVATIVES (continued)

(2) Analysed by credit risk-weighted amount

	Group		Bank	
	2008	2007	**2008**	2007
Interest rate contracts	**9,304**	1,843	**9,297**	1,839
Currency contracts	**7,070**	4,040	**6,665**	3,985
Precious metal contracts	**1**	—	**1**	—
Equity instrument contracts	**526**	2	**—**	2
Total	**16,901**	5,885	**15,963**	5,826

The credit risk-weighted amount is computed in accordance with the rules set out by the CBRC and depends on the status of the counterparty and the maturity characteristics. For the credit risk-weighted amounts stated above, effects of bilateral netting arrangements have been taken into account.

23 FINANCIAL ASSETS HELD UNDER RESALE AGREEMENTS

(1) Analysed by type of counterparty

	Group and Bank	
	2008	2007
The PBC	**134,020**	123,650
In Mainland China		
— Banks	**37,341**	8,447
— Non-bank financial institutions	**37,198**	5,159
	74,539	13,606
Gross balances	**208,559**	137,256
Allowances for impairment losses (Note 37)	**(11)**	(11)
Net balances	**208,548**	137,245

(Expressed in millions of Renminbi unless otherwise stated)

23 FINANCIAL ASSETS HELD UNDER RESALE AGREEMENTS (continued)

(2) Analysed by legal form of counterparty

	Group and Bank	
	2008	2007
The PBC	**134,020**	123,650
PRC state-owned banks and non-bank financial institutions	**6,947**	—
PRC joint-stock banks and non-bank financial institutions	**67,592**	13,606
Gross balances	**208,559**	137,256
Allowances for impairment losses (Note 37)	**(11)**	(11)
Net balances	**208,548**	137,245

(3) Analysed by pledged security held

	Group and Bank	
	2008	2007
Debt securities		
— Government bonds	**143,622**	125,245
— Bills issued by the PBC	**20,164**	194
— Debt securities issued by policy banks	**14,651**	746
— Others	**1,051**	211
	179,488	126,396
Loans	**5,158**	3,829
Bills	**23,913**	7,031
Gross balances	**208,559**	137,256
Allowances for impairment losses (Note 37)	**(11)**	(11)
Net balances	**208,548**	137,245

(Expressed in millions of Renminbi unless otherwise stated)

24 INTEREST RECEIVABLE

	Group		Bank	
	2008	2007	**2008**	2007
Deposits with central banks	**567**	362	**567**	362
Deposits with banks and non-bank financial institutions	**40**	38	**29**	64
Placements with banks and non-bank financial institutions	**29**	123	**117**	181
Financial assets held under resale agreements	**410**	743	**410**	743
Loans and advances to customers	**9,298**	8,391	**9,214**	8,323
Investment securities	**27,845**	24,102	**27,837**	24,089
Others	**129**	160	**124**	160
Gross balances	**38,318**	33,919	**38,298**	33,922
Allowances for impairment losses (Note 37)	**(1)**	(19)	**(1)**	(19)
Net balances	**38,317**	33,900	**38,297**	33,903

As at 31 December 2008, RMB1 million (2007: RMB19 million) of interest receivable from investment securities was overdue over three years. The Group and the Bank have provided full allowances for impairment losses against these balances.

(Expressed in millions of Renminbi unless otherwise stated)

25 LOANS AND ADVANCES TO CUSTOMERS

(1) Analysed by nature

	Group		Bank	
	2008	2007	**2008**	2007
Corporate loans and advances				
— Loans	**2,790,631**	2,428,527	**2,765,460**	2,414,284
— Finance leases	**4,514**	812	**—**	—
	2,795,145	2,429,339	**2,765,460**	2,414,284
Personal loans and advances				
— Residential mortgages	**615,429**	542,562	**602,982**	527,853
— Personal consumer loans	**74,964**	67,096	**74,964**	66,573
— Credit cards	**23,291**	10,176	**23,033**	10,176
— Others	**121,796**	119,754	**120,385**	119,168
	835,480	739,588	**821,364**	723,770
Discounted bills	**163,318**	103,230	**163,318**	102,906
Gross loans and advances to customers	**3,793,943**	3,272,157	**3,750,142**	3,240,960
Allowances for impairment losses (Note 37)	**(110,368)**	(88,928)	**(110,202)**	(88,844)
— Individual assessment	**(50,548)**	(48,215)	**(50,478)**	(48,183)
— Collective assessment	**(59,820)**	(40,713)	**(59,724)**	(40,661)
Net loans and advances to customers	**3,683,575**	3,183,229	**3,639,940**	3,152,116

(Expressed in millions of Renminbi unless otherwise stated)

25 LOANS AND ADVANCES TO CUSTOMERS (continued)

(2) Analysed by assessment method of allowances for impairment losses

	Loans and advances for which allowances are collectively assessed (note (a))	Impaired loans and advances (note (b))		Total
		for which allowances are collectively assessed	for which allowances are individually assessed	
Group				
As at 31 December 2008				
Gross loans and advances to customers	**3,710,061**	**8,840**	**75,042**	**3,793,943**
Allowances for impairment losses	**(54,122)**	**(5,698)**	**(50,548)**	**(110,368)**
Net loans and advances to customers	**3,655,939**	**3,142**	**24,494**	**3,683,575**
As at 31 December 2007				
Gross loans and advances to customers	3,186,987	7,925	77,245	3,272,157
Allowances for impairment losses	(35,785)	(4,928)	(48,215)	(88,928)
Net loans and advances to customers	3,151,202	2,997	29,030	3,183,229
Bank				
As at 31 December 2008				
Gross loans and advances to customers	**3,666,346**	**8,840**	**74,956**	**3,750,142**
Allowances for impairment losses	**(54,026)**	**(5,698)**	**(50,478)**	**(110,202)**
Net loans and advances to customers	**3,612,320**	**3,142**	**24,478**	**3,639,940**
As at 31 December 2007				
Gross loans and advances to customers	3,155,831	7,925	77,204	3,240,960
Allowances for impairment losses	(35,733)	(4,928)	(48,183)	(88,844)
Net loans and advances to customers	3,120,098	2,997	29,021	3,152,116

25 LOANS AND ADVANCES TO CUSTOMERS (continued)

(2) Analysed by assessment method of allowances for impairment losses (continued)

Notes:

(a) Loans and advances assessed on a collective basis for impairment bear relatively insignificant impairment losses as a proportion of the total portfolio. These loans and advances are those graded normal or special mention.

(b) Impaired loans and advances include loans for which objective evidence of impairment exists and assessed:

— individually (including corporate loans and advances which are graded substandard, doubtful or loss); or

— collectively; these are portfolios of homogeneous loans (including personal loans and advances which are graded substandard, doubtful or loss).

The proportion of impaired loans and advances of the Group to gross loans and advances as at 31 December 2008 is 2.21% (2007: 2.60%).

The proportion of impaired loans and advances of the Bank to gross loans and advances as at 31 December 2008 is 2.23% (2007: 2.63%).

(c) The definitions of the loan classifications stated in notes (a) and (b) above are set out in Note 64(1).

(d) As at 31 December 2008, the loans and advances of the Group for which the impairment allowances were individually assessed amounted to RMB75,042 million (2007: RMB77,245 million). The covered portion and uncovered portion of these loans and advances were RMB20,426 million (2007: RMB22,906 million) and RMB54,616 million (2007: RMB54,339 million) respectively. The fair value of collateral held against these loans and advances amounted to RMB21,126 million (2007: RMB29,489 million). The individual impairment allowances made against these loans and advances were RMB50,548 million (2007: RMB48,215 million).

As at 31 December 2008, the loans and advances of the Bank for which the impairment allowances were individually assessed amounted to RMB74,956 million (2007: RMB77,204 million). The covered portion and uncovered portion of these loans and advances were RMB20,421 million (2007: RMB22,887 million) and RMB54,535 million (2007: RMB54,317 million) respectively. The fair value of collateral held against these loans and advances amounted to RMB21,120 million (2007: RMB29,470 million). The individual impairment allowances made against these loans and advances were RMB50,478 million (2007: RMB48,183 million).

The above collateral includes land, buildings and equipment, etc. The fair value of collateral was estimated by the Group with reference to the latest available external valuations adjusted after taking into account the current realisation experience as well as the market situation.

(Expressed in millions of Renminbi unless otherwise stated)

25 LOANS AND ADVANCES TO CUSTOMERS (continued)

(3) Movements of allowances for impairment losses

Group

	Note	2008			
		Allowances for loans and advances which are collectively assessed	Allowances for impaired loans and advances which are collectively assessed	Allowances for impaired loans and advances which are individually assessed	Total
As at 1 January		35,785	4,928	48,215	88,928
Charge for the year		18,337	1,404	25,128	44,869
Release during the year		—	—	(8,623)	(8,623)
Unwinding of discount		—	—	(1,564)	(1,564)
Transfers out	(a)	—	(20)	(6,825)	(6,845)
Write-offs		—	(623)	(5,956)	(6,579)
Recoveries		—	9	173	182
As at 31 December		54,122	5,698	50,548	110,368

	Note	2007			
		Allowances for loans and advances which are collectively assessed	Allowances for impaired loans and advances which are collectively assessed	Allowances for impaired loans and advances which are individually assessed	Total
As at 1 January		22,133	13,930	41,570	77,633
Reclassification	(b)	—	(6,750)	6,750	—
Charge for the year		13,652	—	18,305	31,957
Release during the year		—	(1,601)	(10,250)	(11,851)
Unwinding of discount		—	—	(1,939)	(1,939)
Transfers out	(a)	—	(31)	(490)	(521)
Write-offs		—	(620)	(5,825)	(6,445)
Recoveries		—	—	94	94
As at 31 December		35,785	4,928	48,215	88,928

(Expressed in millions of Renminbi unless otherwise stated)

25 LOANS AND ADVANCES TO CUSTOMERS (continued)

(3) Movements of allowances for impairment losses (continued)

Bank

		2008			
		Allowances for loans and advances	Allowances for impaired loans and advances		
	Note	which are collectively assessed	which are collectively assessed	which are individually assessed	Total
As at 1 January		35,733	4,928	48,183	88,844
Charge for the year		18,293	1,402	25,073	44,768
Release during the year		—	—	(8,611)	(8,611)
Unwinding of discount		—	—	(1,564)	(1,564)
Transfers out	(a)	—	(20)	(6,820)	(6,840)
Write-offs		—	(621)	(5,950)	(6,571)
Recoveries		—	9	167	176
As at 31 December		54,026	5,698	50,478	110,202

		2007			
		Allowances for loans and advances	Allowances for impaired loans and advances		
	Note	which are collectively assessed	which are collectively assessed	which are individually assessed	Total
As at 1 January		22,002	13,929	41,541	77,472
Reclassification	(b)	—	(6,750)	6,750	—
Charge for the year		13,731	—	18,274	32,005
Release during the year		—	(1,609)	(10,230)	(11,839)
Unwinding of discount		—	—	(1,939)	(1,939)
Transfers out	(a)	—	(22)	(485)	(507)
Write-offs		—	(620)	(5,815)	(6,435)
Recoveries		—	—	87	87
As at 31 December		35,733	4,928	48,183	88,844

(Expressed in millions of Renminbi unless otherwise stated)

25 LOANS AND ADVANCES TO CUSTOMERS (continued)

(3) Movements of allowances for impairment losses (continued)

Notes:

(a) Transfers out include the transfer of allowances for impairment losses to repossessed assets and on the disposal of non-performing loans.

(b) As at and prior to 31 December 2006, the impairment allowance for corporate loans and advances graded at substandard was collectively assessed. With effect from 1 January 2007, the Group commenced to individually assess the impairment allowance for corporate loans and advances graded at substandard. Consequently, a reclassification of the opening balance of the "collective impairment allowance" of the respective loans and advances has been made to the "individual impairment allowance".

(4) Analysed by legal form of borrowers

	Group		Bank	
	2008	2007	**2008**	2007
Corporate loans and advances				
— State-owned enterprises	**1,330,604**	1,088,893	**1,330,516**	1,088,857
— Joint-stock enterprises	**395,320**	416,011	**389,958**	416,838
— Private enterprises	**532,232**	417,631	**532,232**	417,631
— Foreign invested enterprises	**289,736**	263,387	**289,736**	263,385
— Collectively-controlled enterprises	**42,305**	37,636	**42,305**	37,636
— Jointly-owned enterprises	**15,936**	17,832	**15,936**	17,832
— Others	**184,498**	187,137	**164,777**	172,105
Gross corporate loans and advances	**2,790,631**	2,428,527	**2,765,460**	2,414,284
Finance leases	**4,514**	812	**—**	—
Personal loans and advances	**835,480**	739,588	**821,364**	723,770
Discounted bills	**163,318**	103,230	**163,318**	102,906
Gross loans and advances to customers	**3,793,943**	3,272,157	**3,750,142**	3,240,960
Allowances for impairment losses (Note 37)	**(110,368)**	(88,928)	**(110,202)**	(88,844)
Net loans and advances to customers	**3,683,575**	3,183,229	**3,639,940**	3,152,116

(Expressed in millions of Renminbi unless otherwise stated)

25 LOANS AND ADVANCES TO CUSTOMERS (continued)

(5) Overdue loans analysed by overdue period

Group

	2008				
	Overdue within three months	Overdue between three months and one year	Overdue between one year and three years	Overdue over three years	Total
Unsecured loans	608	517	1,169	1,500	3,794
Guaranteed loans	2,276	3,458	6,699	6,523	18,956
Loans secured by tangible assets other than monetary assets	23,682	11,873	12,210	8,993	56,758
Loans secured by monetary assets	1,453	3,341	1,708	1,049	7,551
Total	28,019	19,189	21,786	18,065	87,059
As a percentage of gross loans and advances to customers	0.74%	0.50%	0.57%	0.48%	2.29%

	2007				
	Overdue within three months	Overdue between three months and one year	Overdue between one year and three years	Overdue over three years	Total
Unsecured loans	346	1,084	1,120	1,985	4,535
Guaranteed loans	2,141	3,283	11,958	7,861	25,243
Loans secured by tangible assets other than monetary assets	20,532	9,624	15,697	9,774	55,627
Loan secured by monetary assets	903	873	2,765	999	5,540
Total	23,922	14,864	31,540	20,619	90,945
As a percentage of gross loans and advances to customers	0.73%	0.46%	0.96%	0.63%	2.78%

(Expressed in millions of Renminbi unless otherwise stated)

25 LOANS AND ADVANCES TO CUSTOMERS (continued)

(5) Overdue loans analysed by overdue period (continued)

Bank

	2008				
	Overdue within three months	Overdue between three months and one year	Overdue between one year and three years	Overdue over three years	Total
Unsecured loans	600	496	1,169	1,499	3,764
Guaranteed loans	2,276	3,458	6,699	6,523	18,956
Loans secured by tangible assets other than monetary assets	23,636	11,872	12,208	8,993	56,709
Loans secured by monetary assets	1,453	3,341	1,708	1,049	7,551
Total	27,965	19,167	21,784	18,064	86,980
As a percentage of gross loans and advances to customers	0.75%	0.51%	0.58%	0.48%	2.32%

	2007				
	Overdue within three months	Overdue between three months and one year	Overdue between one year and three years	Overdue over three years	Total
Unsecured loans	340	1,084	1,119	1,985	4,528
Guaranteed loans	2,141	3,283	11,958	7,861	25,243
Loans secured by tangible assets other than monetary assets	20,466	9,609	15,693	9,774	55,542
Loans secured by monetary assets	903	873	2,765	999	5,540
Total	23,850	14,849	31,535	20,619	90,853
As a percentage of gross loans and advances to customers	0.74%	0.46%	0.97%	0.64%	2.81%

Overdue loans represent loans of which the whole or part of the principal was overdue for more than 1 day, or interest was overdue for more than 90 days but for which the principal was not yet due.

(Expressed in millions of Renminbi unless otherwise stated)

26 AVAILABLE-FOR-SALE FINANCIAL ASSETS

		Group		Bank	
	Note	**2008**	2007	**2008**	2007
Debt securities	(1)	**535,379**	395,051	**536,049**	394,143
Equity investments	(2)	**15,459**	34,569	**15,107**	34,089
Total		**550,838**	429,620	**551,156**	428,232

(1) Debt securities

	Group		Bank	
	2008	2007	**2008**	2007
Issued by entities in Mainland China				
— Government	**29,756**	29,296	**29,756**	29,296
— The PBC	**371,663**	177,308	**371,663**	177,308
— Policy banks	**14,891**	44,587	**14,891**	44,587
— Banks and non-bank financial institutions	**51,001**	2,794	**51,001**	2,794
— State-owned enterprises	**14,668**	6,144	**14,668**	6,144
— Joint-stock enterprises	**2,992**	20,332	**2,992**	20,176
Issued by overseas entities				
— Governments	**6,356**	17,105	**6,356**	16,919
— Central banks	**441**	280	**264**	280
— Policy banks	**841**	1,610	**841**	1,610
— Banks and non-bank financial institutions	**35,139**	64,585	**36,039**	64,110
— Public sector entities	**2,523**	22,035	**2,523**	22,028
— Others	**5,108**	8,975	**5,055**	8,891
Total	**535,379**	395,051	**536,049**	394,143
Listed in Hong Kong	**453**	718	**422**	676
Listed outside Hong Kong	**31,292**	49,306	**31,241**	49,164
Unlisted	**503,634**	345,027	**504,386**	344,303
Total	**535,379**	395,051	**536,049**	394,143

(Expressed in millions of Renminbi unless otherwise stated)

26 AVAILABLE-FOR-SALE FINANCIAL ASSETS (continued)

(2) Equity investments

	Note	Group		Bank	
		2008	2007	**2008**	2007
Debt equity swap investments	(a), (b), (c)	**14,359**	32,858	**14,359**	32,858
Other equity investments		**1,100**	1,711	**748**	1,231
Total		**15,459**	34,569	**15,107**	34,089
Listed in Hong Kong		**393**	772	**393**	772
Listed outside Hong Kong		**9,644**	27,665	**9,642**	27,665
Unlisted		**5,422**	6,132	**5,072**	5,652
Total		**15,459**	34,569	**15,107**	34,089

Notes:

(a) Pursuant to the arrangement by the PRC government in 1999, the Group acquired unlisted legal person shares ("debt equity swap investments") in certain corporate borrowers in lieu of repayments of loans granted to them. Pursuant to a notice (the "Notice") jointly issued by the State Economic & Trade Commission of the PRC and the PBC on 5 July 1999, commercial banks are prohibited from being involved in management of the operations of these corporate borrowers even though the banks hold equity interests through the above debt equity swap arrangement.

The Group is required to comply with the Notice and has not controlled the financial and operating policy decisions of these corporations nor exerted significant influence over these policies. In substance, the Group does not have any control or significant influence over these corporations. The Group has been advised by its external legal counsel that such direct ownership in these debt equity swap investments does not violate any of the prevailing laws and regulations in the PRC.

(b) Certain of these unlisted legal person shares were converted into listed A shares with lock-up period restriction. The fair value of these restricted shares is estimated based on the quoted market price of the corresponding listed shares, adjusted for the impact of the restriction. The adjustment, which is made by reference to historical volatility of the respective shares and the restriction, is estimated using the Asian Option Model. The Group calculated the fair value for listed A shares with no disposal restriction based on the quoted market prices as at the balance sheet date. For the year ended 31 December 2008, the decrease in fair value was RMB17,938 million (before adjusting for the deferred tax effect).

(c) For the year ended 31 December 2008, the Group and the Bank recognised an impairment loss of debt equity swap investment of RMB134 million (2007: RMB282 million) in the income statement (Note 13).

(Expressed in millions of Renminbi unless otherwise stated)

27 HELD-TO-MATURITY INVESTMENTS

	Group		Bank	
	2008	2007	**2008**	2007
Issued by entities in Mainland China				
— Government	**320,259**	316,432	**320,259**	316,422
— The PBC	**354,437**	442,456	**354,437**	442,239
— Policy banks	**58,905**	250,575	**58,905**	250,575
— Banks and non-bank financial institutions	**249,868**	18,915	**249,868**	18,532
— State-owned enterprises	**6,276**	6,134	**6,276**	6,134
— Joint-stock enterprises	**2,895**	4,071	**2,895**	4,071
Issued by overseas entities				
— Governments	**14,690**	24,176	**14,690**	24,176
— Policy banks	**2,588**	2,111	**2,588**	2,111
— Banks and non-bank financial institutions	**26,866**	79,733	**26,866**	79,733
— Public sector entities	**10,826**	48,174	**10,826**	48,174
— Others	**1,725**	3,300	**1,725**	3,300
Gross balances	**1,049,335**	1,196,077	**1,049,335**	1,195,467
Allowance for impairment losses (Note 37)	**(7,552)**	(5,042)	**(7,552)**	(5,042)
Net balances	**1,041,783**	1,191,035	**1,041,783**	1,190,425
Listed in Hong Kong	**4,112**	4,165	**4,112**	4,165
Listed outside Hong Kong	**32,719**	73,712	**32,719**	73,712
Unlisted	**1,004,952**	1,113,158	**1,004,952**	1,112,548
Total	**1,041,783**	1,191,035	**1,041,783**	1,190,425
Market value of listed securities	**39,633**	78,861	**39,633**	78,861

The Group sold held-to-maturity investments with a gross carrying value of RMB64,084 million (the Bank: RMB63,923 million) prior to their maturity date during the year ended 31 December 2008. The majority of disposal was related to issuers whose performance has suffered heavily as a result of deepening global financial crisis. Excluding those, the Group sold RMB22,620 million (the Bank: RMB22,459 million) held-to-maturity investments prior to their maturity dates during the year ended 31 December 2008, which accounts for 2.01% (the Bank: 2.00%) of the portfolio before the disposal.

(Expressed in millions of Renminbi unless otherwise stated)

28 DEBT SECURITIES CLASSIFIED AS RECEIVABLES

All debt securities classified as receivables are unlisted and issued by the following entities in Mainland China:

	Note	Group and Bank 2008	2007
Government			
— Special government bond	(1), (3)	**49,200**	49,200
— Others		**530**	530
The PBC	(2), (3)	**189,910**	189,871
Policy banks		**1,123**	48,953
Cinda	(4)	**247,000**	247,000
Banks and non-bank financial institutions		**62,750**	15,122
Joint-stock enterprises		**1,369**	1,369
Gross balances		**551,882**	552,045
Allowance for impairment losses (Note 37)		**(64)**	(709)
Net balances		**551,818**	551,336

Notes:

(1) This represents a non-negotiable bond with a nominal value of RMB49,200 million issued by the MOF in 1998 to strengthen the capital base of CCB. The bond matures in 2028 and bears a fixed interest rate of 2.25% per annum.

(2) Due from the PBC includes:

(a) a non-transferable bill with a nominal value of RMB63,354 million issued specifically to CCB as part of the Restructuring. The majority of the proceeds paid by China Cinda Asset Management Corporation ("Cinda") on the disposal of impaired loans and advances were used to subscribe to the PBC bill. The bill matures in June 2009 and bears interest at a fixed rate of 1.89% per annum. The PBC has the right to early settle the bill; and

(b) a non-transferable bill with a nominal value of RMB593 million issued specifically to the Bank in June 2006 for partial settlement of loans that had been transferred to asset management companies. The bill matures in June 2011 and bears interest at a fixed rate of 1.89% per annum.

(3) The PBC approved the Bank's use of the special government bond and the bills with nominal values of RMB63,354 million and RMB593 million respectively issued by the PBC as eligible assets equivalent to the surplus deposit reserve at PBC for clearing purpose.

(4) Cinda issued a bond specifically to CCB in 1999 for the acquisition of CCB's impaired loans and advances at their original book value. The bond has a nominal value of RMB247,000 million and matures in September 2009. It bears interest at a fixed rate of 2.25% per annum. According to a notice issued by the MOF, starting from 1 January 2005, the MOF will provide financial support if Cinda is unable to repay the interest in full. The MOF will also provide support for the repayment of bond principal, if necessary.

(Expressed in millions of Renminbi unless otherwise stated)

29 INVESTMENTS IN SUBSIDIARIES

(1) Investment cost

	Note	2008	2007
Sing Jian Development Company Limited (formerly known as China Construction Bank (Asia) Limited)		**383**	383
Sino-German Bausparkasse Corporation Limited ("Sino-German")	(a)	**751**	113
CCB Principal Asset Management Co. Ltd. ("CCB Principal")		**130**	130
CCB International Group Holdings Limited ("CCBIG")		**—**	—
CCB Financial Leasing Corporation Limited ("CCBFLCL")		**3,380**	3,380
Hunan Taojiang Jianxin Rural Bank Corporation Limited ("Taojiang Rural")	(b)	**26**	—
Total		**4,670**	4,006

Notes:

(a) In 2008, the Bank and Bausparkasse Schwaebisch Hall of Germany ("BSHG") paid cash of RMB638 million and equivalent to RMB212 million as the additional capital contribution to Sino-German respectively. The registered capital of Sino-German increased to RMB1,000 million after the additional capital contributions. There was no change in the percentage of the Bank's ownership in Sino-German.

(b) The Bank and several investors established a rural bank, Taojiang Rural, in 2008 in the PRC. The Bank made cash contributions of RMB26 million to Taojiang Rural for equity of 51%.

(Expressed in millions of Renminbi unless otherwise stated)

29 INVESTMENTS IN SUBSIDIARIES (continued)

(2) Major subsidiaries of the Group are unlisted enterprises; details of the investments in subsidiaries are as follows:

Name of company	Place of incorporation	Particulars of the issued and paid up capital	Principal activities	% of ownership directly held by the Bank	% of ownership indirectly held by the Bank
Sing Jian Development Company Limited	Hong Kong	300 million shares of HK$1 each	Investment	100%	–
Sino-German	PRC	RMB 1,000 million	Home mortgage loan and deposit taking business	75.1%	–
CCB Principal	PRC	RMB 200 million	Fund management services	65%	–
CCBIG	Hong Kong	1 share of HK$1 each	Investment	100%	–
CCBFLCL	PRC	4,500 million shares of RMB1 each	Financial leasing	75.1%	–
Taojiang Rural	PRC	50 million shares of RMB1 each	Loan and deposit taking business	51%	–
Lanhye Investment Holdings Limited	BVI	1 share of US$1 each	Investment	–	100%
CCB International (Holdings) Limited ("CCBI")	Hong Kong	601 million shares of US$1 each	Investment	–	100%
China Construction Bank (Asia) Corporation Limited ("CCB Asia")	Hong Kong	7.75 million shares of HK$40 each	Commercial banking and related financial services	–	100%

(Expressed in millions of Renminbi unless otherwise stated)

29 INVESTMENTS IN SUBSIDIARIES (continued)

(3) Accumulated unrecognised investment losses by the Bank in its subsidiary

	2008	2007
Sino-German	21	27

30 INTERESTS IN ASSOCIATE AND JOINTLY CONTROLLED ENTITY

Details of the interests in associate and jointly controlled entity are as follows:

Name of company	Place of incorporation	Particulars of issued and paid up capital	Principal activity	% of ownership held	% of voting held	Total assets at year end	Total liabilities at year end	Revenue for the year	Net profit for the year
QBE Hong Kong and Shanghai Insurance Limited	Hong Kong	19.9 million ordinary shares of HK$1 each	Insurance	25.50%	25.50%	1,091	697	291	34
Diamond String Limited ("DSL")	Hong Kong	10,000 ordinary shares of HK$1 each	Property investment	50.00%	50.00%	907	765	27	26

The Group completed the further acquisition of 10% of the issued share capital of DSL in 2008. DSL became a jointly controlled entity of the Group since then.

(Expressed in millions of Renminbi unless otherwise stated)

31 FIXED ASSETS

Group

	Note	Bank premises	Construction in progress	Equipment	Others	Total
Cost/deemed cost						
As at 1 January 2008		43,728	1,990	17,787	12,136	75,641
Reclassification	(1)	–	–	–	(3,177)	(3,177)
Additions		2,019	5,223	4,897	3,504	15,643
Transfers		1,076	(2,549)	22	1,451	–
Disposals		(287)	(46)	(1,225)	(993)	(2,551)
As at 31 December 2008		46,536	4,618	21,481	12,921	85,556
Accumulated depreciation						
As at 1 January 2008		(6,294)	–	(7,992)	(2,554)	(16,840)
Reclassification	(1)	–	–	–	1,311	1,311
Charge for the year		(1,751)	–	(3,621)	(2,299)	(7,671)
Disposals		119	–	1,163	842	2,124
As at 31 December 2008		(7,926)	–	(10,450)	(2,700)	(21,076)
Allowances for impairment losses						
As at 1 January 2008		(494)	(5)	(7)	(8)	(514)
Charge for the year		(26)	–	–	(2)	(28)
Disposals		13	–	4	2	19
As at 31 December 2008		(507)	(5)	(3)	(8)	(523)
Net carrying value						
As at 1 January 2008		36,940	1,985	9,788	9,574	58,287
As at 31 December 2008		38,103	4,613	11,028	10,213	63,957

(Expressed in millions of Renminbi unless otherwise stated)

31 FIXED ASSETS (continued)

Group (continued)

	Bank premises	Construction in progress	Equipment	Others	Total
Cost/deemed cost					
As at 1 January 2007	41,512	1,548	14,629	8,630	66,319
Additions	2,037	2,407	4,444	3,474	12,362
Transfers	510	(1,897)	275	1,112	—
Disposals	(331)	(68)	(1,561)	(1,080)	(3,040)
As at 31 December 2007	43,728	1,990	17,787	12,136	75,641
Accumulated depreciation					
As at 1 January 2007	(4,716)	—	(6,546)	(1,509)	(12,771)
Charge for the year	(1,665)	—	(2,959)	(2,111)	(6,735)
Disposals	87	—	1,513	1,066	2,666
As at 31 December 2007	(6,294)	—	(7,992)	(2,554)	(16,840)
Allowances for impairment losses					
As at 1 January 2007	(488)	(5)	(8)	(10)	(511)
Charge for the year	(34)	—	—	—	(34)
Disposals	28	—	1	2	31
As at 31 December 2007	(494)	(5)	(7)	(8)	(514)
Net carrying value					
As at 1 January 2007	36,308	1,543	8,075	7,111	53,037
As at 31 December 2007	36,940	1,985	9,788	9,574	58,287

(Expressed in millions of Renminbi unless otherwise stated)

31 FIXED ASSETS (continued)

Bank

	Note	Bank premises	Construction in progress	Equipment	Others	Total
Cost/deemed cost						
As at 1 January 2008		43,656	1,990	17,645	11,979	75,270
Reclassification	(1)	–	–	–	(3,168)	(3,168)
Additions		2,019	5,190	4,867	3,385	15,461
Transfers		1,076	(2,549)	22	1,451	–
Disposals		(283)	(46)	(1,220)	(900)	(2,449)
As at 31 December 2008		46,468	4,585	21,314	12,747	85,114
Accumulated depreciation						
As at 1 January 2008		(6,271)	–	(7,911)	(2,480)	(16,662)
Reclassification	(1)	–	–	–	1,310	1,310
Charge for the year		(1,749)	–	(3,598)	(2,271)	(7,618)
Disposals		119	–	1,161	822	2,102
As at 31 December 2008		(7,901)	–	(10,348)	(2,619)	(20,868)
Allowances for impairment losses						
As at 1 January 2008		(494)	(5)	(7)	(8)	(514)
Charge for the year		(26)	–	–	(2)	(28)
Disposals		13	–	4	2	19
As at 31 December 2008		(507)	(5)	(3)	(8)	(523)
Net carrying value						
As at 1 January 2008		36,891	1,985	9,727	9,491	58,094
As at 31 December 2008		38,060	4,580	10,963	10,120	63,723

(Expressed in millions of Renminbi unless otherwise stated)

31 FIXED ASSETS (continued)

Bank (continued)

	Bank premises	Construction in progress	Equipment	Others	Total
Cost/deemed cost					
As at 1 January 2007	41,401	1,548	14,520	8,528	65,997
Additions	2,037	2,407	4,396	3,408	12,248
Transfers	510	(1,897)	275	1,112	—
Disposals	(292)	(68)	(1,546)	(1,069)	(2,975)
As at 31 December 2007	43,656	1,990	17,645	11,979	75,270
Accumulated depreciation					
As at 1 January 2007	(4,696)	—	(6,464)	(1,443)	(12,603)
Charge for the year	(1,661)	—	(2,945)	(2,094)	(6,700)
Disposals	86	—	1,498	1,057	2,641
As at 31 December 2007	(6,271)	—	(7,911)	(2,480)	(16,662)
Allowances for impairment losses					
As at 1 January 2007	(487)	(5)	(8)	(10)	(510)
Charge for the year	(34)	—	—	—	(34)
Disposals	27	—	1	2	30
As at 31 December 2007	(494)	(5)	(7)	(8)	(514)
Net carrying value					
As at 1 January 2007	36,218	1,543	8,048	7,075	52,884
As at 31 December 2007	36,891	1,985	9,727	9,491	58,094

(Expressed in millions of Renminbi unless otherwise stated)

31 FIXED ASSETS (continued)

Notes:

(1) The Group and the Bank reclassified the leasehold improvement expenditure to other assets in 2008.

(2) As at 31 December 2008, ownership documentation for the Group's and the Bank's bank premises with a net carrying value of RMB4,135 million (2007: RMB3,845 million) was being finalised.

(3) Analysed by remaining terms of the leases

The net carrying values of bank premises of the Group and the Bank at the balance sheet date are analysed by the remaining terms of the leases as follows:

	Group		Bank	
	2008	2007	**2008**	2007
Long term leases (over 50 years), held overseas	**41**	45	**41**	45
Medium term leases (10–50 years), held overseas	**157**	49	**114**	—
Medium term leases (10–50 years), held in Mainland China	**37,081**	36,551	**37,081**	36,551
Short term leases (less than 10 years), held in Mainland China	**824**	295	**824**	295
Total	**38,103**	36,940	**38,060**	36,891

(Expressed in millions of Renminbi unless otherwise stated)

32 LONG-TERM LEASE PREPAYMENT

Group

	2008	2007
Cost/deemed cost		
As at 1 January	19,753	19,700
Additions	240	131
Disposals	(119)	(78)
As at 31 December	19,874	19,753
Amortisation		
As at 1 January	(1,944)	(1,465)
Charge for the year	(492)	(492)
Disposals	18	13
As at 31 December	(2,418)	(1,944)
Allowances for impairment losses		
As at 1 January	(159)	(171)
Charge for the year	(4)	—
Disposals	2	12
As at 31 December	(161)	(159)
Net carrying value		
As at 1 January	17,650	18,064
As at 31 December	17,295	17,650

(Expressed in millions of Renminbi unless otherwise stated)

32 LONG-TERM LEASE PREPAYMENT (continued)

Bank

	2008	2007
Cost/deemed cost		
As at 1 January	19,681	19,700
Additions	240	59
Disposals	(114)	(78)
As at 31 December	19,807	19,681
Amortisation		
As at 1 January	(1,944)	(1,465)
Charge for the year	(490)	(492)
Disposals	17	13
As at 31 December	(2,417)	(1,944)
Allowances for impairment losses		
As at 1 January	(159)	(171)
Charge for the year	(4)	—
Disposals	2	12
As at 31 December	(161)	(159)
Net carrying value		
As at 1 January	17,578	18,064
As at 31 December	17,229	17,578

(Expressed in millions of Renminbi unless otherwise stated)

33 INTANGIBLE ASSETS

Group

	Software	Others	Total
Cost/deemed cost			
As at 1 January 2008	2,415	71	2,486
Additions	571	25	596
Disposals	(19)	(42)	(61)
As at 31 December 2008	2,967	54	3,021
Amortisation			
As at 1 January 2008	(1,295)	(48)	(1,343)
Charge for the year	(452)	(7)	(459)
Disposals	19	23	42
As at 31 December 2008	(1,728)	(32)	(1,760)
Allowances for impairment losses			
As at 1 January 2008	(1)	(8)	(9)
Charge for the year	–	–	–
Disposals	–	1	1
As at 31 December 2008	(1)	(7)	(8)
Net carrying value			
As at 1 January 2008	1,119	15	1,134
As at 31 December 2008	1,238	15	1,253

(Expressed in millions of Renminbi unless otherwise stated)

33 INTANGIBLE ASSETS (continued)

Group (continued)

	Software	Others	Total
Cost/deemed cost			
As at 1 January 2007	2,049	44	2,093
Additions	398	33	431
Disposals	(32)	(6)	(38)
As at 31 December 2007	2,415	71	2,486
Amortisation			
As at 1 January 2007	(936)	(19)	(955)
Charge for the year	(374)	(35)	(409)
Disposals	15	6	21
As at 31 December 2007	(1,295)	(48)	(1,343)
Allowances for impairment losses			
As at 1 January 2007	(1)	(6)	(7)
Charge for the year	—	(2)	(2)
Disposals	—	—	—
As at 31 December 2007	(1)	(8)	(9)
Net carrying value			
As at 1 January 2007	1,112	19	1,131
As at 31 December 2007	1,119	15	1,134

(Expressed in millions of Renminbi unless otherwise stated)

33 INTANGIBLE ASSETS (continued)

Bank

	Software	Others	Total
Cost/deemed cost			
As at 1 January 2008	2,413	64	2,477
Additions	549	18	567
Disposals	(19)	(30)	(49)
As at 31 December 2008	2,943	52	2,995
Amortisation			
As at 1 January 2008	(1,295)	(44)	(1,339)
Charge for the year	(446)	(7)	(453)
Disposals	19	19	38
As at 31 December 2008	(1,722)	(32)	(1,754)
Allowances for impairment losses			
As at 1 January 2008	(1)	(8)	(9)
Charge for the year	–	–	–
Disposals	–	1	1
As at 31 December 2008	(1)	(7)	(8)
Net carrying value			
As at 1 January 2008	1,117	12	1,129
As at 31 December 2008	1,220	13	1,233

(Expressed in millions of Renminbi unless otherwise stated)

33 INTANGIBLE ASSETS (continued)

Bank (continued)

	Software	Others	Total
Cost/deemed cost			
As at 1 January 2007	2,045	44	2,089
Additions	397	26	423
Disposals	(29)	(6)	(35)
As at 31 December 2007	2,413	64	2,477
Amortisation			
As at 1 January 2007	(936)	(19)	(955)
Charge for the year	(374)	(31)	(405)
Disposals	15	6	21
As at 31 December 2007	(1,295)	(44)	(1,339)
Allowances for impairment losses			
As at 1 January 2007	(1)	(6)	(7)
Charge for the year	—	(2)	(2)
Disposals	—	—	—
As at 31 December 2007	(1)	(8)	(9)
Net carrying value			
As at 1 January 2007	1,108	19	1,127
As at 31 December 2007	1,117	12	1,129

(Expressed in millions of Renminbi unless otherwise stated)

34 GOODWILL

(1) The goodwill arose from the acquisition of CCB Asia on 29 December 2006. Movement of the goodwill during the year is as follows:

	2008	2007
As at 1 January	1,624	1,743
Effect of exchange difference	(97)	(119)
As at 31 December	1,527	1,624

(2) Impairment test for cash-generating unit containing goodwill

The Group calculated the recoverable amount of the CGU using cash flow projections based on financial forecasts approved by management covering a ten-year period. The average growth rate used by the Group is consistent with the forecasts included in industry reports. The discount rate used reflects specific risks relating to the relevant segments.

Key assumptions used for calculations of the recoverable amount of the CGU:

	2008	2007
Growth rate after the ten-year period	5.00%	5.00%
Discount rate	9.00%	9.00%

35 DEFERRED TAX

	Group		Bank	
	2008	2007	2008	2007
Deferred tax assets	7,855	35	8,059	33
Deferred tax liabilities	(5)	(771)	–	(602)
Total	7,850	(736)	8,059	(569)

(Expressed in millions of Renminbi unless otherwise stated)

35 DEFERRED TAX (continued)

(1) Analysed by nature

Group

	2008		2007	
	Deductible/ (taxable) temporary differences	**Deferred tax assets/ (liabilities)**	Deductible/ (taxable) temporary differences	Deferred tax assets/ (liabilities)
Deferred tax assets				
— Fair value adjustments	**(17,618)**	**(4,394)**	99	21
— Allowances for loans and advances to customers	**41,541**	**10,385**	—	—
— Amortisation of debt securities issue costs	**(61)**	**(15)**	—	—
— Others	**7,600**	**1,879**	73	14
Total	**31,462**	**7,855**	172	35

	2008		2007	
	Deductible/ (taxable) temporary differences	**Deferred tax assets/ (liabilities)**	Deductible/ (taxable) temporary differences	Deferred tax assets/ (liabilities)
Deferred tax liabilities				
— Fair value adjustments	**–**	**–**	(28,946)	(7,223)
— Allowances for loans and advances to customers	**–**	**–**	18,240	4,560
— Amortisation of debt securities issue costs	**–**	**–**	(72)	(18)
— Others	**(31)**	**(5)**	7,630	1,910
Total	**(31)**	**(5)**	(3,148)	(771)

(Expressed in millions of Renminbi unless otherwise stated)

35 DEFERRED TAX (continued)

(1) Analysed by nature (continued)

Bank

	2008		2007	
	Deductible/ (taxable) temporary differences	**Deferred tax assets/ (liabilities)**	Deductible/ (taxable) temporary differences	Deferred tax assets/ (liabilities)
Deferred tax assets				
— Fair value adjustments	**(17,672)**	**(4,408)**	99	21
— Allowances for impairment losses for loans and advances to customers	**41,541**	**10,385**	—	—
— Amortisation of debt securities issue costs	**(61)**	**(15)**	—	—
— Others	**10,507**	**2,097**	62	12
Total	**34,315**	**8,059**	161	33

	2008		2007	
	Deductible/ (taxable) temporary differences	**Deferred tax assets/ (liabilities)**	Deductible/ (taxable) temporary differences	Deferred tax assets/ (liabilities)
Deferred tax liabilities				
— Fair value adjustments	**–**	**–**	(28,902)	(7,212)
— Allowances for loans and advances to customers	**–**	**–**	18,240	4,560
— Amortisation of debt securities issue costs	**–**	**–**	(72)	(18)
— Others	**–**	**–**	9,467	2,068
Total	**–**	**–**	(1,267)	(602)

(Expressed in millions of Renminbi unless otherwise stated)

35 DEFERRED TAX (continued)

(2) Movements of deferred tax

Group

	In Mainland China				Overseas		
	Amortisation of debt securities issue costs	Fair value adjustments	Allowances for loans and advances to customers	Others	Fair value adjustments	Others	Deferred tax assets/ (liabilities)
As at 1 January 2008	**(18)**	**(7,234)**	**4,560**	**1,915**	**32**	**9**	**(736)**
Recognised in the income statement	**3**	**1,064**	**5,825**	**(100)**	**–**	**50**	**6,842**
Recognised in equity	**–**	**1,432**	**–**	**–**	**312**	**–**	**1,744**
As at 31 December 2008	**(15)**	**(4,738)**	**10,385**	**1,815**	**344**	**59**	**7,850**
As at 1 January 2007	(27)	645	2,064	–	(25)	19	2,676
Recognised in the income statement	3	(1,740)	2,708	1,915	–	(10)	2,876
Recognised in equity	–	(5,990)	–	–	53	–	(5,937)
Effect of change in tax rate							
– Income statement	6	–	(212)	–	–	–	(206)
– Equity	–	(149)	–	–	4	–	(145)
As at 31 December 2007	(18)	(7,234)	4,560	1,915	32	9	(736)

(Expressed in millions of Renminbi unless otherwise stated)

35 DEFERRED TAX (continued)

(2) Movements of deferred tax (continued)

Bank

	In Mainland China				Overseas		
	Amortisation of debt securities issue costs	Fair value adjustments	Allowances for loans and advances to customers	Others	Fair value adjustments	Others	Deferred tax assets/ (liabilities)
As at 1 January 2008	**(18)**	**(7,223)**	**4,560**	**1,915**	**32**	**165**	**(569)**
Recognised in the income statement	**3**	**1,040**	**5,825**	**(100)**	**–**	**117**	**6,885**
Recognised in equity	**–**	**1,431**	**–**	**–**	**312**	**–**	**1,743**
As at 31 December 2008	**(15)**	**(4,752)**	**10,385**	**1,815**	**344**	**282**	**8,059**
As at 1 January 2007	(27)	645	2,064	–	(25)	–	2,657
Recognised in the income statement	3	(1,729)	2,708	1,915	–	165	3,062
Recognised in equity	–	(5,990)	–	–	53	–	(5,937)
Effect of change in tax rate							
– Income statement	6	–	(212)	–	–	–	(206)
– Equity	–	(149)	–	–	4	–	(145)
As at 31 December 2007	(18)	(7,223)	4,560	1,915	32	165	(569)

The Group and the Bank did not have significant unrecognised deferred taxation at the balance sheet date.

(Expressed in millions of Renminbi unless otherwise stated)

36 OTHER ASSETS

		Group		Bank	
	Note	**2008**	2007	**2008**	2007
Repossessed assets	(1)				
— Buildings		**1,704**	1,729	**1,697**	1,717
— Land		**648**	842	**648**	842
— Others		**552**	755	**552**	755
		2,904	3,326	**2,897**	3,314
Long-term deferred expenses		**339**	351	**338**	345
Receivables from CCBIG	(2)	**—**	—	**14,276**	12,580
Other receivables		**10,783**	13,915	**9,936**	13,067
Leasehold improvements	(3)	**2,468**	—	**2,461**	—
Subtotal		**16,494**	17,592	**29,908**	29,306
Allowances for impairment losses (Note 37)		**(3,686)**	(3,595)	**(3,686)**	(3,595)
Total		**12,808**	13,997	**26,222**	25,711

Notes:

(1) During the year ended 31 December 2008, the original cost of repossessed assets disposed of by the Group amounted to RMB1,230 million (2007: RMB1,315 million). The Group intends to dispose of repossessed assets through various methods including auction, competitive bidding and disposal.

(2) Receivables from CCBIG represent lending to CCBIG, a wholly owned subsidiary, for acquisition of equity investments and capital injection to other subsidiaries. The receivables are unsecured, non-interest bearing and without fixed repayment term.

(3) Leasehold improvements represent costs of leasehold improvements in respect of premises under operating leases where the Group is the lessee. The balance was presented in fixed assets as at 31 December 2007.

(Expressed in millions of Renminbi unless otherwise stated)

37 MOVEMENTS OF ALLOWANCES FOR IMPAIRMENT LOSSES

Group

		2008				
	Note	As at 1 January	Charge for the year/ (Write-back)	Transfer in/(out) (note(2))	Write-offs	As at 31 December
Deposits with banks and non-bank financial institutions	19	33	(6)	–	(6)	21
Placements with banks and non-bank financial institutions	20	495	(98)	–	(145)	252
Financial assets held under resale agreements	23	11	–	–	–	11
Interest receivable	24	19	(18)	–	–	1
Loans and advances to customers	25(3)	88,928	36,246	(8,227)	(6,579)	110,368
Held-to-maturity investments	27	5,042	3,126	(343)	(273)	7,552
Debt securities classified as receivables	28	709	(645)	–	–	64
Fixed assets	31	514	28	–	(19)	523
Long-term lease prepayment	32	159	4	–	(2)	161
Intangible assets	33	9	–	–	(1)	8
Other assets	36	3,595	1,436	–	(1,345)	3,686
Total		99,514	40,073	(8,570)	(8,370)	122,647

Notes:

(1) The impairment losses recognised in the income statement for the year were RMB50,829 million. They represented impairment charge of RMB40,073 million shown in the above table, impairment charge for available-for-sale debt securities of RMB10,622 million and impairment charge for available-for-sale equity investments of RMB134 million.

(2) Transfer in/(out) includes the exchange difference.

(Expressed in millions of Renminbi unless otherwise stated)

37 MOVEMENTS OF ALLOWANCES FOR IMPAIRMENT LOSSES (continued)

Group (continued)

	Note	2007 As at 1 January	Charge for the year/ (Write-back)	Transfer in/(out) (note(2))	Write-offs	As at 31 December
Deposits with banks and non-bank financial institutions	19	113	(13)	–	(67)	33
Placements with banks and non-bank financial institutions	20	796	(3)	–	(298)	495
Financial assets held under resale agreements	23	11	–	–	–	11
Interest receivable	24	19	–	–	–	19
Loans and advances to customers	25(3)	77,633	20,106	(2,366)	(6,445)	88,928
Held-to-maturity investments	27	207	4,853	–	(18)	5,042
Debt securities classified as receivables	28	600	109	–	–	709
Fixed assets	31	511	34	–	(31)	514
Long-term lease prepayment	32	171	–	–	(12)	159
Intangible assets	33	7	2	–	–	9
Other assets	36	5,772	394	–	(2,571)	3,595
Total		85,840	25,482	(2,366)	(9,442)	99,514

(Expressed in millions of Renminbi unless otherwise stated)

37 MOVEMENTS OF ALLOWANCES FOR IMPAIRMENT LOSSES (continued)

Bank

	Note	2008				
		As at 1 January	Charge for the year/ (Write-back)	Transfer in/(out) (note(2))	Write-offs	As at 31 December
Deposits with banks and non-bank financial institutions	19	33	(6)	–	(6)	21
Placements with banks and non-bank financial institutions	20	495	(98)	–	(145)	252
Financial assets held under resale agreements	23	11	–	–	–	11
Interest receivable	24	19	(18)	–	–	1
Loans and advances to customers	25(3)	88,844	36,157	(8,228)	(6,571)	110,202
Held-to-maturity investments	27	5,042	3,126	(343)	(273)	7,552
Debt securities classified as receivables	28	709	(645)	–	–	64
Fixed assets	31	514	28	–	(19)	523
Long-term lease prepayment	32	159	4	–	(2)	161
Intangible assets	33	9	–	–	(1)	8
Other assets	36	3,595	1,435	–	(1,344)	3,686
Total		99,430	39,983	(8,571)	(8,361)	122,481

(Expressed in millions of Renminbi unless otherwise stated)

37 MOVEMENTS OF ALLOWANCES FOR IMPAIRMENT LOSSES (continued)

Bank *(continued)*

		2007				
	Note	As at 1 January	Charge for the year/ (Write-back)	Transfer in/(out) (note(2))	Write-offs	As at 31 December
Deposits with banks and non-bank financial institutions	19	113	(13)	–	(67)	33
Placements with banks and non-bank financial institutions	20	796	(3)	–	(298)	495
Financial assets held under resale agreements	23	11	–	–	–	11
Interest receivable	24	19	–	–	–	19
Loans and advances to customers	25(3)	77,472	20,166	(2,359)	(6,435)	88,844
Held-to-maturity investments	27	207	4,853	–	(18)	5,042
Debt securities classified as receivables	28	600	109	–	–	709
Fixed assets	31	511	34	–	(31)	514
Long-term lease prepayment	32	171	–	–	(12)	159
Intangible assets	33	7	2	–	–	9
Other assets	36	5,772	394	–	(2,571)	3,595
Total		85,679	25,542	(2,359)	(9,432)	99,430

(Expressed in millions of Renminbi unless otherwise stated)

38 AMOUNTS DUE FROM/TO SUBSIDIARIES

Amounts due from subsidiaries of the Bank are analysed by assets category as follows:

	2008	2007
Deposits with banks and non-bank financial institutions	**–**	9
Placements with banks and non-bank financial institutions	**14,441**	17,043
Interest receivable	**98**	111
Loans and advances to customers	**797**	827
Available-for-sale financial assets	**942**	936
Other assets	**14,280**	12,604
Total	**30,558**	31,530

Amounts due to subsidiaries of the Bank are analysed by liabilities category as follows:

	2008	2007
Deposits from banks and non-bank financial institutions	**1,011**	4,885
Placements from banks and non-bank financial institutions	**12,038**	16,195
Deposits from customers	**3,261**	1,448
Interest payable	**49**	87
Debt securities issued	**130**	–
Other liabilities	**2**	468
Total	**16,491**	23,083

(Expressed in millions of Renminbi unless otherwise stated)

39 DEPOSITS FROM BANKS AND NON-BANK FINANCIAL INSTITUTIONS

(1) Analysed by type of counterparty

	Group		Bank	
	2008	2007	**2008**	2007
Deposits in Mainland China				
— Banks	**122,325**	15,670	**122,980**	15,781
— Non-bank financial institutions	**324,289**	499,761	**324,645**	504,525
	446,614	515,431	**447,625**	520,306
Deposits in overseas				
— Banks	**738**	220	**724**	99
— Non-bank financial institutions	**112**	912	**112**	912
	850	1,132	**836**	1,011
Total	**447,464**	516,563	**448,461**	521,317

(2) Analysed by legal form of counterparty

	Group		Bank	
	2008	2007	**2008**	2007
PRC policy banks	**26**	56	**26**	56
PRC state-owned banks and non-bank financial institutions	**130,008**	67,131	**130,008**	67,131
PRC joint-stock banks and non-bank financial institutions	**300,150**	414,359	**300,934**	418,864
Foreign-invested banks and non-bank financial institutions	**17,280**	35,017	**17,493**	35,266
Total	**447,464**	516,563	**448,461**	521,317

(Expressed in millions of Renminbi unless otherwise stated)

40 PLACEMENTS FROM BANKS AND NON-BANK FINANCIAL INSTITUTIONS

(1) Analysed by type of counterparty

	Group		Bank	
	2008	2007	**2008**	2007
Placements in Mainland China				
— Banks	**28,298**	6,127	**28,298**	6,127
— Non-bank financial institutions	**5**	1	**5**	1
	28,303	6,128	**28,303**	6,128
Placements in overseas				
— Banks	**14,760**	24,313	**24,888**	39,654
— Non-bank financial institutions	**45**	483	**—**	483
	14,805	24,796	**24,888**	40,137
Total	**43,108**	30,924	**53,191**	46,265

(2) Analysed by legal form of counterparty

	Group		Bank	
	2008	2007	**2008**	2007
PRC policy banks	**614**	730	**614**	730
PRC state-owned banks and non-bank financial institutions	**3,415**	459	**3,415**	459
PRC joint-stock banks and non-bank financial institutions	**25,619**	4,589	**25,619**	4,589
Foreign-invested banks and non-bank financial institutions	**13,460**	25,146	**23,543**	40,487
Total	**43,108**	30,924	**53,191**	46,265

(Expressed in millions of Renminbi unless otherwise stated)

41 TRADING FINANCIAL LIABILITIES

	Group and Bank	
	2008	2007
Structured deposits	**3,975**	10,809

As at 31 December 2008 and 2007, the trading financial liabilities of the Group and the Bank represented the structured deposits from customers designated at fair value through profit or loss. As at 31 December 2008, the fair value of structured deposits was more than the contractual payables at maturity by RMB27 million (2007: less than by RMB19 million). The amounts of changes in the fair value of the financial liabilities that are attributable to changes in credit risk are considered not significant during the year presented and cumulatively as at 31 December 2008 and 2007.

42 FINANCIAL ASSETS SOLD UNDER REPURCHASE AGREEMENTS

(1) Analysed by type of counterparty

	Group and Bank	
	2008	2007
The PBC	**–**	50,000
In Mainland China		
— Banks	**–**	9,800
— Non-bank financial institutions	**–**	16,300
	–	26,100
Overseas central banks	**864**	967
In overseas		
— Banks	**–**	15,151
— Non-bank financial institutions	**–**	17,323
	–	32,474
Total	**864**	109,541

Collateral for all financial assets sold under repurchase agreements was securities.

(Expressed in millions of Renminbi unless otherwise stated)

42 FINANCIAL ASSETS SOLD UNDER REPURCHASE AGREEMENTS (continued)

(2) Analysed by legal form of counterparty

	Group and Bank	
	2008	2007
The PBC	**–**	50,000
PRC state-owned banks and non-bank financial institutions	**–**	500
PRC joint-stock banks and non-bank financial institutions	**–**	25,600
Foreign-invested banks and non-bank financial institutions	**–**	32,474
Overseas central banks	**864**	967
Total	**864**	109,541

43 DEPOSITS FROM CUSTOMERS

	Group		Bank	
	2008	2007	**2008**	2007
Demand deposits				
— Corporate customers	**2,233,187**	2,130,411	**2,233,497**	2,129,710
— Personal customers	**1,137,114**	1,000,525	**1,132,210**	997,196
	3,370,301	3,130,936	**3,365,707**	3,126,906
Time deposits (including call deposits)				
— Corporate customers	**1,152,126**	858,045	**1,142,678**	847,524
— Personal customers	**1,853,488**	1,340,526	**1,834,600**	1,324,006
	3,005,614	2,198,571	**2,977,278**	2,171,530
Total	**6,375,915**	5,329,507	**6,342,985**	5,298,436

(Expressed in millions of Renminbi unless otherwise stated)

43 DEPOSITS FROM CUSTOMERS (continued)

Deposits from customers include:

	Group 2008	Group 2007	Bank 2008	Bank 2007
(1) Pledged deposits				
— Deposits for acceptance	**88,833**	55,622	**88,833**	55,622
— Deposits for guarantee	**24,141**	16,208	**24,141**	16,208
— Deposits for letter of credit	**11,657**	11,012	**11,657**	11,012
— Others	**35,322**	40,111	**35,535**	40,294
	159,953	122,953	**160,166**	123,136
(2) Outward remittance and remittance payables	**21,287**	29,134	**21,233**	29,134

44 ACCRUED STAFF COSTS

Group

	Note	2008 As at 1 January	2008 Accrued during the year	2008 Payments made	2008 As at 31 December
Salaries, bonuses and allowances		**4,088**	**32,252**	**(28,328)**	**8,012**
Defined contribution retirement schemes		**1,115**	**4,294**	**(4,965)**	**444**
Other social insurance and welfare		**1,619**	**5,813**	**(6,033)**	**1,399**
Housing fund		**104**	**2,612**	**(2,644)**	**72**
Labour union expenses and employee education expenses		**646**	**1,073**	**(984)**	**735**
Supplementary retirement benefits	(1)	**6,159**	**852**	**(455)**	**6,556**
Early retirement benefits	(2)	**8,998**	**360**	**(1,432)**	**7,926**
Staff termination costs		**18**	**45**	**(54)**	**9**
Total		**22,747**	**47,301**	**(44,895)**	**25,153**

(Expressed in millions of Renminbi unless otherwise stated)

44 ACCRUED STAFF COSTS (continued)

Bank

	Note	2008 As at 1 January	2008 Accrued during the year	2008 Payments made	2008 As at 31 December
Salaries, bonuses and allowances		3,859	31,528	(27,676)	7,711
Defined contribution retirement schemes		1,106	4,264	(4,926)	444
Other social insurance and welfare		1,619	5,772	(6,033)	1,358
Housing fund		103	2,605	(2,637)	71
Labour union expenses and employee education expenses		645	1,069	(982)	732
Supplementary retirement benefits	(1)	6,159	852	(455)	6,556
Early retirement benefits	(2)	8,998	360	(1,432)	7,926
Staff termination costs		18	45	(54)	9
Total		22,507	46,495	(44,195)	24,807

(1) Supplementary retirement benefits

The Group's obligations in respect of the supplementary retirement benefits as at the balance sheet date were calculated using the projected unit credit actuarial cost method and reviewed by qualified staff (a member of Society of Actuaries of the United States of America) of an external independent actuary: Towers, Perrin, Forster & Crosby, Inc., Hong Kong.

(a) Breakdown of supplementary retirement benefits is as follows:

	Group and Bank 2008	Group and Bank 2007
Present value of supplementary retirement benefit obligations	6,842	6,588
Unrecognised actuarial losses	(286)	(429)
As at 31 December	6,556	6,159

(Expressed in millions of Renminbi unless otherwise stated)

44 ACCRUED STAFF COSTS (continued)

(1) Supplementary retirement benefits (continued)

(b) Movements of supplementary retirement benefits are as follows:

	Group and Bank	
	2008	2007
As at 1 January	**6,159**	5,889
Payments made	**(455)**	(429)
Expenses recognised in income statement		
— Interest cost	**284**	194
— Past service costs	**568**	505
As at 31 December	**6,556**	6,159

Interest cost was recognised in other general and administrative expenses. Past service costs were recognised in staff costs.

(c) Principal actuarial assumptions as at the balance sheet date:

	Group and Bank	
	2008	2007
Discount rate	**3.00%**	4.50%
Health care cost increases	**7.00%**	7.00%
Average expected future lifetime of eligible employees	**15.2 years**	15.7 years

(Expressed in millions of Renminbi unless otherwise stated)

44 ACCRUED STAFF COSTS (continued)

(2) Early retirement expenses

(a) Movements of early retirement expenses are as follows:

	Group and Bank	
	2008	2007
As at 1 January	**8,998**	—
Payments made	**(1,432)**	—
Expenses recognised in income statement		
— Interest cost	**360**	—
— Past service costs	**—**	8,998
As at 31 December	**7,926**	8,998

Interest cost was recognised in other general and administrative expenses. Past service costs were recognised in staff costs.

(b) Principal actuarial assumptions as at the balance sheet date:

	Group and Bank	
	2008	2007
Discount rate	**1.75%**	4.00%
Early retirement expenses increases	**8.00%**	8.00%
Average expected future lifetime of early retired employees	**4.8 years**	5.7 years

(3) The Group and the Bank had no overdue balance of accrued staff costs as at the balance sheet date.

(Expressed in millions of Renminbi unless otherwise stated)

45 TAXES PAYABLE

	Group		Bank	
	2008	2007	**2008**	2007
Income tax	**29,777**	28,022	**29,558**	27,878
Business tax and surcharges	**4,706**	4,175	**4,698**	4,162
Others	**1,055**	1,317	**1,054**	1,317
Total	**35,538**	33,514	**35,310**	33,357

46 INTEREST PAYABLE

	Group		Bank	
	2008	2007	**2008**	2007
Deposits from banks and non-bank financial institutions	**1,059**	292	**1,057**	292
Placements from banks and non-bank financial institutions	**180**	215	**224**	283
Financial assets sold under repurchase agreements	**3**	100	**3**	100
Deposits from customers	**57,743**	37,460	**57,665**	37,360
Debt securities issued	**553**	522	**553**	522
Others	**157**	313	**150**	313
Total	**59,695**	38,902	**59,652**	38,870

47 PROVISIONS

	Group and Bank	
	2008	2007
Litigation provisions	**1,117**	1,309
Others	**689**	347
Total	**1,806**	1,656

(Expressed in millions of Renminbi unless otherwise stated)

48 DEBT SECURITIES ISSUED

		Group		Bank	
	Note	**2008**	2007	**2008**	2007
Certificates of deposit issued	(1)	**11,017**	9,284	**9,608**	8,347
Subordinated bonds issued	(2)	**39,939**	39,928	**39,939**	39,928
Bonds issued	(3)	**2,854**	—	**2,984**	—
Total		**53,810**	49,212	**52,531**	48,275

Notes:

(1) Certificates of deposit were mainly issued by the branch of the Bank and CCB Asia in Hong Kong and recognised at amortised cost.

(2) The carrying value of the Group and the Bank's subordinated bonds issued upon the approval of the PBC and the CBRC is as follows:

		Group and Bank	
	Note	**2008**	2007
4.87% subordinated fixed rate bonds maturing in August 2014	(a)	**11,140**	11,140
Subordinated floating rate bonds maturing in August 2014	(b)	**3,860**	3,860
4.95% subordinated fixed rate bonds maturing in September 2014	(c)	**8,300**	8,300
Subordinated floating rate bonds maturing in December 2014	(d)	**6,078**	6,078
4.95% subordinated fixed rate bonds maturing in December 2014	(e)	**10,622**	10,622
Total nominal value		**40,000**	40,000
Less: Unamortised issuance cost		**(61)**	(72)
Carrying value as at 31 December		**39,939**	39,928

Notes:

(a) The interest rate per annum on the subordinated fixed rate bonds issued in August 2004 is 4.87%. The Group has an option to redeem the bonds on 1 August 2009. If they are not redeemed by the Group, the interest rate of the bonds will increase to 7.67% per annum from 1 August 2009 for the next five years.

(b) The interest rate per annum on the subordinated floating rate bonds issued in August 2004 is reset annually based on the PBC one-year fixed deposit rate, plus an interest margin of 2.00%. The Group has an option to redeem the bonds on 1 August 2009. If they are not redeemed by the Group, the interest margin of the bonds will increase to 2.75% per annum from 1 August 2009 for the next five years.

(Expressed in millions of Renminbi unless otherwise stated)

48 DEBT SECURITIES ISSUED (continued)

(2) Notes: (continued)

(c) The interest rate per annum on the subordinated fixed rate bonds issued in September 2004 is 4.95%. The Group has an option to redeem the bonds on 22 September 2009. If they are not redeemed by the Group, the interest rate will increase to 7.95% per annum from 22 September 2009 for the next five years.

(d) The interest rate per annum on the subordinated floating rate bonds issued in December 2004, which is reset every six months, is determined as the weighted seven-day repo rate quoted in the PRC inter-bank money market plus an interest margin of 2.00%. The Group has an option to redeem the bonds on 27 December 2009. If they are not redeemed by the Group, the interest margin will increase to 3.00% per annum from 27 December 2009 for the next five years.

(e) The interest rate per annum on the subordinated fixed rate bonds issued in December 2004 is 4.95%. The Group has an option to redeem the bonds on 27 December 2009. If they are not redeemed by the Group, the interest rate will increase to 7.95% per annum from 27 December 2009 for the next five years.

(3) Bonds issued

	Group		Bank	
	2008	2007	**2008**	2007
3.24% fixed rate RMB bonds	**2,870**	–	**3,000**	–
Less: Unamortised issuance cost	**(16)**	–	**(16)**	–
Carrying value as at 31 December	**2,854**	–	**2,984**	–

The above fixed rate RMB bonds were issued on 11 September 2008 and will mature on 11 September 2010.

49 OTHER LIABILITIES

	Group		Bank	
	2008	2007	**2008**	2007
Payables to China Jianyin Investment Limited ("Jianyin")	**57**	6,471	**57**	6,471
Dormant accounts	**4,379**	4,679	**4,379**	4,679
Securities underwriting and redemption payable	**3,616**	1,951	**3,616**	1,951
Payment and collection clearance account	**592**	1,027	**592**	1,027
Settlement accounts	**498**	602	**437**	205
Others	**12,844**	9,062	**12,240**	8,739
Total	**21,986**	23,792	**21,321**	23,072

(Expressed in millions of Renminbi unless otherwise stated)

50 SHARE CAPITAL

(1) Structure of shareholding

	Group and Bank	
	2008	2007
Listed in Hong Kong (H Share)	**224,689**	224,689
Listed in Mainland China (A Share)	**9,000**	9,000
Total	**233,689**	233,689

(2) Movements of share capital

	Group and Bank	
	2008	2007
As at 1 January	**233,689**	224,689
Shares issued	**–**	9,000
As at 31 December	**233,689**	233,689

On 25 September 2007, a total of 9,000 million A shares with a par value of RMB1 each were issued by the Bank at a subscription price of RMB6.45 per share.

All H and A shares are ordinary shares and rank pari passu with the same rights and benefits.

51 CAPITAL RESERVE

	Group and Bank	
	2008	2007
Share premium	**90,210**	90,210
Others	**31**	31
Total	**90,241**	90,241

Share premium was the amount arising from the issue of shares at prices in excess of their par value.

(Expressed in millions of Renminbi unless otherwise stated)

52 INVESTMENT REVALUATION RESERVE

The changes in fair value of available-for-sale financial assets were recognised in "investment revaluation reserve". Movements of investment revaluation reserve are as follows:

Group

	2008		
	Gross amount	Tax effect	Net effect
As at 1 January	21,886	(5,478)	16,408
Amounts directly recognised in equity			
— Changes in fair value of available-for-sale equity investments	(18,234)	4,558	(13,676)
— Changes in fair value of available-for-sale debt securities	(762)	186	(576)
	(18,996)	4,744	(14,252)
Amounts transferred to income statement			
— Impairment losses of available-for-sale debt securities	10,622	(2,655)	7,967
— Changes in fair value of available-for-sale debt securities sold	247	(62)	185
— Amortisation of changes in fair value of investments reclassified from available-for-sale to held-to-maturity	1,131	(283)	848
	12,000	(3,000)	9,000
As at 31 December	14,890	(3,734)	11,156

(Expressed in millions of Renminbi unless otherwise stated)

52 INVESTMENT REVALUATION RESERVE (continued)

Group (continued)

	2007		
	Gross amount	Tax effect	Net effect
As at 1 January	(1,830)	604	(1,226)
Amounts directly recognised in equity			
— Changes in fair value of available-for-sale equity investments	26,028	(6,507)	19,521
— Changes in fair value of available-for-sale debt securities	(4,826)	1,204	(3,622)
	21,202	(5,303)	15,899
Amounts transferred to income statement			
— Impairment losses of available-for-sale debt securities	1,831	(458)	1,373
— Changes in fair value of available-for-sale debt securities sold	79	(26)	53
— Amortisation of changes in fair value of investments reclassified from available-for-sale to held-to-maturity	604	(150)	454
	2,514	(634)	1,880
Effect of change in tax rate	—	(145)	(145)
As at 31 December	21,886	(5,478)	16,408

(Expressed in millions of Renminbi unless otherwise stated)

52 INVESTMENT REVALUATION RESERVE (continued)

Bank

	2008		
	Gross amount	**Tax effect**	**Net effect**
As at 1 January	21,855	(5,467)	16,388
Amounts directly recognised in equity			
— Changes in fair value of available-for-sale equity investments	(18,231)	4,557	(13,674)
— Changes in fair value of available-for-sale debt securities	(762)	186	(576)
	(18,993)	4,743	(14,250)
Amounts transferred to income statement			
— Impairment losses of available-for-sale debt securities	10,622	(2,655)	7,967
— Changes in fair value of available-for-sale debt securities sold	247	(62)	185
— Amortisation of changes in fair value of investments reclassified from available-for-sale to held-to-maturity	1,131	(283)	848
	12,000	(3,000)	9,000
As at 31 December	14,862	(3,724)	11,138

(Expressed in millions of Renminbi unless otherwise stated)

52 INVESTMENT REVALUATION RESERVE (continued)

Bank (continued)

	2007		
	Gross amount	Tax effect	Net effect
As at 1 January	(1,863)	615	(1,248)
Amounts directly recognised in equity			
— Changes in fair value of available-for-sale equity investments	26,028	(6,507)	19,521
— Changes in fair value of available-for-sale debt securities	(4,824)	1,204	(3,620)
	21,204	(5,303)	15,901
Amounts transferred to income statement			
— Impairment losses of available-for-sale debt securities	1,831	(458)	1,373
— Changes in fair value of available-for-sale debt securities sold	79	(26)	53
— Amortisation of changes in fair value of investments reclassified from available-for-sale to held-to-maturity	604	(150)	454
	2,514	(634)	1,880
Effect of change in tax rate	—	(145)	(145)
As at 31 December	21,855	(5,467)	16,388

53 SURPLUS RESERVE

Surplus reserves consist of statutory surplus reserve fund and discretionary surplus reserve fund.

The Bank is required to allocate 10% of its net profit, as determined under the Accounting Standards for Business Enterprises and other relevant requirements issued by the MOF ("PRC GAAP"), to the statutory surplus reserve fund until the reserve fund balance reaches 50% of its registered capital. After making appropriations to the statutory surplus reserve fund, the Bank may also allocate its net profit to the discretionary surplus reserve fund upon approval by shareholders in general meeting.

(Expressed in millions of Renminbi unless otherwise stated)

54 GENERAL RESERVE

The general reserve of the Group and the Bank at balance sheet date is set up based upon the requirements of:

		Group		Bank	
	Note	2008	2007	2008	2007
MOF	(1)	46,093	31,093	46,093	31,093
Hong Kong Banking Ordinance	(2)	476	422	105	105
Other regulatory bodies in Mainland China	(3)	56	30	–	–
Other overseas regulatory bodies		3	3	2	2
As at 31 December		46,628	31,548	46,200	31,200

Notes:

(1) General reserve set up under the requirements of MOF

Pursuant to notices, the "Measures for Administering the Withdrawal of Reserves for Non-performing Debts by Financial Enterprises" (Cai Jin [2005] No. 49) issued by the MOF on 17 May 2005 and the "Application Guidance of Financing Measures for Financial Institutions" (Cai Jin [2007] No. 23) issued by the MOF on 30 March 2007, banks and certain non-bank financial institutions in Mainland China are required to set aside a general reserve to cover potential losses against their assets. The provision ratio for the general reserve is determined by financial institutions, with reference to the confronted risk factors. In principle, the general reserve balance should not be lower than 1% of the ending balance of gross risk-bearing assets. The general reserve forms part of the equity of the financial institution, and transfers to it are made through appropriations of profit after tax.

The MOF issued another notice, the "Answers to the Questions on Impairment Loss on Loans (Cai Jin [2005] No. 90), on 5 September 2005. This notice requires financial institutions to set aside the required general reserve within a transitional period of approximately three years, but no more than five years, from 1 July 2005. Management considers that the Bank has complied with the above requirements as of 31 December 2008.

(2) General reserve set up under requirements of the Hong Kong Banking Ordinance

Paragraph 9 of the Seventh Schedule to the Hong Kong Banking Ordinance requires the Group's banking operations in Hong Kong to set aside amounts in a regulatory reserve in respect of losses which it will, or may, incur on loans and advances to customers, in addition to impairment losses recognised in accordance with the accounting policies of the Group. Transfers to and from the regulatory reserve are made through retained earnings.

(3) Regulatory reserve set up under requirements of other regulatory bodies in Mainland China

Pursuant to the relevant regulatory requirements in Mainland China, the Bank's subsidiary is required to appropriate a certain amount of its net profit as general reserve.

(Expressed in millions of Renminbi unless otherwise stated)

55 PROFIT DISTRIBUTION

(1) Cash dividends payable to shareholders of the Bank attributable to the year

	Note	2008	2007
Interim cash dividend declared of RMB0.1105 per ordinary share (2007: RMB0.067 per ordinary share)	(b), (d)	25,823	15,054
Special cash dividend declared of RMB0.072716 per ordinary share	(d)	–	16,339
Final cash dividend proposed of RMB0.0837 per ordinary share (2007: RMB0.065 per ordinary share)	(a), (c)	19,560	15,190
Total		45,383	46,583

Notes:

(a) Final profit distribution in 2008

In the meeting of board of directors held on 27 March 2009, the directors approved the following profit distributions for the six months from 1 July 2008 to 31 December 2008:

— The Bank appropriated 10% of its profit after tax for the six months from 1 July 2008 to 31 December 2008 to the statutory surplus reserve fund; and

— The Bank appropriated final dividend RMB0.0837 per share and in aggregation amount of RMB19,560 million, based on its profit after tax for the six months from 1 July 2008 to 31 December 2008, to its shareholders as at the relevant record date in the form of a cash dividend. The final cash dividends and the interim dividends already paid amount to a total of RMB45,383 million, representing 50% of the net profit of the Bank for year 2008.

The above profit distribution is to be approved in the General Meeting held on 11 June 2008.

(b) Interim profit distribution in 2008

In the meeting of board of directors held on 24 October 2008, which was authorised by the General Meeting of the Bank, the directors approved the following profit distributions for the six months ended 30 June 2008:

— The Bank appropriated 10% of its profit after tax for the six months ended 30 June 2008 to the statutory surplus reserve fund; and

— The Bank appropriated 45% of its profit after tax for the six months ended 30 June 2008, RMB0.1105 per share and in aggregation amount of RMB25,823 million, to its shareholders as at the relevant record date in the form of a cash dividend.

(Expressed in millions of Renminbi unless otherwise stated)

55 PROFIT DISTRIBUTION (continued)

(1) Cash dividends payable to shareholders of the Bank attributable to the year (continued)

Notes: (continued)

(c) Final profit distribution in 2007

In the Annual General Meeting held on 12 June 2008, the shareholders approved the profit distribution for the six months from 1 July 2007 to 31 December 2007:

— The Bank appropriated 10% of its profit after tax for the six months from 1 July 2007 to 31 December 2007 to the statutory surplus reserve fund;

— The Bank appropriated 45% of its profit after tax for the six months from 1 July 2007 to 31 December 2007, RMB0.065 per share and in aggregation amount of RMB15,190 million, to its shareholders as at the relevant record date in the form of a cash dividend; and

— The profit after tax for the six months from 1 July 2007 to 31 December 2007, less the appropriations to statutory surplus reserve fund and the cash dividend, was appropriated to the general reserve.

(d) Interim profit distribution in 2007

In the Annual General Meeting held on 13 June 2007, the shareholders approved the following profit distributions for the six months ended 30 June 2007:

— The Bank appropriated 10% of its profit after tax for the six months ended 30 June 2007 to the statutory surplus reserve fund; and

— The Bank appropriated 45% of its profit after tax for the six months ended 30 June 2007, RMB0.067 per share and in aggregation amount of RMB15,054 million, to its shareholders as at the relevant record date in the form of a cash dividend.

In addition to the interim dividend in 2007, in the Extraordinary General Meeting held on 23 August 2007, the shareholders approved the distribution of all the accumulated undistributed profits of the Bank as at 30 June 2007 (after the 2007 interim dividend distribution as disclosed above) to all shareholders prior to the issuance of its A shares. The above special cash dividend was RMB0.072716 per share with an aggregate amount of RMB16,339 million.

(2) Dividends payable to shareholders of the Bank attributable to the previous year, approved and paid during the year

	Group and Bank	
	2008	2007
Final cash dividend of RMB0.065 per ordinary share (2007: RMB0.092 per ordinary share)	**15,190**	20,671

56 DISTRIBUTABILITY OF RESERVES

As at 31 December 2008, the aggregate amount of reserves available for distribution to shareholders of the Bank was RMB55,867 million (2007: RMB30,190 million).

(Expressed in millions of Renminbi unless otherwise stated)

57 PROFIT ATTRIBUTABLE TO SHAREHOLDERS OF THE BANK

The consolidated profit attributable to shareholders of the Bank includes a profit of RMB90,767 million (2007: RMB67,117 million) which has been dealt with in the financial statements of the Bank.

58 NOTES TO CONSOLIDATED CASH FLOW STATEMENT

(1) Cash and cash equivalents

	2008	2007
Cash	34,313	32,240
Surplus deposit reserves with central banks	277,981	74,938
Demand deposits with banks and non-bank financial institutions	24,560	16,386
Deposits with banks and non-bank financial institutions with original maturity with or within three months	5,201	3,749
Placements with banks and non-bank financial institutions with original maturity with or within three months	13,756	53,195
Total	355,811	180,508

(2) Acquisition of subsidiaries, associate and jointly controlled entity

In 2008, the Bank and BSHG paid cash of RMB638 million and an amount equivalent of RMB212 million respectively as the additional capital contribution to Sino-German respectively.

In 2008, the Bank paid cash of RMB26 million to acquire 51% of Taojiang Rural.

In 2008, the Group increased investments in associate and jointly controlled entity of RMB682 million, primarily acquiring the issued share capital of DSL for RMB680 million.

(3) Disposal of subsidiary

In 2008, the Group's subsidiary CCBI disposed of a portion of its subsidiary's share capital for RMB38 million.

(4) Dividend paid

Among the cash used to distribute dividends by the Group, the subsidiaries paid RMB23 million to minority shareholders for the year ended 31 December 2008 (2007: Nil).

59 SEGMENT REPORTING

The Group managed its business both by business segments and geographical segments. Accordingly, both business and geographical segment information is presented as the Group's primary segment reporting formats.

Measurement of segment assets and liabilities and segment income and results is based on the Group's accounting policies.

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

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. Segment income, results, assets, and liabilities are determined before intra-group balances and intra-group transactions are eliminated as part of the consolidation process. Segment capital expenditure is the total cost incurred during the period to acquire fixed assets, intangible assets and other long-term assets.

(1) Business segments

The Group comprises the following main business segments:

Corporate banking

This segment represents the provision of a range of financial products and services to corporations, government agencies and financial institutions. The products and services include corporate loans, trade financing, deposit taking activities, agency services, financial consulting and advisory services, cash management services, remittance and settlement services, custody services and guarantee services, etc.

Personal banking

This segment represents the provision of a range of financial products and services to individual customers. The products and services comprise personal loans, deposit taking activities, card business, personal wealth management services, remittance services and securities agency services, etc.

59 SEGMENT REPORTING (continued)

(1) Business segments (continued)

Treasury business

This segment covers the Group's treasury operations. The treasury enters into inter-bank money market transactions, repurchase and resale transactions, and invests in debt securities. It also trades in derivatives and foreign currency for its own account. The treasury carries out customer-driven derivatives, foreign currency and precious metal trading. Its function also includes the management of the Group's overall liquidity position, including the issuance of debt securities.

Others and unallocated

These represent equity investments and the revenues, results, assets and liabilities that are not directly attributable to a segment or cannot be allocated on a reasonable basis.

(Expressed in millions of Renminbi unless otherwise stated)

59 SEGMENT REPORTING (continued)

(1) Business segments (continued)

	2008					
	Corporate banking	Personal banking	Treasury business	Others and unallocated	Elimination	Total
External net interest income/(expenses)	148,357	(18,076)	92,651	1,988	–	224,920
Internal net interest (expenses)/income	(22,347)	76,493	(52,023)	(2,123)	–	–
Net interest income/(expense)	126,010	58,417	40,628	(135)	–	224,920
Net fee and commission income	15,350	15,286	7,085	725	–	38,446
Net trading gain	138	293	1,489	1,293	–	3,213
Dividend income	–	–	–	150	–	150
Net (loss)/income arising from investment securities	–	–	(4,166)	1,914	–	(2,252)
Other net operating income	578	577	2,330	1,785	–	5,270
Operating income	142,076	74,573	47,366	5,732	–	269,747
Operating expenses	(42,824)	(49,742)	(2,857)	(3,770)	–	(99,193)
Impairment losses	(31,884)	(4,582)	(12,999)	(1,364)	–	(50,829)
Share of profit in associate and jointly controlled entity	–	–	–	16	–	16
Profit before tax	67,368	20,249	31,510	614	–	119,741
Capital expenditure	5,905	11,038	887	41	–	17,871
Depreciation and amortisation	3,061	5,723	460	107	–	9,351
Segment assets	3,214,610	863,351	3,358,278	–	(32,717)	7,403,522
Interests in associate and jointly controlled entity	–	–	–	1,728	–	1,728
Unallocated assets	–	–	–	150,202	–	150,202
Total assets	3,214,610	863,351	3,358,278	151,930	(32,717)	7,555,452
Segment liabilities	3,431,049	3,426,013	70,789	–	(32,717)	6,895,134
Unallocated liabilities	–	–	–	192,756	–	192,756
Total liabilities	3,431,049	3,426,013	70,789	192,756	(32,717)	7,087,890
Off-balance sheet credit commitments	1,168,055	182,425	–	–	–	1,350,480

(Expressed in millions of Renminbi unless otherwise stated)

59 SEGMENT REPORTING (continued)

(1) Business segments (continued)

	2007					
	Corporate banking	Personal banking	Treasury business	Others and unallocated	Elimination	Total
External net interest income/(expenses)	120,508	(4,261)	74,595	1,933	–	192,775
Internal net interest (expenses)/income	(11,096)	57,219	(45,018)	(1,105)	–	–
Net interest income	109,412	52,958	29,577	828	–	192,775
Net fee and commission income	7,471	20,344	2,750	748	–	31,313
Net trading gain	4	97	345	751	–	1,197
Dividend income	–	–	–	343	–	343
Net income arising from investment securities	–	–	318	980	–	1,298
Other net operating income/(loss)	174	42	(7,873)	1,448	–	(6,209)
Operating income	117,061	73,441	25,117	5,098	–	220,717
Operating expenses	(37,787)	(44,799)	(5,015)	(4,726)	–	(92,327)
Impairment losses	(17,883)	(2,496)	(6,755)	(461)	–	(27,595)
Share of profit in associate and jointly controlled entity	–	–	–	21	–	21
Profit/(loss) before tax	61,391	26,146	13,347	(68)	–	100,816
Capital expenditure	4,656	7,346	769	153	–	12,924
Depreciation and amortisation	2,827	4,460	467	93	–	7,847
Segment assets	2,748,782	786,851	2,960,545	–	(30,786)	6,465,392
Interests in associate and jointly controlled entity	–	–	–	1,099	–	1,099
Unallocated assets	–	–	–	131,686	–	131,686
Total assets	2,748,782	786,851	2,960,545	132,785	(30,786)	6,598,177
Segment liabilities	3,218,771	2,673,979	178,398	–	(30,786)	6,040,362
Unallocated liabilities	–	–	–	135,534	–	135,534
Total liabilities	3,218,771	2,673,979	178,398	135,534	(30,786)	6,175,896
Off-balance sheet credit commitments	861,646	107,913	–	–	–	969,559

59 SEGMENT REPORTING (continued)

(2) Geographical segments

The Group operates principally in Mainland China with branches covering all provinces, autonomous regions and municipalities directly under the central government, and several subsidiaries located in Mainland China. The Group also has bank branch operations in Hong Kong, Singapore, Frankfurt, Johannesburg, Tokyo, and Seoul, and certain subsidiaries operating in Hong Kong.

In presenting information on the basis of geographical segments, operating income is allocated based on the location of the branches and subsidiaries that generate the income. Segment assets and capital expenditure are allocated based on the geographical location of the underlying assets.

Geographical segments, as defined for management reporting purposes, are as follows:

— "Yangtze River Delta" refers to the following areas serviced by the tier-1 branches of the Bank: Shanghai Municipality, Jiangsu Province, Zhejiang Province, City of Ningbo and City of Suzhou;

— "Pearl River Delta" refers to the following areas serviced by the tier-1 branches of the Bank: Guangdong Province, City of Shenzhen, Fujian Province and City of Xiamen;

— "Bohai Rim" refers to the following areas serviced by the subsidiaries and tier-1 branches of the Bank: Beijing Municipality, Shandong Province, Tianjin Municipality, Hebei Province and City of Qingdao;

— the "Central" region refers to the following areas serviced by the subsidiary and tier-1 branches of the Bank: Shanxi Province, Guangxi Autonomous Region, Hubei Province, Henan Province, Hunan Province, Jiangxi Province, Hainan Province, Anhui Province and the Three Gorges Area;

— the "Western" region refers to the following areas serviced by the tier-1 branches of the Bank: Sichuan Province, Chongqing Municipality, Guizhou Province, Yunnan Province, Tibet Autonomous Region, Inner Mongolia Autonomous Region, Shaanxi Province, Gansu Province, Qinghai Province, Ningxia Autonomous Region and Xinjiang Autonomous Region; and

— the "Northeastern" region refers to the following areas serviced by the tier-1 branches of the Bank: Liaoning Province, Jilin Province, Heilongjiang Province and City of Dalian.

(Expressed in millions of Renminbi unless otherwise stated)

59 SEGMENT REPORTING (continued)

(2) Geographical segments (continued)

	2008									
	Yangtze River Delta	Pearl River Delta	Bohai Rim	Central	Western	North Eastern	Head Office	Overseas	Elimination	Total
External net interest income	37,756	17,097	19,940	21,850	24,064	5,949	95,727	2,537	–	224,920
Internal net interest income/(expenses)	6,770	11,327	13,847	10,276	7,913	6,285	(56,222)	(196)	–	–
Net interest income	44,526	28,424	33,787	32,126	31,977	12,234	39,505	2,341	–	224,920
Net fee and commission income	9,758	6,237	6,405	5,911	5,150	2,299	2,326	360	–	38,446
Net trading gain	311	360	158	45	128	63	779	1,369	–	3,213
Dividend income	5	–	35	23	5	–	63	19	–	150
Net income/(loss) arising from investment securities	83	22	497	324	117	104	(3,543)	144	–	(2,252)
Other net operating income	402	270	461	516	529	203	2,432	457	–	5,270
Operating income	55,085	35,313	41,343	38,945	37,906	14,903	41,562	4,690	–	269,747
Operating expenses	(19,083)	(13,324)	(15,729)	(16,776)	(16,519)	(7,116)	(9,223)	(1,423)	–	(99,193)
Impairment losses	(6,484)	(4,128)	(7,034)	(6,387)	(9,549)	(2,353)	(13,944)	(950)	–	(50,829)
Share of profit in associate and jointly controlled entity	–	–	–	–	–	–	–	16	–	16
Profit before tax	29,518	17,861	18,580	15,782	11,838	5,434	18,395	2,333	–	119,741
Capital expenditure	2,843	1,984	2,421	3,186	2,752	1,376	2,933	376	–	17,871
Depreciation and amortisation	1,685	1,169	1,429	1,615	1,412	680	1,293	68	–	9,351
Segment assets	1,468,824	1,074,866	1,369,934	1,157,174	1,170,334	507,337	3,523,723	119,865	(2,846,188)	7,545,869
Interests in associate and jointly controlled entity	–	–	–	–	–	–	–	1,728	–	1,728
	1,468,824	1,074,866	1,369,934	1,157,174	1,170,334	507,337	3,523,723	121,593	(2,846,188)	7,547,597
Unallocated assets										7,855
Total assets										7,555,452
Segment liabilities	1,466,440	1,074,054	1,367,662	1,158,073	1,173,707	507,936	3,064,993	121,208	(2,846,188)	7,087,885
Unallocated liabilities										5
Total liabilities										7,087,890
Off-balance sheet credit commitments	386,800	193,746	284,558	172,079	186,488	89,428	15,936	21,445	–	1,350,480

(Expressed in millions of Renminbi unless otherwise stated)

59 SEGMENT REPORTING (continued)

(2) Geographical segments (continued)

	2007									
	Yangtze River Delta	Pearl River Delta	Bohai Rim	Central	Western	North Eastern	Head Office	Overseas	Elimination	Total
External net interest income	32,260	15,108	19,267	18,805	20,670	5,712	78,295	2,658	–	192,775
Internal net interest income/(expenses)	6,499	9,054	10,024	8,070	6,001	4,922	(43,616)	(954)	–	–
Net interest income	38,759	24,162	29,291	26,875	26,671	10,634	34,679	1,704	–	192,775
Net fee and commission income	5,921	5,147	5,578	5,276	4,836	2,426	1,602	527	–	31,313
Net trading gain/(loss)	102	87	96	33	29	33	(49)	866	–	1,197
Dividend income	2	–	71	103	38	3	119	7	–	343
Net income/(loss) arising from investment securities	44	162	342	143	159	139	310	(1)	–	1,298
Other net operating income/(loss)	224	235	223	357	348	116	(8,468)	756	–	(6,209)
Operating income	45,052	29,793	35,601	32,787	32,081	13,351	28,193	3,859	–	220,717
Operating expenses	(15,440)	(11,108)	(12,919)	(14,443)	(13,754)	(6,177)	(17,267)	(1,219)	–	(92,327)
Impairment losses	(3,678)	(3,738)	(5,762)	(2,885)	(2,980)	(2,034)	(6,356)	(162)	–	(27,595)
Share of profit in associate and jointly controlled entity	–	–	–	–	–	–	–	21	–	21
Profit before tax	25,934	14,947	16,920	15,459	15,347	5,140	4,570	2,499	–	100,816
Capital expenditure	2,249	1,579	2,353	2,049	2,028	983	1,513	170	–	12,924
Depreciation and amortisation	1,486	1,040	1,178	1,395	1,194	562	944	48	–	7,847
Segment assets	1,308,774	952,276	1,172,087	968,641	917,902	436,686	3,091,749	102,812	(2,353,884)	6,597,043
Interests in associate and jointly controlled entity	–	–	–	–	–	–	–	1,099	–	1,099
	1,308,774	952,276	1,172,087	968,641	917,902	436,686	3,091,749	103,911	(2,353,884)	6,598,142
Unallocated assets										35
Total assets										6,598,177
Segment liabilities	1,305,366	950,489	1,166,755	968,695	917,340	437,124	2,677,440	105,800	(2,353,884)	6,175,125
Unallocated liabilities										771
Total liabilities										6,175,896
Off-balance sheet credit commitments	268,705	134,329	215,944	130,146	131,331	47,022	14,224	27,858	–	969,559

(Expressed in millions of Renminbi unless otherwise stated)

60 ENTRUSTED LENDING BUSINESS

At the balance sheet date, the entrusted loans and funds were as follows:

	Group and Bank	
	2008	2007
Entrusted loans	469,478	382,761
Entrusted funds	469,478	382,761

61 PLEDGED ASSETS

(1) Assets pledged as security

	Group and Bank	
	2008	2007
Secured liabilities	864	109,541

(a) Carrying value of pledged assets analysed by asset type

	Group and Bank	
	2008	2007
Government bonds	859	90,466
Corporate bonds	81	1,503
Policy bank bonds	—	17,828
Public sector bonds	750	—
Other financial bonds	3,180	—
Total	4,870	109,797

(Expressed in millions of Renminbi unless otherwise stated)

61 PLEDGED ASSETS (continued)

(1) Assets pledged as security (continued)

(b) Carrying value of pledged assets analysed by balance sheet classification

	Group and Bank	
	2008	2007
Available-for-sale financial assets	**2,886**	17,950
Held-to-maturity investments	**1,984**	87,127
Loans and advances to customers	**–**	4,720
Total	**4,870**	109,797

The related secured liabilities are recorded as "financial assets sold under repurchase agreements". These transactions are conducted under usual and customary terms of placements.

(2) Collateral accepted as securities for assets

The Group conducts resale agreements under usual and customary terms of placements, and holds collateral for these transactions. As at 31 December 2008 and 2007, the Group did not hold for resale agreements any collateral which it was permitted to sell or repledge in the absence of default for the transactions.

(Expressed in millions of Renminbi unless otherwise stated)

62 COMMITMENTS AND CONTINGENT LIABILITIES

(1) Credit commitments

Credit commitments take the form of approved loans with signed contracts and credit card limits. The Group also provides financial guarantees and letters of credit to guarantee the performance of customers to third parties. The Group assesses and makes allowance for any probable losses accordingly.

The contractual amounts of loans and credit card commitments represent the amounts should the contracts be fully drawn upon. The amounts of guarantees and letters of credit represent the maximum potential loss that would be recognised if counterparties failed completely to perform as contracted. Acceptances comprise undertakings by the Group to pay bills of exchange drawn on customers. The Group expects most acceptances to be settled simultaneously with the reimbursement from the customers.

As the facilities may expire without being drawn upon, the total of the contractual amounts set out in the following table is not representative of expected future cash outflows.

	Group		Bank	
	2008	2007	**2008**	2007
Loan commitments				
— with an original maturity under one year	**47,941**	53,973	**44,028**	50,316
— with an original maturity of one year or over	**259,904**	213,543	**259,880**	213,541
Credit card commitments	**174,714**	99,086	**174,714**	99,086
	482,559	366,602	**478,622**	362,943
Bank acceptances	**219,603**	143,166	**219,487**	143,166
Financing guarantees	**182,518**	124,772	**181,979**	124,164
Performance guarantees	**362,668**	246,135	**362,632**	246,118
Sight letters of credit	**36,386**	34,486	**36,386**	33,874
Usance letters of credit	**35,110**	45,156	**37,499**	45,156
Others	**31,636**	9,242	**31,580**	9,144
Total	**1,350,480**	969,559	**1,348,185**	964,565

(Expressed in millions of Renminbi unless otherwise stated)

62 COMMITMENTS AND CONTINGENT LIABILITIES (continued)

(2) Credit risk-weighted amount

The credit risk-weighted amount refers to the amount as computed in accordance with the rules set out by the CBRC and depends on the status of the counterparty and the maturity characteristics. The risk weights used range from 0% to 100% of contingent liabilities and commitments.

	Group		Bank	
	2008	2007	**2008**	2007
Credit risk-weighted amount of contingent liabilities and commitments	**660,982**	479,813	**660,849**	479,124

(3) Operating lease commitments

The Group and the Bank lease certain property and equipment under operating leases, which typically run for an initial period of one to five years and may include an option to renew the lease when all terms are renegotiated. None of the leases includes contingent rentals. At the balance sheet date, the future minimum lease payments under non-cancellable operating leases for property and equipment were as follows:

	Group		Bank	
	2008	2007	**2008**	2007
Within one year	**2,458**	1,838	**2,300**	1,718
After one year but within two years	**2,018**	1,444	**1,879**	1,371
After two years but within three years	**1,571**	1,282	**1,501**	1,223
After three years but within five years	**2,150**	1,616	**2,066**	1,519
After five years	**1,345**	1,437	**1,315**	1,215
Total	**9,542**	7,617	**9,061**	7,046

(Expressed in millions of Renminbi unless otherwise stated)

62 COMMITMENTS AND CONTINGENT LIABILITIES (continued)

(4) Capital commitments

At the balance sheet date, the Group and the Bank had capital commitments as follows:

	Group		Bank	
	2008	2007	**2008**	2007
Contracted for	**6,333**	1,791	**6,298**	1,766
Authorised but not contracted for	**558**	1,150	**556**	1,148
Total	**6,891**	2,941	**6,854**	2,914

(5) Underwriting obligations

At the balance sheet date, the unexpired underwriting commitments of bonds were as follows:

	Group and Bank	
	2008	2007
Underwriting obligations	**–**	10,950

(6) Redemption obligations

As an underwriting agent of PRC government bonds, the Group has the responsibility to buy back those bonds sold by it should the holders decide to early redeem the bonds held. The redemption price for the bonds at any time before their maturity date is based on the coupon value plus any interest unpaid and accrued up to the redemption date. Accrued interest payables to the bond holders are calculated in accordance with relevant rules of the MOF and the PBC. The redemption price may be different from the fair value of similar instruments traded at the redemption date.

The redemption obligations below represent the nominal value of government bonds underwritten and sold by the Group and the Bank, but not yet matured at the balance sheet date:

	Group and Bank	
	2008	2007
Redemption obligations	**62,677**	71,423

62 COMMITMENTS AND CONTINGENT LIABILITIES (continued)

(7) Outstanding litigation and disputes

As at 31 December 2008, the Group was the defendant in certain pending litigation and disputes with gross claims of RMB2,781 million (2007: RMB2,557 million). Provisions have been made for the estimated losses arising from such litigations based upon the opinions of the Group's internal and external legal counsels (Note 47). The Group considers that the provisions made are reasonable and adequate.

(8) Provision against commitments and contingent liabilities

The Group and the Bank have assessed and made provision for any probable outflow of economic benefits in relation to the above commitments and contingent liabilities in accordance with their accounting policies (Note 4(13)).

63 RELATED PARTY RELATIONSHIPS AND TRANSACTIONS

(1) Huijin and companies under Huijin

Huijin was incorporated on 16 December 2003 as a wholly state-owned investment company with the approval of the State Council. It was registered in Beijing with a registered capital of RMB552,117 million. Its principal activities are equity investments as authorised by the State Council, without engaging in other commercial operations.

Approved by the State Council, China Investment Corporation ("CIC") was established on 29 September 2007 with a registered capital of USD200 billion. Huijin is a wholly owned subsidiary of CIC and continue to exercise its rights and obligations to the investor on behalf of PRC government. The application procedure to transfer the equity interests of Huijin to CIC was still in progress on 31 December 2008.

Companies under Huijin include Jianyin, which is wholly owned by Huijin and is one of the Bank's shareholders, and other subsidiaries and associates and jointly controlled entities of Huijin. Jianyin was incorporated as a wholly state-owned company with a registered capital of RMB20,692 million as a result of the Restructuring. Its principal activities include equity investments, asset management and other business activities as approved by the relevant PRC government authorities.

As at 31 December 2008, Huijin directly and indirectly owned 57.07% of the issued share capital of the Bank (2007: 67.97%), of which Huijin directly held 48.22% (2007: 59.12%) and indirectly through Jianyin held 8.85% (2007: 8.85%) with the same percentage of voting rights.

(Expressed in millions of Renminbi unless otherwise stated)

63 RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (continued)

(1) Huijin and companies under Huijin (continued)

The Group's transactions with Huijin, Jianyin and companies under Jianyin, and other subsidiaries and associates and jointly controlled entities of Huijin mainly include deposit taking, entrusted asset management, operating leases, lending, purchase and sale of debt securities, money market transactions and inter-bank clearing. These transactions are conducted in the normal and ordinary course of the business and under normal commercial terms.

The Group has issued subordinated debts with a nominal value of RMB40 billion. These are bearer bonds and tradable in secondary market. Accordingly, the Group has no information in respect of the amount of the bonds held by the subsidiaries and other companies under Huijin at the balance sheet date.

(a) Transactions with Huijin

As part of the Restructuring, Huijin undertook to assume all the debts, obligations and liabilities relating to the business acquired by the Bank, which arose for any reason prior to 31 December 2003 and were not succeeded by the Bank at Restructuring.

Transactions that the Group and the Bank entered into with Huijin are as follows:

Amounts

	2008		2007	
	Amount	**Ratio to similar transactions**	Amount	Ratio to similar transactions
Interest expense	**332**	**0.25%**	944	1.03%

Balances outstanding at balance sheet date

	2008		2007	
	Balance	**Ratio to similar transactions**	Balance	Ratio to similar transactions
Deposits from customers	**5,325**	**0.08%**	11,938	0.22%
Interest payable	**37**	**0.06%**	2	0.01%

(Expressed in millions of Renminbi unless otherwise stated)

63 RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (continued)

(1) Huijin and companies under Huijin (continued)

(b) Transactions with Jianyin

Transactions that the Group and the Bank entered into with Jianyin and companies under Jianyin are as follows:

Amounts

	Note	2008 Amount	2008 Ratio to similar transactions	2007 Amount	2007 Ratio to similar transactions
Interest income		**3**	**0.01%**	22	0.01%
Interest expense		**662**	**0.50%**	318	0.35%
Fee and commission income		**116**	**0.29%**	—	—
Other operating income, net		**62**	**1.18%**	242	3.90%
Operating expenses	(i)	**953**	**0.96%**	801	0.87%

Balances outstanding at balance sheet date

	Note	2008 Balance	2008 Ratio to similar transactions	2007 Balance	2007 Ratio to similar transactions
Placements with banks and non-bank financial institutions		**45**	**0.27%**	—	—
Other assets	(ii)	**1,384**	**10.81%**	305	2.18%
Deposits from banks and non-bank financial institutions	(iii)	**28,717**	**6.42%**	70,698	13.69%
Deposits from customers		**1,076**	**0.02%**	3,247	0.06%
Other liabilities (Note 49)		**57**	**0.26%**	6,471	27.20%

(Expressed in millions of Renminbi unless otherwise stated)

63 RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (continued)

(1) Huijin and companies under Huijin (continued)

(b) Transactions with Jianyin (continued)

Notes:

(i) This mainly represents rental expenses paid by the Group for leased assets, including properties and motor vehicles, owned by Jianyin and its affiliates, and fees for related services provided by Jianyin and its affiliates.

(ii) Other assets mainly represents other receivable from Jianyin and its affiliates.

(iii) Deposits from Jianyin and its affiliates are unsecured and are repayable under normal commercial terms.

(iv) The Group disposed of long outstanding receivables with a net book value of RMB73 million at a consideration of RMB92 million to Jianyin during the year ended 31 December 2007. There was no such transaction between the Group and Jianyin during the year ended 31 December 2008.

(c) Transactions with other subsidiaries of Huijin

Transactions that the Group entered into with other subsidiaries of Huijin are as follows:

Amounts

	2008		2007	
	Amount	Ratio to similar transactions	Amount	Ratio to similar transactions
Interest income	451	0.13%	485	0.17%
Interest expense	516	0.39%	223	0.24%
Fee and commission income	8	0.02%	—	—
Fee and commission expense	1	0.06%	—	—

(Expressed in millions of Renminbi unless otherwise stated)

63 RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (continued)

(1) Huijin and companies under Huijin (continued)

(c) Transactions with other subsidiaries of Huijin (continued)

Balances outstanding at balance sheet date

	2008		2007	
	Balance	**Ratio to similar transactions**	Balance	Ratio to similar transactions
Deposits with banks and non-bank financial institutions	**5,928**	**17.91%**	4,223	17.52%
Placements with banks and non-bank financial institutions	**—**	**—**	1,863	2.88%
Trading financial assets	**1**	**0.01%**	—	—
Positive fair value of derivatives	**462**	**2.17%**	—	—
Financial assets held under resale agreements	**200**	**0.10%**	—	—
Interest receivable	**228**	**0.60%**	—	—
Loans and advances to customers	**206**	**0.01%**	3	0.01%
Held-to-maturity investments	**6,807**	**0.65%**	6,314	0.53%
Debt securities classified as receivables	**648**	**0.12%**	—	—
Deposits from banks and non-bank financial institutions	**9,316**	**2.08%**	21,484	4.16%
Placements from banks and non-bank financial institutions	**5,200**	**12.06%**	983	3.18%
Negative fair value of derivatives	**212**	**1.14%**	—	—
Deposits from customers	**1,699**	**0.03%**	6,566	0.12%
Interest payable	**6**	**0.01%**	—	—

(Expressed in millions of Renminbi unless otherwise stated)

63 RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (continued)

(1) Huijin and companies under Huijin (continued)

(d) Transactions with the associates and jointly controlled entities of Huijin

Transactions that the Group entered into with associates and jointly controlled entities of Huijin are as follows:

Amounts

	2008		2007	
	Amount	Ratio to similar transactions	Amount	Ratio to similar transactions
Interest income	13,415	3.76%	382	0.13%
Interest expense	483	0.37%	534	0.58%
Fee and commission income	135	0.34%	—	—
Fee and commission expense	19	1.18%	—	—

(Expressed in millions of Renminbi unless otherwise stated)

63 RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (continued)

(1) Huijin and companies under Huijin (continued)

(d) Transactions with the associates and jointly controlled entities of Huijin (continued)

Balances outstanding at balance sheet date

	2008		2007	
	Balance	Ratio to similar transactions	Balance	Ratio to similar transactions
Deposits with banks and non-bank financial institutions	439	1.33%	149	0.62%
Placements with banks and non-bank financial institutions	5,004	29.72%	—	—
Trading financial assets	2,580	5.13%	—	—
Positive fair value of derivatives	42	0.20%	—	—
Financial assets held under resale agreements	7,744	3.71%	—	—
Interest receivable	4,904	12.80%	—	—
Loans and advances to customers	4,623	0.13%	—	—
Available-for-sale financial assets	48,271	8.76%	9,580	2.23%
Held-to-maturity investments	239,889	23.03%	—	—
Debt securities classified as receivables	47,830	8.67%	99	0.02%
Deposits from banks and non-bank financial institutions	10,713	2.39%	24,239	4.69%
Placements from banks and non-bank financial institutions	15,418	35.77%	1,169	3.78%
Negative fair value of derivatives	158	0.85%	—	—
Deposits from customers	3,125	0.05%	946	0.02%
Interest payable	132	0.22%	—	—

(Expressed in millions of Renminbi unless otherwise stated)

63 RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (continued)

(2) Transactions with associate and jointly controlled entity of the Group

Transactions between the Group and its associate and jointly controlled entity are conducted in the normal and ordinary course of the business and under normal commercial terms. Transactions that the Group entered into with associate and jointly controlled entity are as follows:

Amounts

	2008	2007
Interest expense	7	—

Balances outstanding at balance sheet date

	2008	2007
Deposits from customers	247	—
Interest payable	2	—

(3) Transactions between the Bank and its subsidiaries

Transactions between the Bank and its subsidiaries are conducted in the normal and ordinary course of the business and under normal commercial terms. All the inter-group transactions and inter-group balances are eliminated when preparing the consolidated financial statements as mentioned in Note 4(1).

Transactions that the Bank entered into with its subsidiaries are as follows:

Amounts

	2008	2007
Interest income	980	252
Interest expense	831	245
Fee and commission income	43	55
Net trading gain	—	48
Other operating (loss)/income	(197)	24

Balances outstanding at balance sheet date are presented in Note 38.

As at 31 December 2008, the total maximum guarantee limit of guarantee letters issued by the Bank with beneficiary of the subsidiaries is RMB4,188 million.

63 RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (continued)

(4) Transactions with other PRC state-owned entities

The Group operates in an economic regime currently predominated by entities directly or indirectly owned by the PRC government through its government authorities, agencies, affiliations and other organisations ("state-owned entities").

Transactions with other state-owned entities include but are not limited to the following:

— lending and deposit taking;

— taking and placing of inter-bank balances;

— entrusted lending and other custody services;

— insurance and securities agency, and other intermediary services;

— sale, purchase, underwriting and redemption of bonds issued by other state-owned entities;

— purchase, sale and leases of property and other assets; and

— rendering and receiving of utilities and other services.

These transactions are conducted in the ordinary course of the Group's banking business on terms similar to those that would have been entered into with non-state-owned entities. The Group has also established its pricing strategy and approval processes for major products and services, such as loans, deposits and commission income. Such pricing strategy and approval processes do not depend on whether the customers are state-owned entities or not. Having due regard to the substance of the relationships, the Group is of the opinion that none of these transactions are material related party transactions that require separate disclosure.

(Expressed in millions of Renminbi unless otherwise stated)

63 RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (continued)

(5) Key management personnel

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly, including directors, supervisors and senior executives.

The compensation of directors and supervisors before individual income tax is disclosed in Note 14. The senior executives annual compensation before individual income tax during the year is as follows:

	2008					
	Salaries and allowance RMB'000	Variable compensation RMB'000	Sub-total RMB'000	Contributions to defined contribution retirement schemes RMB'000	Other benefits in kind (note) RMB'000	Total RMB'000
Vice president						
Chen Zuofu	741	570	1,311	23	75	1,409
Fan Yifei	741	569	1,310	23	76	1,409
Vice president and chief risk officer						
Zhu Xiaohuang	714	547	1,261	23	68	1,352
Chief financial officer						
Pang Xiusheng	659	490	1,149	23	68	1,240
Chief audit officer						
Yu Yongshun	659	490	1,149	23	68	1,240
Controller of wholesale banking						
Gu Jingpu	659	491	1,150	23	67	1,240
Controller of retail banking						
Du Yajun	659	494	1,153	23	64	1,240
Controller of investment and wealth management banking						
Mao Yumin	3,287	407	3,694	11	25	3,730
Secretary to the board of directors						
Chen Caihong	652	500	1,152	23	65	1,240
Company secretary						
Chan Mei Sheung	2,255	1,629	3,884	118	18	4,020
Qualified accountant						
Yuen Yiu Leung	2,041	442	2,483	165	30	2,678
	13,067	6,629	19,696	478	624	20,798

(Expressed in millions of Renminbi unless otherwise stated)

63 RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (continued)

(5) Key management personnel (continued)

	2007					
	Salaries and allowance RMB'000	Variable compensation RMB'000	Sub-total RMB'000	Contributions to defined contribution retirement schemes RMB'000	Other benefits in kind (note) RMB'000	Total RMB'000
Vice president						
Xin Shusen	492	685	1,177	21	353	1,551
Chen Zuofu	492	697	1,189	21	353	1,563
Fan Yifei	492	680	1,172	21	368	1,561
Chief financial officer						
Pang Xiusheng	445	578	1,023	21	303	1,347
Chief risk officer						
Zhu Xiaohuang	445	567	1,012	21	306	1,339
Chief audit officer						
Yu Yongshun	445	536	981	21	295	1,297
Controller of wholesale banking						
Gu Jingpu	445	540	985	21	299	1,305
Controller of retail banking						
Du Yajun	445	546	991	21	297	1,309
Controller of investment and wealth management banking						
Mao Yumin (appointed in September 2007)	156	104	260	–	–	260
Secretary to the board of directors						
Chen Caihong (appointed in August 2007)	111	133	244	5	59	308
Company secretary						
Chan Mei Sheung (appointed in October 2007)	836	412	1,248	17	–	1,265
Qualified accountant						
Yuen Yiu Leung	1,984	435	2,419	98	22	2,539
	6,788	5,913	12,701	288	2,655	15,644
Resigned in 2007						
Company secretary						
Ha Yiu Fai	1,754	242	1,996	74	24	2,094
Secretary to the board of directors and controller of investment and wealth management banking						
Zhang Long	183	216	399	10	88	497
	8,725	6,371	15,096	372	2,767	18,235

63 RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (continued)

(5) Key management personnel (continued)

Note: Other benefits in kind included the Bank's contributions to medical fund, housing fund and other social insurances, which are payable to labour and security authorities based on the lower of certain percentage of the salaries and allowance or the prescribed upper limits as required by the relevant regulations issued by the government authorities. Other benefits also included the Bank's contribution to its own corporate annuity plan (which was set up in accordance with the relevant policies issued by the government authorities) and supplementary medical insurance.

(6) Loans and advances to directors, supervisors and senior executives

The Group had no material balance of loans and advances to directors, supervisors and senior executives as at 31 December 2008 and 2007. Those loans and advances to directors, supervisors and senior executives were conducted in the normal and ordinary course of the business and under normal commercial terms or on the same terms and conditions that are available to other employees, based on terms and conditions granted to third parties adjusted for reduced risk.

(7) Contributions to defined contribution retirement schemes

The Group participates in various defined contribution retirement schemes organised by municipal and provincial governments for its employees in Mainland China. For its overseas employees, the Group participates in various defined contribution retirement schemes at funding rates determined in accordance with the local practices and regulations. The details of the Group's defined contribution retirement schemes are described in Note 44.

64 RISK MANAGEMENT

The Group has exposure to the following risks from its use of financial instruments:

— credit risk
— market risk
— liquidity risk
— operational risk

This note presents information about the Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing risk, and the Group's management of capital.

Risk management framework

The board of directors has overall responsibility for the establishment and oversight of the Group's risk management framework. The Board has established the Risk Management Committee, which is responsible for developing and monitoring the Group's risk strategy and risk management policies and evaluating the Group's risk exposures regularly.

To identify, evaluate, monitor and manage risk, the Group has designed a comprehensive governance framework, internal control policies and procedures. The Chief Risk Officer, who reports directly to the President, is responsible for the Group's overall risk management. Risk management policies and systems are reviewed regularly to reflect changes in market conditions, products and services offered. The Group, through its training and standardised and procedural management, aims to develop a disciplined and constructive control environment, in which all employees understand their roles and obligations.

The Group Audit Committee is responsible for monitoring and evaluating internal controls, and monitoring the compliance of core businesses sectors and their management procedures. The Group Audit Committee is assisted in these functions by Audit Department. Audit Department undertakes both regular and ad-hoc reviews of risk management controls and procedures, the results of which are reported to the Group Audit Committee.

(1) Credit risk

Credit risk management

Credit risk represents the potential loss that may arise from the failure of a debtor or counterparty to meet its contractual obligations or commitments to the Group. It arises primarily from credit business. In treasury business, credit risk represents a decrease in the asset value attributable to the lowering of ratings for issuers of debt securities held by the Group.

64 RISK MANAGEMENT (continued)

(1) Credit risk (continued)

Credit business

The Risk Management Department, under the supervision of the Chief Risk Officer, is responsible for establishing credit risk management policies and performing credit risk measurement and analysis. The Credit Management Department is responsible for monitoring the implementation of credit risk management policies and coordinating credit approval and credit ratings activities. The Credit Management Department works together with the Corporate Banking Department, the Institutional Banking Department, the International Business Department, the Housing Finance & Personal Lending Department, the Credit Card Center, the Special Assets Resolution Department and the Legal and Compliance Department to implement credit risk management policies and procedures.

With respect to the credit risk management of corporate and institutional business, the Group has sped up the adjustment of its credit portfolio structure, enhanced post-lending monitoring, and refined the industry-specific guideline and policy baseline for credit approval. Management also fine-tuned the credit acceptance and exit policies, and optimised its economic capital and credit risk limit management. All these policies have implemented to improve the overall asset quality. The Group manages credit risk throughout the entire credit process including pre-lending evaluations, credit approval and post-lending monitoring. The Group performs pre-lending evaluations by assessing the entity's credit ratings based on internal rating criteria and assessing the risk and rewards with respect to the proposed project. Credit approvals are granted by designated Credit Approval Officers. The Group continually monitors loans, particularly those related to targeted industries, geographical segments, products and clients. Any adverse events that may significantly affect a borrower's repayment ability are reported immediately and measures are implemented to prevent and control risks. In 2008, the Group has further enhanced the parallel operating mechanism through which customer relationship managers and risk managers work independently, improving parallel operating efficiency in the credit business for its medium to large corporate customers.

With respect to the personal credit business, the Group relies on credit assessment of applicants as the basis for loan approval. Customer relationship managers are required to assess the income level, credit history, and repayment ability of the applicant. The customer relationship managers then forward the application and recommendations to the loan-approval departments for consent. The Group monitors borrowers' repayment ability, the status of collateral and any changes to collateral value. Once a loan becomes overdue, the Group starts the recovery process according to standard personal loan recovery procedures.

To mitigate risks, where appropriate, the Group requests customers to provide collateral and guarantees. It also sets guidelines as to the use and suitability of specific types of collateral, as well as determining evaluation parameters. Collateral structures and legal covenants are regularly reviewed to ensure that they still serve their intended purposes and conform to market practices.

64 RISK MANAGEMENT (continued)

(1) Credit risk (continued)

Loan grading classification

The Group adopts a loan risk classification approach to manage the loan portfolio risk. Loans are generally classified as normal, special mention, substandard, doubtful and loss according to their level of risk. Substandard, doubtful and loss loans are considered to be impaired loans and advances when one or more events demonstrate there is objective evidence of a loss event which triggers impairment. The allowance for impairment loss on impaired loans and advances is collectively or individually assessed as appropriate.

The core definitions of the five categories of loans and advances are 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' abilities to service their loans are in question and they cannot rely entirely on normal business 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:	Principal and interest of loans cannot be recovered or only a small portion of them can be recovered after taking all possible measures or resorting to all necessary legal procedures.

Treasury business

For risk management purposes, credit risk arising on debt securities and exposures relating to the Group's derivatives portfolio is managed independently and information thereon is disclosed in notes (1)(h) and (1)(i) below. The Group sets credit limits for treasury activities and monitors them regularly with reference to the fair values of the relevant financial instruments.

The recent market turmoil has resulted in increases in the credit spreads of financial institutions, and has also impacted significantly the credit risk profile of asset backed securities and collateralised debt obligations.

64 RISK MANAGEMENT (continued)

(1) Credit risk (continued)

Treasury business *(continued)*

This increase in credit spreads reflects uncertainties surrounding financial institutions' exposure to the US sub-prime mortgage market, and the general impact of the ongoing financial crisis on the wider economy. This has affected the credit risk of the Group's portfolio of foreign currency debt securities and in particular its holdings of debt securities issued by overseas banks and non-bank financial institutions as well as its portfolio of mortgage backed securities (see note (1)(h) below). The overall impact to the Group's risk profile is limited due to the relatively small size of these portfolios compared to the Group's other assets.

(Expressed in millions of Renminbi unless otherwise stated)

64 RISK MANAGEMENT (continued)

(1) Credit risk (continued)

(a) Maximum credit risk exposure

The maximum exposure to credit risk at the balance sheet date without taking into consideration any collateral held or other credit enhancement is represented by the carrying amount of each type of financial assets on the balance sheet after deducting any impairment allowance. A summary of the maximum exposure is as follows:

	Group		Bank	
	2008	2007	**2008**	2007
Deposits with central banks	**1,213,137**	811,484	**1,212,943**	811,375
Deposits with banks and non-bank financial institutions	**33,096**	24,108	**28,425**	23,807
Placements with banks and non-bank financial institutions	**16,836**	64,690	**28,426**	75,931
Trading debt securities	**47,140**	27,593	**44,491**	23,432
Positive fair value of derivatives	**21,299**	14,632	**20,335**	14,296
Financial assets held under resale agreements	**208,548**	137,245	**208,548**	137,245
Interest receivable	**38,317**	33,900	**38,297**	33,903
Loans and advances to customers	**3,683,575**	3,183,229	**3,639,940**	3,152,116
Available-for-sale debt securities	**535,379**	395,051	**536,049**	394,143
Held-to-maturity investments	**1,041,783**	1,191,035	**1,041,783**	1,190,425
Debt securities classified as receivables	**551,818**	551,336	**551,818**	551,336
Other financial assets	**8,363**	12,030	**21,791**	23,762
Total	**7,399,291**	6,446,333	**7,372,846**	6,431,771
Off-balance sheet credit commitments	**1,350,480**	969,559	**1,348,185**	964,565
Maximum credit risk exposure	**8,749,771**	7,415,892	**8,721,031**	7,396,336

(Expressed in millions of Renminbi unless otherwise stated)

64 RISK MANAGEMENT (continued)

(1) Credit risk (continued)

(b) Distribution of loans and advances to customers in terms of credit quality is analysed as follows:

	Note	Group 2008	Group 2007	Bank 2008	Bank 2007
Individually assessed and impaired gross amount		**75,042**	77,245	**74,956**	77,204
Allowances for impairment losses		**(50,548)**	(48,215)	**(50,478)**	(48,183)
Subtotal		**24,494**	29,030	**24,478**	29,021
Collectively assessed and impaired gross amount		**8,840**	7,925	**8,840**	7,925
Allowances for impairment losses		**(5,698)**	(4,928)	**(5,698)**	(4,928)
Subtotal		**3,142**	2,997	**3,142**	2,997
Overdue but not impaired	(i)				
— less than 90 days		**23,060**	20,120	**23,010**	20,049
— 90–180 days		**2,888**	2,864	**2,886**	2,861
Gross amount		**25,948**	22,984	**25,896**	22,910
Allowances for impairment losses	(ii)	**(1,728)**	(951)	**(1,702)**	(951)
Subtotal		**24,220**	22,033	**24,194**	21,959
Neither overdue nor impaired					
— Unsecured loans		**942,729**	739,644	**929,293**	735,962
— Guaranteed loans		**770,770**	718,338	**769,439**	717,801
— Loans secured by tangible assets other than monetary assets		**1,581,303**	1,389,216	**1,552,987**	1,363,008
— Loans secured by monetary assets		**389,311**	316,805	**388,731**	316,150
Gross amount		**3,684,113**	3,164,003	**3,640,450**	3,132,921
Allowances for impairment losses	(ii)	**(52,394)**	(34,834)	**(52,324)**	(34,782)
Subtotal		**3,631,719**	3,129,169	**3,588,126**	3,098,139
Total		**3,683,575**	3,183,229	**3,639,940**	3,152,116

64 RISK MANAGEMENT (continued)

(1) Credit risk (continued)

(b) Distribution of loans and advances to customers in terms of credit quality is analysed as follows: (continued)

Notes:

(i) As at 31 December 2008, the gross amount of loans and advances of the Group, which were overdue but not impaired and were subject to individual assessment, was RMB3,008 million (2007: RMB2,575 million). The covered portion and uncovered portion of these loans and advances were RMB2,036 million (2007: RMB1,691 million) and RMB972 million (2007: RMB884 million) respectively. The fair value of collateral held against these loans and advances amounted to RMB3,198 million (2007: RMB3,403 million).

As at 31 December 2008, the gross amount of loans and advances of the Bank, which were overdue but not impaired and were subject to individual assessment, was RMB2,965 million (2007: RMB2,506 million). The covered portion and uncovered portion of these loans and advances were RMB1,996 million (2007: RMB1,627 million) and RMB969 million (2007: RMB879 million) respectively. The fair value of collateral held against these loans and advances amounted to RMB3,133 million (2007: RMB3,314 million).

The fair value of collateral was estimated by the Group based on the latest available external valuations adjusted by taking into account the current realisation experience as well as the market situation.

(ii) The balances represent collectively assessed allowances of impairment losses.

(Expressed in millions of Renminbi unless otherwise stated)

64 RISK MANAGEMENT (continued)

(1) Credit risk (continued)

(c) Loans and advances to customers analysed by economic sector concentrations

Group

Operations in Mainland China	2008 Gross loan balance	2008 Percentage	2008 Balance secured by collateral	2007 Gross loan balance	2007 Percentage	2007 Balance secured by collateral
Corporate loans and advances						
– Manufacturing	663,350	18.05%	260,224	592,502	18.68%	232,985
– Production and supply of electric power, gas and water	452,472	12.31%	117,911	377,285	11.90%	89,264
– Transportation, storage and postal services	426,803	11.62%	204,595	370,732	11.69%	179,538
– Real estate	329,381	8.96%	279,398	317,780	10.02%	263,802
– Leasing and commercial services	135,746	3.69%	56,438	92,968	2.93%	35,327
– Water, environment and public utility management	132,426	3.60%	69,046	106,693	3.36%	48,991
– Construction	116,551	3.17%	41,882	101,467	3.20%	35,026
– Wholesale and retail trade	102,590	2.79%	56,577	89,289	2.82%	47,415
– Mining	90,499	2.46%	14,600	69,666	2.20%	12,453
– Education	78,870	2.15%	26,118	78,153	2.46%	23,670
– Telecommunications, computer services and software	25,943	0.71%	5,149	35,846	1.13%	3,564
– Others	135,153	3.69%	76,167	112,376	3.55%	59,277
Total corporate loans and advances	2,689,784	73.20%	1,208,105	2,344,757	73.94%	1,031,312
Personal loans and advances	821,531	22.36%	775,171	723,805	22.82%	686,672
Discounted bills	163,161	4.44%	497	102,826	3.24%	1,467
Total loans and advances to customers in Mainland China	3,674,476	100.00%	1,983,773	3,171,388	100.00%	1,719,451

(Expressed in millions of Renminbi unless otherwise stated)

64 RISK MANAGEMENT (continued)

(1) Credit risk (continued)

(c) Loans and advances to customers analysed by economic sector concentrations (continued)

Group (continued)

Overseas operations	2008 Gross loan balance	2008 Percentage	2008 Balance secured by collateral	2007 Gross loan balance	2007 Percentage	2007 Balance secured by collateral
Corporate loans and advances						
– Real estate	24,730	20.70%	18,451	18,530	18.39%	13,524
– Manufacturing	17,524	14.67%	3,419	16,722	16.59%	4,645
– Wholesale and retail trade	14,863	12.44%	8,848	5,841	5.80%	4,338
– Telecommunications, computer services and software	13,685	11.46%	1,134	4,155	4.12%	512
– Transportation, storage and postal services	13,031	10.91%	9,723	19,393	19.25%	8,326
– Production and supply of electric power, gas and water	6,489	5.43%	3,126	7,089	7.03%	4,832
– Leasing and commercial services	2,877	2.41%	2,529	3,563	3.54%	2,510
– Others	12,162	10.17%	6,527	9,289	9.22%	5,046
Total corporate loans and advances	105,361	88.19%	53,757	84,582	83.94%	43,733
Personal loans and advances	13,949	11.68%	13,493	15,783	15.66%	15,366
Discounted bills	157	0.13%	–	404	0.40%	21
Total loans and advances to customers overseas	119,467	100.00%	67,250	100,769	100.00%	59,120
Total gross loans and advances to customers	3,793,943		2,051,023	3,272,157		1,778,571

(Expressed in millions of Renminbi unless otherwise stated)

64 RISK MANAGEMENT (continued)

(1) Credit risk (continued)

(c) Loans and advances to customers analysed by economic sector concentrations (continued)

Group (continued)

Details of impaired loans, impairment allowances, charges, and amounts written off in respect of economic sectors which constitute 10% or more of total gross loans and advances to customers are as follows:

	2008				
	Gross impaired loans	Individually assessed impairment allowances	Collectively assessed impairment allowances	Charged to income statement during the year	Written off during the year
Manufacturing	24,168	(17,098)	(10,207)	7,728	2,063
Transportation, storage and postal services	5,393	(3,144)	(6,563)	3,321	1,057
Production and supply of electric power, gas and water	6,672	(4,490)	(8,148)	5,224	40

	2007				
	Gross impaired loans	Individually assessed impairment allowances	Collectively assessed impairment allowances	Charged to income statement during the year	Written off during the year
Manufacturing	25,016	(17,436)	(7,215)	5,281	3,004
Real estate	15,381	(8,941)	(3,693)	2,992	1,192
Transportation, storage and postal services	5,978	(3,467)	(4,333)	2,523	24
Production and supply of electric power, gas and water	5,957	(3,095)	(4,685)	2,741	23

(Expressed in millions of Renminbi unless otherwise stated)

64 RISK MANAGEMENT (continued)

(1) Credit risk (continued)

(c) Loans and advances to customers analysed by economic sector concentrations (continued)

Bank

Operations in Mainland China	2008 Gross loan balance	2008 Percentage	2008 Balance secured by collateral	2007 Gross loan balance	2007 Percentage	2007 Balance secured by collateral
Corporate loans and advances						
– Manufacturing	662,138	18.04%	260,224	592,502	18.68%	232,985
– Production and supply of electric power, gas and water	450,240	12.27%	117,911	377,285	11.90%	89,264
– Transportation, storage and postal services	426,803	11.63%	204,595	370,732	11.69%	179,538
– Real estate	329,341	8.97%	279,358	317,780	10.02%	263,802
– Leasing and commercial services	135,746	3.70%	56,438	92,968	2.93%	35,327
– Water, environment and public utility management	132,426	3.61%	69,046	106,693	3.36%	48,991
– Construction	116,379	3.17%	41,882	101,467	3.20%	35,026
– Wholesale and retail trade	102,590	2.79%	56,577	89,289	2.82%	47,415
– Mining	90,499	2.47%	14,600	69,666	2.20%	12,453
– Education	78,870	2.15%	26,118	78,153	2.46%	23,670
– Telecommunications, computer services and software	25,943	0.71%	5,149	35,846	1.13%	3,564
– Others	135,153	3.66%	76,167	112,376	3.55%	59,277
Total corporate loans and advances	2,686,128	73.17%	1,208,065	2,344,757	73.94%	1,031,312
Personal loans and advances	821,351	22.38%	775,169	723,746	22.82%	686,623
Discounted bills	163,161	4.45%	497	102,826	3.24%	1,467
Total loans and advances to customers in Mainland China	3,670,640	100.00%	1,983,731	3,171,329	100.00%	1,719,402

(Expressed in millions of Renminbi unless otherwise stated)

64 RISK MANAGEMENT (continued)

(1) Credit risk (continued)

(c) Loans and advances to customers analysed by economic sector concentrations (continued)

Bank (continued)

Overseas operations	2008 Gross loan balance	2008 Percentage	2008 Balance secured by collateral	2007 Gross loan balance	2007 Percentage	2007 Balance secured by collateral
Corporate loans and advances						
– Telecommunications, computer services and software	13,518	17.00%	1,118	4,063	5.84%	466
– Manufacturing	12,634	15.89%	2,849	14,170	20.35%	4,078
– Real estate	12,501	15.72%	7,262	10,958	15.74%	6,514
– Transportation, storage and postal services	11,726	14.75%	9,650	19,223	27.61%	8,269
– Wholesale and retail trade	10,573	13.30%	7,810	4,920	7.07%	3,623
– Production and supply of electric power, gas and water	6,268	7.88%	3,126	7,002	10.06%	4,832
– Leasing and commercial services	2,877	3.62%	2,529	2,751	3.95%	2,510
– Others	9,235	11.62%	3,986	6,440	9.24%	1,881
Total corporate loans and advances	79,332	99.78%	38,330	69,527	99.86%	32,173
Personal loans and advances	13	0.02%	13	24	0.03%	24
Discounted bills	157	0.20%	–	80	0.11%	–
Total loans and advances to customers overseas	79,502	100.00%	38,343	69,631	100.00%	32,197
Total gross loans and advances to customers	3,750,142		2,022,074	3,240,960		1,751,599

(Expressed in millions of Renminbi unless otherwise stated)

64 RISK MANAGEMENT (continued)

(1) Credit risk (continued)

(c) Loans and advances to customers analysed by economic sector concentrations (continued)

***Bank** (continued)*

Details of impaired loans, impairment allowances, charges, and amounts written off in respect of economic sectors which constitute 10% or more of total gross loans and advances to customers are as follows:

	2008				
	Gross impaired loans	Individually assessed impairment allowances	Collectively assessed impairment allowances	Charged to income statement during the year	Written off during the year
Manufacturing	24,094	(17,039)	(10,192)	7,680	2,062
Transportation, storage and postal services	5,393	(3,144)	(6,560)	3,321	1,057
Production and supply of electric power, gas and water	6,672	(4,490)	(8,127)	5,203	40

	2007				
	Gross impaired loans	Individually assessed impairment allowances	Collectively assessed impairment allowances	Charged to income statement during the year	Written off during the year
Manufacturing	24,991	(17,411)	(7,207)	5,283	3,004
Real estate	15,372	(8,937)	(3,670)	3,006	1,192
Transportation, storage and postal services	5,978	(3,467)	(4,332)	2,523	23
Production and supply of electric power, gas and water	5,957	(3,095)	(4,685)	2,741	23

(Expressed in millions of Renminbi unless otherwise stated)

64 RISK MANAGEMENT (continued)

(1) Credit risk (continued)

(d) Loans and advances to customers analysed by geographical sector concentrations

Group

	2008			2007		
	Gross loan balance	Percentage	Balance secured by collateral	Gross loan balance	Percentage	Balance secured by collateral
Yangtze River Delta	922,104	24.30%	554,829	816,085	24.95%	473,215
Bohai Rim	691,638	18.23%	303,721	602,943	18.43%	269,153
Western	635,905	16.76%	355,462	530,805	16.22%	307,825
Central	607,335	16.01%	317,762	519,388	15.87%	274,282
Pearl River Delta	544,999	14.36%	337,690	473,478	14.47%	296,142
Northeastern	233,468	6.15%	113,758	199,106	6.08%	97,964
Head office	39,027	1.03%	551	29,583	0.90%	870
Overseas	119,467	3.16%	67,250	100,769	3.08%	59,120
Gross loans and advances to customers	3,793,943	100.00%	2,051,023	3,272,157	100.00%	1,778,571

Details of impaired loans and impairment allowances in respect of geographic sectors which constitute 10% or more of total gross loans and advances to customers are as follows:

	2008		
	Gross impaired loans	Individually assessed impairment allowances	Collectively assessed impairment allowances
Bohai Rim	18,981	(12,492)	(11,233)
Western	16,362	(9,655)	(12,436)
Central	13,597	(8,596)	(9,615)
Yangtze River Delta	13,300	(6,545)	(13,345)
Pearl River Delta	11,609	(6,960)	(8,115)

(Expressed in millions of Renminbi unless otherwise stated)

64 RISK MANAGEMENT (continued)

(1) Credit risk (continued)

(d) Loans and advances to customers analysed by geographical sector concentrations (continued)

***Group** (continued)*

	2007		
	Gross impaired loans	Individually assessed impairment allowances	Collectively assessed impairment allowances
Bohai Rim	21,844	(13,692)	(8,138)
Central	14,637	(7,495)	(6,583)
Western	13,903	(8,774)	(6,820)
Pearl River Delta	11,977	(7,498)	(5,703)
Yangtze River Delta	11,835	(5,267)	(9,663)

The definitions of geographical segments are set out in Note 59(2).

Bank

	2008			2007		
	Gross loan balance	Percentage	Balance secured by collateral	Gross loan balance	Percentage	Balance secured by collateral
Yangtze River Delta	922,104	24.59%	554,829	816,085	25.18%	473,215
Bohai Rim	690,452	18.41%	303,681	602,884	18.60%	269,104
Western	633,681	16.90%	355,462	530,805	16.38%	307,825
Central	607,313	16.19%	317,760	519,388	16.03%	274,282
Pearl River Delta	544,999	14.53%	337,690	473,478	14.61%	296,142
Northeastern	233,064	6.21%	113,758	199,106	6.14%	97,964
Head office	39,027	1.04%	551	29,583	0.91%	870
Overseas	79,502	2.13%	38,343	69,631	2.15%	32,197
Gross loans and advances to customers	3,750,142	100.00%	2,022,074	3,240,960	100.00%	1,751,599

(Expressed in millions of Renminbi unless otherwise stated)

64 RISK MANAGEMENT (continued)

(1) Credit risk (continued)

(d) Loans and advances to customers analysed by geographical sector concentrations (continued)

***Bank** (continued)*

Details of impaired loans and impairment allowances in respect of geographic sectors which constitute 10% or more of total gross loans and advances to customers are as follows:

	2008		
	Gross impaired loans	Individually assessed impairment allowances	Collectively assessed impairment allowances
Bohai Rim	**18,981**	**(12,492)**	**(11,221)**
Western	**16,362**	**(9,655)**	**(12,415)**
Central	**13,597**	**(8,596)**	**(9,615)**
Yangtze River Delta	**13,300**	**(6,545)**	**(13,345)**
Pearl River Delta	**11,609**	**(6,960)**	**(8,115)**

	2007		
	Gross impaired loans	Individually assessed impairment allowances	Collectively assessed impairment allowances
Bohai Rim	21,844	(13,692)	(8,137)
Central	14,637	(7,495)	(6,583)
Western	13,903	(8,774)	(6,820)
Pearl River Delta	11,977	(7,498)	(5,703)
Yangtze River Delta	11,835	(5,267)	(9,663)

The definitions of geographical segments are set out in Note 59(2).

(Expressed in millions of Renminbi unless otherwise stated)

64 RISK MANAGEMENT (continued)

(1) Credit risk (continued)

(e) Loans and advances to customers analysed by types of collateral

	Group		Bank	
	2008	2007	**2008**	2007
Unsecured loans	**947,785**	744,682	**934,264**	740,995
Guaranteed loans	**795,135**	748,904	**793,804**	748,366
Loans secured by tangible assets other than monetary assets	**1,650,208**	1,453,056	**1,621,839**	1,426,739
Loans secured by monetary assets	**400,815**	325,515	**400,235**	324,860
Gross loans and advances to customers	**3,793,943**	3,272,157	**3,750,142**	3,240,960

(f) Rescheduled loans and advances to customers

Group

	2008		2007	
	Total	**% of gross loans and advances to customers**	Total	% of gross loans and advances to customers
Rescheduled loans and advances to customers	**3,376**	**0.09%**	3,648	0.11%
Less: Rescheduled loans and advances overdue for more than 90 days	**(1,196)**	**(0.03%)**	(2,471)	(0.08%)
Rescheduled loans and advances overdue for not more than 90 days	**2,180**	**0.06%**	1,177	0.03%

(Expressed in millions of Renminbi unless otherwise stated)

64 RISK MANAGEMENT (continued)

(1) Credit risk (continued)

(f) *Rescheduled loans and advances to customers* (continued)

Bank

	2008		2007	
	Total	**% of gross loans and advances to customers**	Total	% of gross loans and advances to customers
Rescheduled loans and advances to customers	**3,354**	**0.09%**	3,622	0.11%
Less: Rescheduled loans and advances overdue for more than 90 days	**(1,194)**	**(0.03%)**	(2,469)	(0.08%)
Rescheduled loans and advances overdue for not more than 90 days	**2,160**	**0.06%**	1,153	0.03%

(Expressed in millions of Renminbi unless otherwise stated)

64 RISK MANAGEMENT (continued)

(1) Credit risk (continued)

(g) Distribution of amounts due from banks and non-bank financial institutions in terms of credit quality is as follows:

Amount due from banks and non-bank financial institutions includes deposits with banks and non-bank financial institutions, placements with banks and non-bank financial institutions and financial assets held under resale agreements of which counterparties are banks and non-bank financial institutions.

	Group		Bank	
	2008	2007	**2008**	2007
Individually assessed and impaired gross amount	**341**	663	**341**	663
Allowances for impairment losses	**(284)**	(539)	**(284)**	(539)
Subtotal	**57**	124	**57**	124
Neither overdue nor impaired				
— grade A to AAA	**83,816**	76,470	**76,297**	70,702
— grade B to BBB	**759**	7,340	**759**	7,339
— unrated	**39,828**	18,459	**54,266**	35,168
Subtotal	**124,403**	102,269	**131,322**	113,209
Total	**124,460**	102,393	**131,379**	113,333

Amounts neither overdue nor impaired are analysed above according to the Group and the Bank's internal credit rating. Unrated amounts due from banks and non-bank financial institutions include amounts due from a number of domestic banks and non-bank financial institutions for which the Group and the Bank have not assigned an internal credit rating.

(Expressed in millions of Renminbi unless otherwise stated)

64 RISK MANAGEMENT (continued)

(1) Credit risk (continued)

(h) Distribution of debt securities investments analysed by rating

The Group adopts a credit rating approach to manage the credit risk of the debt securities portfolio held by its operations in Mainland China. Debt securities are rated with reference to Bloomberg Composite, or major rating agencies where the issuers of the securities are located. The carrying amounts of debt securities investments analysed by the rating agency designations at the balance sheet date are as follows:

		Group		Bank	
	Note	2008	2007	2008	2007
Individually assessed and impaired gross amount	(i)	37,281	9,556	37,281	9,556
Allowances for impairment losses	(i)	(17,836)	(5,332)	(17,836)	(5,332)
Subtotal		19,445	4,224	19,445	4,224
Neither overdue nor impaired					
Bloomberg Composite					
— AAA		36,826	149,251	36,826	149,251
— AA- to AA+		8,562	53,025	8,562	53,025
— A- to A+		16,512	35,298	16,512	35,298
— lower than A-		1,647	4,038	1,647	4,038
Subtotal		63,547	241,612	63,547	241,612
Other agency ratings					
— AAA		298,697	291,007	298,697	291,007
— AA- to AA+		7,139	3,120	7,139	3,120
— A- to A+	(ii)	1,762,087	1,590,683	1,762,087	1,590,683
— lower than A-		1	982	1	982
Subtotal		2,067,924	1,885,792	2,067,924	1,885,792
Subtotal of debt securities held by operations in Mainland China		2,150,916	2,131,628	2,150,916	2,131,628
Debt securities held by overseas operations		25,204	33,387	23,225	27,708
Total		2,176,120	2,165,015	2,174,141	2,159,336

64 RISK MANAGEMENT (continued)

(1) Credit risk (continued)

(h) Distribution of debt securities investments analysed by rating (continued)

Notes:

(i) The increase relates to the Group's holdings of debt securities issued by overseas banks and non-bank financial institutions and mortgage backed debt securities.

(ii) This includes debt securities issued by the PRC government, PBC and PRC policy banks amounting to RMB1,429,641 million (2007: RMB1,562,754 million).

(i) Credit risk arising from the Group's derivatives exposures

The majority of the Group's derivatives transactions with domestic customers are hedged back-to-back with overseas banks and non-bank financial institutions. The Group is exposed to credit risk both in respect of the domestic customers and the overseas banks and non-bank financial institutions. The Group manages this risk by monitoring this exposure on a regular basis.

(j) Settlement risk

The Group's activities may give rise to settlement risk at the time of the settlement of transactions and trades. Settlement risk is the risk of loss due to the failure of an entity to honour its obligations to deliver cash, securities or other assets as contractually agreed.

For certain types of transactions, the Group mitigates this risk by conducting settlements through a settlement or clearing agent to ensure that a trade is settled only when both parties have fulfilled their contractual settlement obligations.

(2) Market risk

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

The Risk Management Department is responsible for formulating a standardised market risk management policies and rules and supervising the implementation of market risk management policies and rules of the Bank. The Asset and Liability Management Department (the "ALM") is responsible for managing the size and structure of the balance sheet in response to non-trading market risk. The Financial Market Department manages the Head Office's RMB and foreign currency investment portfolios, conducts proprietary and customer-driven transactions, as well as implementing market risk management policies and rules. The Audit Department is responsible for regularly performing independent audits of the reliability and effectiveness of the processes constituting the risk management system.

64 RISK MANAGEMENT (continued)

(2) Market risk (continued)

The Group is primarily exposed to structural interest rate risk arising from interest generating commercial banking assets and interest bearing commercial banking liabilities. Interest rate risk is inherent in many of its businesses and largely arises from mismatches between the re-pricing dates of assets and liabilities. The Group manages this risk through regular interest rate gap analysis.

The Group's foreign exchange exposure mainly comprises exposures from foreign currency portfolios within treasury proprietary investments in debt securities and money market placements, and currency exposures from its overseas business. The Group manages its foreign exchange exposure by entering into cross currency interest rate swaps to hedge these exposures on a portfolio basis.

The Group is also exposed to market risk in respect of its customer driven derivatives portfolio and manages this risk by entering into back-to-back hedging transactions on a trade-by-trade basis with overseas banks and non-bank financial institutions.

The Group considers that the market risk arising from commodity or stock prices in respect of its investment portfolios is minimal.

The Group monitors market risk separately in respect of trading portfolios and non-trading portfolios. Trading portfolios include exchange rate and interest rate derivatives as well as trading securities. The historical simulation model for the Value-at-risk ("VaR") analysis is a major tool used by the Bank to measure and monitor the market risk of its trading portfolio and available-for-sale debt securities. Net interest income sensitivity analysis, interest rate repricing gap analysis and foreign exchange risk concentration analysis are the major tools used by the Group to monitor the market risk of its overall businesses.

(a) *VaR analysis*

VaR is a technique which estimates the potential losses that could occur on risk positions taken, due to movements in market interest rates, foreign exchange rates and other market prices over a specified time horizon and at a given level of confidence. The Risk Management Department calculates interest rate VaR for the Bank's debt investments as well as interest rate and exchange rate VaR for the Bank's derivatives. By reference to historical movements in market rates and prices, the Risk Management Department calculates VaR on a daily basis for foreign currency portfolio and at least on a weekly basis for RMB portfolios. VaR is calculated at a confidence level of 99% and with a holding period of one day.

(Expressed in millions of Renminbi unless otherwise stated)

64 RISK MANAGEMENT (continued)

(2) Market risk (continued)

(a) *VaR analysis* (continued)

A summary of the VaR of the Bank's trading portfolio and available-for-sale debt securities as at 31 December 2008 and 2007 and during the respective year is as follows:

	2008			
	As at 31 December	Average	Maximum	Minimum
RMB trading portfolio				
Interest rate risk	9	14	26	3
RMB available-for-sale debt securities				
Interest rate risk	404	391	532	250
Foreign currency trading portfolio				
Interest rate risk	146	154	146	119
Foreign currency risk	1,120	691	1,120	626
Diversification	(104)	(113)	(104)	(120)
	1,162	732	1,162	625
Foreign currency available-for-sale debt securities				
Interest rate risk	329	462	672	313

(Expressed in millions of Renminbi unless otherwise stated)

64 RISK MANAGEMENT (continued)

(2) Market risk (continued)

(a) VaR analysis (continued)

	2007			
	As at 31 December	Average	Maximum	Minimum
RMB trading portfolio				
Interest rate risk	4	3	7	2
RMB available-for-sale debt securities				
Interest rate risk	258	209	291	93
Foreign currency trading portfolio				
Interest rate risk	93	44	93	17
Foreign currency risk	203	24	203	12
Diversification	(96)	(15)	(96)	(11)
	200	53	200	18
Foreign currency available-for-sale debt securities				
Interest rate risk	662	551	720	366

The above average, maximum and minimum VaR for interest rate risk, foreign currency risk and diversification of the trading portfolio represent a breakdown of the average, maximum and minimum VaR for the whole portfolio and not the individual average, maximum and minimum VaR for each risk within the portfolio.

Although VaR is an important tool for measuring market risk, the assumptions on which the model is based give rise to some limitations, including the following:

— A 1-day holding period assumes that it is possible to hedge or dispose of positions within that period. This is considered to be a realistic assumption in almost all cases but may not be the case in situations in which there is severe market illiquidity for a prolonged period;

64 RISK MANAGEMENT (continued)

(2) Market risk (continued)

(a) VaR analysis (continued)

— A 99 percent confidence level does not reflect losses that may occur beyond this level. Even within the model used there is one percent probability that losses could exceed the VaR;

— VaR is calculated on an end-of-day basis and does not reflect exposures that may arise on positions during the trading day;

— The use of historical data as a basis for determining the possible range of future outcomes may not always cover all possible scenarios, especially those of an exceptional nature; and

— The VaR measure is dependent upon the Bank's position and the volatility of market prices. The VaR of an unchanged position reduces if the market price volatility declines and vice versa.

(b) Net interest income sensitivity analysis

In monitoring interest rate risk on its overall non-derivative financial assets and liabilities, the Bank regularly measures its future net interest income sensitivity to an increase or decrease in market interest rates (assuming no asymmetrical movement in yield curves and a constant balance sheet position). An incremental 100 basis points parallel fall or rise in all yield curves, other than that applicable to balances with central banks, would increase or decrease planned net interest income for the next twelve months from the reporting date by RMB24,449 million (2007: RMB23,341 million). Had the impact of yield curves movement for demand deposits from customers been excluded, the planned net interest income for the next twelve months from the reporting date would decrease or increase by RMB11,203 million (2007: RMB7,207 million).

64 RISK MANAGEMENT (continued)

(2) Market risk (continued)

(b) Net interest income sensitivity analysis (continued)

The above interest rate sensitivity is for illustration purposes only and is assessed based on simplified assumptions. The figures here indicate estimated net interest income movements under various predicted yield curve scenarios and subject to the Bank's current interest rate exposures. However, account has not been taken of the possible risk management measures that can be undertaken by the Risk Management Department or related business departments to mitigate interest rate risk. In practice, the Risk Management Department strives to reduce loss arising from interest rate risk while increasing its net income. These figures are estimated on the assumption that the interest rates on various maturities will move within similar ranges, and therefore do not reflect the potential net interest income changes in the event that interest rates on some maturities may change and others remain unchanged. Moreover, the above estimations are based on other simplified assumptions, including that all positions will be held to maturity and rolled over upon maturity.

(c) Interest rate repricing gap analysis

Interest rate risk is inherent in many of the Group's businesses. It mainly arises from mismatches between the repricing dates of assets and liabilities.

The ALM regularly monitors such interest rate risk positions. In terms of measuring and managing the interest rate risk, the Group regularly measures interest rate repricing gaps. The primary objective of interest rate repricing gaps is to analyse potential adverse effects on net interest income due to interest rate movements.

(Expressed in millions of Renminbi unless otherwise stated)

64 RISK MANAGEMENT (continued)

(2) Market risk (continued)

(c) Interest rate repricing gap analysis (continued)

The following tables indicate the effective interest rates for the year ended 31 December 2008 and 2007, and the expected next repricing dates (or maturity dates whichever are earlier) for the assets and liabilities at the balance sheet date.

Group

		2008						
	Note	Effective interest rate	Non-interest bearing	Less than three months	Between three months and one year	Between one year and five years	More than five years	Total
		Note (i)						
Assets								
Cash and deposits with central banks		1.77%	34,313	1,213,137	–	–	–	1,247,450
Deposits and placements with banks and non-bank financial institutions		2.53%	–	45,014	4,909	–	9	49,932
Financial assets held under resale agreements		3.48%	–	195,996	12,552	–	–	208,548
Loans and advances to customers	(ii)	7.16%	–	1,675,358	1,941,878	26,454	39,885	3,683,575
Investments	(iii)	3.64%	20,356	101,455	1,025,695	717,620	331,350	2,196,476
Other assets		–	169,471	–	–	–	–	169,471
Total assets		5.13%	224,140	3,230,960	2,985,034	744,074	371,244	7,555,452
Liabilities								
Borrowings from central banks		1.89%	–	6	–	–	–	6
Deposits and placements from banks and non-bank financial institutions		1.83%	–	392,589	18,123	79,860	–	490,572
Trading financial liabilities		3.83%	–	2,663	1,093	75	144	3,975
Financial assets sold under repurchase agreements		3.09%	–	864	–	–	–	864
Deposits from customers		2.03%	25,618	4,462,409	1,476,902	405,761	5,225	6,375,915
Debt securities issued		4.73%	–	8,060	41,966	3,784	–	53,810
Other liabilities		–	162,748	–	–	–	–	162,748
Total liabilities		2.03%	188,366	4,866,591	1,538,084	489,480	5,369	7,087,890
Asset-liability gap		3.10%	35,774	(1,635,631)	1,446,950	254,594	365,875	467,562

(Expressed in millions of Renminbi unless otherwise stated)

64 RISK MANAGEMENT (continued)

(2) Market risk (continued)

(c) Interest rate repricing gap analysis (continued)

Group (continued)

	Note	2007 Effective interest rate	Non-interest bearing	Less than three months	Between three months and one year	Between one year and five years	More than five years	Total
		Note (i)						
Assets								
Cash and deposits with central banks		1.73%	32,240	811,484	–	–	–	843,724
Deposits and placements with banks and non-bank financial institutions		3.49%	–	78,219	10,394	182	3	88,798
Financial assets held under resale agreements		3.51%	–	134,094	3,151	–	–	137,245
Loans and advances to customers	(ii)	6.31%	–	1,420,365	1,697,293	30,795	34,776	3,183,229
Investments	(iii)	3.29%	37,894	331,537	513,923	916,255	403,300	2,202,909
Other assets		–	142,272	–	–	–	–	142,272
Total assets		4.70%	212,406	2,775,699	2,224,761	947,232	438,079	6,598,177
Liabilities								
Borrowings from central banks		1.89%	–	6	–	–	–	6
Deposits and placements from banks and non-bank financial institutions		1.65%	–	542,869	4,588	30	–	547,487
Trading financial liabilities		5.91%	–	3,730	5,950	1,129	–	10,809
Financial assets sold under repurchase agreements		4.77%	–	109,541	–	–	–	109,541
Deposits from customers		1.56%	38,056	3,959,568	1,067,501	256,311	8,071	5,329,507
Debt securities issued		4.85%	–	6,659	11,283	31,270	–	49,212
Other liabilities		–	129,334	–	–	–	–	129,334
Total liabilities		1.63%	167,390	4,622,373	1,089,322	288,740	8,071	6,175,896
Asset-liability gap		3.07%	45,016	(1,846,674)	1,135,439	658,492	430,008	422,281

Notes:

(i) Effective interest rate represents the ratio of interest income/expense to average interest bearing assets/liabilities.

(ii) For loans and advances to customers, the "less than three months" category includes overdue amounts (net of allowances for impairment losses) of RMB38,482 million as at 31 December 2008 (2007: RMB42,480 million).

(iii) Investments include trading financial assets, available-for-sale financial assets, held-to-maturity investment, debt securities classified as receivables and investments in associate and jointly controlled entity.

(Expressed in millions of Renminbi unless otherwise stated)

64 RISK MANAGEMENT (continued)

(2) Market risk (continued)

(c) Interest rate repricing gap analysis (continued)

Bank

	Note	2008						
		Effective interest rate	Non-interest bearing	Less than three months	Between three months and one year	Between one year and five years	More than five years	Total
		Note (i)						
Assets								
Cash and deposits with central banks		1.77%	34,110	1,212,943	–	–	–	1,247,053
Deposits and placements with banks and non-bank financial institutions		2.78%	–	51,018	5,824	–	9	56,851
Financial assets held under resale agreements		3.48%	–	195,996	12,552	–	–	208,548
Loans and advances to customers	(ii)	7.19%	–	1,632,953	1,941,111	26,064	39,812	3,639,940
Investments	(iii)	3.64%	19,777	102,051	1,024,095	716,703	331,292	2,193,918
Other assets		–	180,258	–	–	–	–	180,258
Total assets		5.14%	234,145	3,194,961	2,983,582	742,767	371,113	7,526,568
Liabilities								
Borrowings from central banks		1.89%	–	6	–	–	–	6
Deposits and placements from banks and non-bank financial institutions		1.91%	–	403,319	18,473	79,860	–	501,652
Trading financial liabilities		3.83%	–	2,663	1,093	75	144	3,975
Financial assets sold under repurchase agreements		3.09%	–	864	–	–	–	864
Deposits from customers		2.03%	25,618	4,432,433	1,474,691	405,028	5,215	6,342,985
Debt securities issued		4.76%	–	6,651	41,966	3,914	–	52,531
Other liabilities		–	160,999	–	–	–	–	160,999
Total liabilities		2.05%	186,617	4,845,936	1,536,223	488,877	5,359	7,063,012
Asset-liability gap		3.09%	47,528	(1,650,975)	1,447,359	253,890	365,754	463,556

(Expressed in millions of Renminbi unless otherwise stated)

64 RISK MANAGEMENT (continued)

(2) Market risk (continued)

(c) Interest rate repricing gap analysis (continued)

Bank (continued)

	Note	Effective interest rate	Non-interest bearing	Less than three months	Between three months and one year	Between one year and five years	More than five years	Total
		2007						
		Note (i)						
Assets								
Cash and deposits with central banks		1.73%	32,081	811,375	–	–	–	843,456
Deposits and placements with banks and non-bank financial institutions		3.48%	–	85,143	14,410	182	3	99,738
Financial assets held under resale agreements		3.51%	–	134,094	3,151	–	–	137,245
Loans and advances to customers	(ii)	6.32%	–	1,390,361	1,696,715	30,427	34,613	3,152,116
Investments	(iii)	3.29%	38,191	327,944	511,946	916,327	403,119	2,197,527
Other assets		–	151,757	–	–	–	–	151,757
Total assets		4.69%	222,029	2,748,917	2,226,222	946,936	437,735	6,581,839
Liabilities								
Borrowings from central banks		1.89%	–	6	–	–	–	6
Deposits and placements from banks and non-bank financial institutions		1.66%	–	558,869	8,683	30	–	567,582
Trading financial liabilities		5.91%	–	3,730	5,950	1,129	–	10,809
Financial assets sold under repurchase agreements		4.77%	–	109,541	–	–	–	109,541
Deposits from customers		1.55%	36,923	3,931,213	1,066,505	256,108	7,687	5,298,436
Debt securities issued		4.87%	–	6,003	11,002	31,270	–	48,275
Other liabilities		–	127,673	–	–	–	–	127,673
Total liabilities		1.62%	164,596	4,609,362	1,092,140	288,537	7,687	6,162,322
Asset-liability gap		3.07%	57,433	(1,860,445)	1,134,082	658,399	430,048	419,517

64 RISK MANAGEMENT (continued)

(2) Market risk (continued)

(c) Interest rate repricing gap analysis (continued)

***Bank** (continued)*

Notes:

(i) Effective interest rate represents the ratio of interest income/expense to average interest bearing assets/liabilities.

(ii) For loans and advances to customers, the "less than three months" category includes overdue amounts (net of allowances for impairment losses) of RMB38,473 million as at 31 December 2008 (2007: RMB42,411 million).

(iii) Investments include trading financial assets, available-for-sale financial assets, held-to-maturity investments, debt securities classified as receivables and investments in subsidiaries.

(d) Currency risk

The Group's foreign exchange exposure mainly comprises exposures that arise from the foreign currency portfolio within the treasury's proprietary investments, and currency exposures originated by the Group's overseas businesses.

The Group manages other currency risk by spot and forward foreign exchange transactions and by matching its foreign currency denominated assets with corresponding liabilities in the same currency, and also uses derivatives (principally foreign exchange swaps and cross currency swaps) in the management of its own foreign currency asset and liability portfolios and structural positions (Note 22).

(Expressed in millions of Renminbi unless otherwise stated)

64 RISK MANAGEMENT (continued)

(2) Market risk (continued)

(d) Currency risk (continued)

The currency exposures of the Group's and the Bank's assets and liabilities at the balance sheet date are as follows:

Group

	Note	2008			
		RMB	USD (RMB equivalent)	Others (RMB equivalent)	Total (RMB equivalent)
Assets					
Cash and deposits with central banks		1,230,907	8,248	8,295	1,247,450
Deposits and placements with banks and non-bank financial institutions	(i)	239,646	12,327	6,507	258,480
Loans and advances to customers		3,478,643	128,092	76,840	3,683,575
Investments		2,084,361	93,412	18,703	2,196,476
Other assets		150,198	5,015	14,258	169,471
Total assets		7,183,755	247,094	124,603	7,555,452
Liabilities					
Borrowings from central banks		6	—	—	6
Deposits and placements from banks and non-bank financial institutions	(ii)	432,779	44,784	13,873	491,436
Trading financial liabilities		1,881	1,401	693	3,975
Deposits from customers		6,200,337	95,610	79,968	6,375,915
Debt securities issued		42,802	3,699	7,309	53,810
Other liabilities		152,096	6,105	4,547	162,748
Total liabilities		6,829,901	151,599	106,390	7,087,890
Net position		353,854	95,495	18,213	467,562
Net notional amount of derivatives		100,333	(99,012)	1,066	2,387

(Expressed in millions of Renminbi unless otherwise stated)

64 RISK MANAGEMENT (continued)

(2) Market risk (continued)

(d) Currency risk (continued)

***Group** (continued)*

		2007			
	Note	RMB	USD (RMB equivalent)	Others (RMB equivalent)	Total (RMB equivalent)
Assets					
Cash and deposits with central banks		835,246	5,842	2,636	843,724
Deposits and placements with banks and non-bank financial institutions	(i)	163,726	53,588	8,729	226,043
Loans and advances to customers		2,986,566	121,700	74,963	3,183,229
Investments		1,921,778	256,566	24,565	2,202,909
Other assets		123,499	9,790	8,983	142,272
Total assets		6,030,815	447,486	119,876	6,598,177
Liabilities					
Borrowings from central banks		6	—	—	6
Deposits and placements from banks and non-bank financial institutions	(ii)	587,781	56,438	12,809	657,028
Trading financial liabilities		2,918	6,969	922	10,809
Deposits from customers		5,155,321	92,410	81,776	5,329,507
Debt securities issued		39,938	1,680	7,594	49,212
Other liabilities		120,707	3,443	5,184	129,334
Total liabilities		5,906,671	160,940	108,285	6,175,896
Net position		124,144	286,546	11,591	422,281
Net notional amount of derivatives		249,734	(247,282)	7,071	9,523

Notes:

(i) Including financial assets held under resale agreements

(ii) Including financial assets sold under repurchase agreements

(Expressed in millions of Renminbi unless otherwise stated)

64 RISK MANAGEMENT (continued)

(2) Market risk (continued)

(d) Currency risk (continued)

Bank

	Note	2008			
		RMB	USD (RMB equivalent)	Others (RMB equivalent)	Total (RMB equivalent)
Assets					
Cash and deposits with central banks		1,230,711	8,248	8,094	1,247,053
Deposits and placements with banks and non-bank financial institutions	(i)	237,213	20,606	7,580	265,399
Loans and advances to customers		3,474,844	120,979	44,117	3,639,940
Investments		2,087,174	91,219	15,525	2,193,918
Other assets		164,580	4,916	10,762	180,258
Total assets		7,194,522	245,968	86,078	7,526,568
Liabilities					
Borrowings from central banks		6	–	–	6
Deposits and placements from banks and non-bank financial institutions	(ii)	433,789	52,891	15,836	502,516
Trading financial liabilities		1,881	1,401	693	3,975
Deposits from customers		6,199,296	87,769	55,920	6,342,985
Debt securities issued		42,932	3,699	5,900	52,531
Other liabilities		151,502	6,072	3,425	160,999
Total liabilities		6,829,406	151,832	81,774	7,063,012
Net position		365,116	94,136	4,304	463,556
Net notional amount of derivatives		100,324	(98,841)	891	2,374

(Expressed in millions of Renminbi unless otherwise stated)

64 RISK MANAGEMENT (continued)

(2) Market risk (continued)

(d) Currency risk (continued)

***Bank** (continued)*

		2007			
	Note	RMB	USD (RMB equivalent)	Others (RMB equivalent)	Total (RMB equivalent)
Assets					
Cash and deposits with central banks		835,088	5,836	2,532	843,456
Deposits and placements with banks and non-bank financial institutions	(i)	163,572	64,358	9,053	236,983
Loans and advances to customers		2,986,508	120,330	45,278	3,152,116
Investments		1,923,596	251,537	22,394	2,197,527
Other assets		123,263	21,059	7,435	151,757
Total assets		6,032,027	463,120	86,692	6,581,839
Liabilities					
Borrowings from central banks		6	—	—	6
Deposits and placements from banks and non-bank financial institutions	(ii)	592,665	72,582	11,876	677,123
Trading financial liabilities		2,918	6,969	922	10,809
Deposits from customers		5,154,506	84,244	59,686	5,298,436
Debt securities issued		39,938	1,680	6,657	48,275
Other liabilities		119,928	3,345	4,400	127,673
Total liabilities		5,909,961	168,820	83,541	6,162,322
Net position		122,066	294,300	3,151	419,517
Net notional amount of derivatives		249,731	(244,455)	4,247	9,523

Notes:

(i) Including financial assets held under resale agreements

(ii) Including financial assets sold under repurchase agreements

64 RISK MANAGEMENT (continued)

(3) Liquidity risk

Liquidity risk is the risk that insufficient funds are available to meet liabilities as they fall due. It is caused by mismatches of assets and liabilities in terms of their amounts and maturity dates. In accordance with liquidity policies, the Group monitors the future cash flows to ensure that an appropriate level of highly liquid assets is maintained.

At the Group level, liquidity is managed and coordinated through the ALM. The ALM is responsible for formulation of the liquidity policies in accordance with regulatory requirements and prudential principles. Such policies include:

— adopting a prudent strategy and ensuring sufficient funds are available at any moment to satisfy any payment request;

— optimising the Group's asset and liability structure, diversifying and stabilising the source of funds, and reserving an appropriate proportion of highly credit-rated and liquid asset portfolio; and

— managing and utilising centrally the Bank's liquid funds.

The Group principally uses liquidity analysis and gap analysis to measure the liquidity risk. Gap analysis is used to predict the cash flow within one year. Scenario analyses are then applied to assess the impact of liquidity risk.

The impact of market turmoil on the Group's liquidity risk position

The recent disruptions to the financial markets have been far reaching and have significantly affected the global wholesale banking markets and a number of global financial institutions, which have relied upon the wholesale markets for their funding, have encountered significant difficulties due to increases in inter-bank funding costs and a general tightening of liquidity.

In contrast to such institutions, the substantial portion of the Group's assets is funded through the retail market and predominantly by customer deposits. These customer deposits, which have been growing in recent years, are widely diversified in types and maturities and represent a stable source of funds. As a result, the recent market conditions have had limited impact upon the Group's liquidity risk profile.

(Expressed in millions of Renminbi unless otherwise stated)

64 RISK MANAGEMENT (continued)

(3) Liquidity risk (continued)

(a) Maturity analysis

The following tables provide an analysis of the assets and liabilities of the Group and the Bank based on the remaining periods to repayment at the balance sheet date:

Group

	2008							
	Indefinite	Repayable on demand	Within one month	Between one month and three months	Between three months and one year	Between one year and five years	More than five years	Total
Assets								
Cash and deposits with central banks	935,156	312,294	–	–	–	–	–	1,247,450
Deposits and placements with banks and non-bank financial institutions	57	24,552	14,933	5,472	4,909	–	9	49,932
Financial assets held under resale agreements	–	–	98,569	97,427	12,552	–	–	208,548
Loans and advances to customers	38,258	38,088	124,660	263,120	1,119,663	1,071,249	1,028,537	3,683,575
Investments								
– Trading financial assets	3,169	–	3,370	2,890	28,445	10,344	2,091	50,309
– Available-for-sale financial assets	32,695	–	38,885	120,285	187,419	112,779	58,775	550,838
– Held-to-maturity investments	4,614	–	9,806	21,674	136,016	601,250	268,423	1,041,783
– Debt securities classified as receivables	–	–	–	310	315,917	155,145	80,446	551,818
– Investments in associate and jointly controlled entity	1,728	–	–	–	–	–	–	1,728
Other assets	97,300	35,525	2,561	12,772	8,002	6,263	7,048	169,471
Total assets	1,112,977	410,459	292,784	523,950	1,812,923	1,957,030	1,445,329	7,555,452
Liabilities								
Borrowings from central banks	–	6	–	–	–	–	–	6
Deposits and placements from banks and non-bank financial institutions	–	310,641	38,819	22,729	18,123	100,260	–	490,572
Trading financial liabilities	–	–	756	1,907	1,093	75	144	3,975
Financial assets sold under repurchase agreements	–	–	288	576	–	–	–	864
Deposits from customers	–	3,596,778	327,958	552,759	1,482,616	409,035	6,769	6,375,915
Debt securities issued								
– Certificates of deposit issued	–	–	313	1,527	5,002	4,175	–	11,017
– Subordinated bonds issued	–	–	–	–	–	–	39,939	39,939
– Bonds issued	–	–	–	–	–	2,854	–	2,854
Other liabilities	5	100,950	4,970	8,775	25,263	13,636	9,149	162,748
Total liabilities	5	4,008,375	373,104	588,273	1,532,097	530,035	56,001	7,087,890
Long/(short) position	1,112,972	(3,597,916)	(80,320)	(64,323)	280,826	1,426,995	1,389,328	467,562
Notional amount of derivatives								
– Interest rate contracts	–	–	2,130	4,341	19,023	112,026	46,175	183,695
– Currency contracts	–	–	89,557	80,926	290,180	15,627	13,141	489,431
– Precious metal contracts	–	–	510	–	–	–	–	510
– Equity instrument contracts	–	–	–	–	28	778	–	806
Total	–	–	92,197	85,267	309,231	128,431	59,316	674,442

(Expressed in millions of Renminbi unless otherwise stated)

64 RISK MANAGEMENT (continued)

(3) Liquidity risk (continued)

(a) *Maturity analysis* (continued)

Group *(continued)*

	2007							
	Indefinite	Repayable on demand	Within one month	Between one month and three months	Between three months and one year	Between one year and five years	More than five years	Total
Assets								
Cash and deposits with central banks	736,546	107,178	–	–	–	–	–	843,724
Deposits and placements with banks and non-bank financial institutions	154	17,255	53,559	7,293	10,397	137	3	88,798
Financial assets held under resale agreements	–	–	111,600	22,494	3,151	–	–	137,245
Loans and advances to customers	37,033	27,271	122,830	250,102	924,681	941,207	880,105	3,183,229
Investments								
– Trading financial assets	2,226	–	1,560	6,464	10,411	7,467	1,691	29,819
– Available-for-sale financial assets	44,548	–	66,343	41,099	96,163	82,091	99,376	429,620
– Held-to-maturity investments	4,561	–	46,559	86,120	235,369	513,132	305,294	1,191,035
– Debt securities classified as receivables	–	–	–	–	–	468,434	82,902	551,336
– Investments in associate and jointly controlled entity	1,099	–	–	–	–	–	–	1,099
Other assets	81,508	30,978	2,926	11,263	11,427	2,673	1,497	142,272
Total assets	907,675	182,682	405,377	424,835	1,291,599	2,015,141	1,370,868	6,598,177
Liabilities								
Borrowings from central banks	–	6	–	–	–	–	–	6
Deposits and placements from banks and non-bank financial institutions	–	510,163	21,580	11,126	4,587	31	–	547,487
Trading financial liabilities	–	–	3,383	347	5,950	1,129	–	10,809
Financial assets sold under repurchase agreements	–	–	108,574	967	–	–	–	109,541
Deposits from customers	–	3,354,269	206,589	436,449	1,063,397	260,626	8,177	5,329,507
Debt securities issued								
– Certificates of deposit issued	–	–	245	1,078	3,563	4,398	–	9,284
– Subordinated bonds issued	–	–	–	–	–	–	39,928	39,928
Other liabilities	771	83,694	3,902	6,686	12,748	13,794	7,739	129,334
Total liabilities	771	3,948,132	344,273	456,653	1,090,245	279,978	55,844	6,175,896
Long/(short) position	906,904	(3,765,450)	61,104	(31,818)	201,354	1,735,163	1,315,024	422,281
Notional amount of derivatives								
– Interest rate contracts	–	–	1,720	2,048	13,436	74,466	29,499	121,169
– Currency contracts	–	–	80,923	83,999	382,499	23,662	13,025	584,108
– Precious metal contracts	–	–	34	33	–	–	–	67
– Equity instrument contracts	–	–	–	–	–	36	–	36
Total	–	–	82,677	86,080	395,935	98,164	42,524	705,380

(Expressed in millions of Renminbi unless otherwise stated)

64 RISK MANAGEMENT (continued)

(3) Liquidity risk (continued)

(a) *Maturity analysis* (continued)

Bank

	2008							
	Indefinite	Repayable on demand	Within one month	Between one month and three months	Between three months and one year	Between one year and five years	More than five years	Total
Assets								
Cash and deposits with central banks	935,019	312,034	–	–	–	–	–	1,247,053
Deposits and placements with banks and non-bank financial institutions	57	22,075	15,589	13,297	5,824	–	9	56,851
Financial assets held under resale agreements	–	–	98,569	97,427	12,552	–	–	208,548
Loans and advances to customers	38,241	37,015	121,778	259,791	1,114,335	1,058,247	1,010,533	3,639,940
Investments								
– Trading financial assets	–	–	3,172	2,890	26,950	9,446	2,033	44,491
– Available-for-sale financial assets	32,343	–	39,237	120,771	187,298	112,762	58,745	551,156
– Held-to-maturity investments	4,614	–	9,806	21,674	136,016	601,250	268,423	1,041,783
– Debt securities classified as receivables	–	–	–	310	315,917	155,145	80,446	551,818
– Investments in subsidiaries	4,670	–	–	–	–	–	–	4,670
Other assets	109,511	35,142	2,308	12,186	7,889	6,174	7,048	180,258
Total assets	1,124,455	406,266	290,459	528,346	1,806,781	1,943,024	1,427,237	7,526,568
Liabilities								
Borrowings from central banks	–	6	–	–	–	–	–	6
Deposits and placements from banks and non-bank financial institutions	–	310,941	41,524	30,454	18,473	100,260	–	501,652
Trading financial liabilities	–	–	756	1,907	1,093	75	144	3,975
Financial assets sold under repurchase agreements	–	–	288	576	–	–	–	864
Deposits from customers	–	3,591,991	310,423	542,857	1,482,499	408,456	6,759	6,342,985
Debt securities issued								
– Certificates of deposit issued	–	–	309	343	4,869	4,087	–	9,608
– Subordinated bonds issued	–	–	–	–	–	–	39,939	39,939
– Bonds issued	–	–	–	–	–	2,984	–	2,984
Other liabilities	–	99,794	4,621	8,766	25,104	13,570	9,144	160,999
Total liabilities	–	4,002,732	357,921	584,903	1,532,038	529,432	55,986	7,063,012
Long/(short) position	1,124,455	(3,596,466)	(67,462)	(56,557)	274,743	1,413,592	1,371,251	463,556
Notional amount of derivatives								
– Interest rate contracts	–	–	2,130	4,341	18,826	111,599	46,141	183,037
– Currency contracts	–	–	78,561	79,658	285,689	15,627	13,141	472,676
– Precious metal contracts	–	–	510	–	–	–	–	510
– Equity instrument contracts	–	–	–	–	–	34	–	34
Total	–	–	81,201	83,999	304,515	127,260	59,282	656,257

(Expressed in millions of Renminbi unless otherwise stated)

64 RISK MANAGEMENT (continued)

(3) Liquidity risk (continued)

(a) *Maturity analysis* (continued)

Bank *(continued)*

	2007							
	Indefinite	Repayable on demand	Within one month	Between one month and three months	Between three months and one year	Between one year and five years	More than five years	Total
Assets								
Cash and deposits with central banks	736,437	107,019	–	–	–	–	–	843,456
Deposits and placements with banks and non-bank financial institutions	154	16,955	48,607	19,471	14,411	137	3	99,738
Financial assets held under resale agreements	–	–	111,600	22,494	3,151	–	–	137,245
Loans and advances to customers	36,985	26,934	121,555	248,325	920,853	931,964	865,500	3,152,116
Investments								
– Trading financial assets	96	–	511	5,594	10,376	5,388	1,563	23,528
– Available-for-sale financial assets	44,068	–	65,574	41,005	95,932	82,319	99,334	428,232
– Held-to-maturity investments	4,561	–	46,559	86,000	235,040	512,981	305,284	1,190,425
– Debt securities classified as receivables	–	–	–	–	–	468,434	82,902	551,336
– Investments in subsidiaries	4,006	–	–	–	–	–	–	4,006
Other assets	92,175	30,754	2,356	11,091	11,390	2,503	1,488	151,757
Total assets	918,482	181,662	396,762	433,980	1,291,153	2,003,726	1,356,074	6,581,839
Liabilities								
Borrowings from central banks	–	6	–	–	–	–	–	6
Deposits and placements from banks and non-bank financial institutions	–	514,818	21,788	22,263	8,682	31	–	567,582
Trading financial liabilities	–	–	3,383	347	5,950	1,129	–	10,809
Financial assets sold under repurchase agreements	–	–	108,574	967	–	–	–	109,541
Deposits from customers	–	3,347,870	188,849	431,139	1,062,369	260,417	7,792	5,298,436
Debt securities issued								
– Certificates of deposit issued	–	–	244	1,078	2,627	4,398	–	8,347
– Subordinated bonds issued	–	–	–	–	–	–	39,928	39,928
Other liabilities	602	83,531	3,278	6,103	12,632	13,790	7,737	127,673
Total liabilities	602	3,946,225	326,116	461,897	1,092,260	279,765	55,457	6,162,322
Long/(short) position	917,880	(3,764,563)	70,646	(27,917)	198,893	1,723,961	1,300,617	419,517
Notional amount of derivatives								
– Interest rate contracts	–	–	1,719	2,048	12,650	74,306	29,368	120,091
– Currency contracts	–	–	76,027	74,206	382,102	23,661	13,024	569,020
– Precious metal contracts	–	–	34	33	–	–	–	67
– Equity instrument contracts	–	–	–	–	–	36	–	36
Total	–	–	77,780	76,287	394,752	98,003	42,392	689,214

(Expressed in millions of Renminbi unless otherwise stated)

64 RISK MANAGEMENT (continued)

(3) Liquidity risk (continued)

(b) Contractual undiscounted cash flow

The following tables provide an analysis of the contractual undiscounted cash flow of the non-derivative financial liabilities and off balance sheet loan commitments and credit card commitments of the Group and the Bank at the balance sheet date. The Group's and the Bank's expected cash flows on these instruments may vary significantly from this analysis.

Group

	2008							
	Carrying amount	Gross cash outflow	Repayable on demand	Within one month	Between one month and three months	Between three months and one year	Between one year and five years	More than five years
Non-derivative financial liabilities								
Borrowings from central banks	6	6	6	–	–	–	–	–
Deposits and placements from banks and non-bank financial institutions	490,572	512,889	310,652	38,989	22,822	18,650	121,776	–
Trading financial liabilities	3,975	4,077	–	762	1,922	1,110	126	157
Financial assets sold under repurchase agreements	864	871	–	291	580	–	–	–
Deposits from customers	6,375,915	6,521,465	3,597,683	333,137	568,589	1,539,379	474,652	8,025
Debt securities issued								
– Certificates of deposit issued	11,017	11,441	–	352	1,573	5,230	4,286	–
– Subordinated bonds issued	39,939	57,098	–	–	–	2,042	12,045	43,011
– Bonds issued	2,854	3,041	–	–	–	–	3,041	–
Other financial liabilities	25,716	25,716	22,194	731	59	2,143	50	539
Total	6,950,858	7,136,604	3,930,535	374,262	595,545	1,568,554	615,976	51,732
Off balance sheet loan commitments and credit card commitments (Note)	–	482,559	334,442	24,669	26,703	47,597	21,831	27,317

	2007							
	Carrying amount	Gross cash outflow	Repayable on demand	Within one month	Between one month and three months	Between three months and one year	Between one year and five years	More than five years
Non-derivative financial liabilities								
Borrowings from central banks	6	6	6	–	–	–	–	–
Deposits and placements from banks and non-bank financial institutions	547,487	550,558	513,110	21,631	11,140	4,645	32	–
Trading financial liabilities	10,809	11,175	–	3,447	399	6,200	1,129	–
Financial assets sold under repurchase agreements	109,541	110,230	–	109,255	975	–	–	–
Deposits from customers	5,329,507	5,456,881	3,392,401	209,472	445,909	1,104,738	295,160	9,201
Debt securities issued								
– Certificates of deposit issued	9,284	9,835	–	273	1,157	3,837	4,568	–
– Subordinated bonds issued	39,928	58,928	–	–	–	2,012	10,954	45,962
Other financial liabilities	26,355	26,355	22,504	1,696	580	905	–	670
Total	6,072,917	6,223,968	3,928,021	345,774	460,160	1,122,337	311,843	55,833
Off balance sheet loan commitments and credit card commitments (Note)	–	366,602	207,837	28,187	32,836	44,566	38,001	15,175

(Expressed in millions of Renminbi unless otherwise stated)

64 RISK MANAGEMENT (continued)

(3) Liquidity risk (continued)

(b) *Contractual undiscounted cash flow* (continued)

Bank

	2008							
	Carrying amount	Gross cash outflow	Repayable on demand	Within one month	Between one month and three months	Between three months and one year	Between one year and five years	More than five years
Non-derivative financial liabilities								
Borrowings from central banks	6	6	6	–	–	–	–	–
Deposits and placements from banks and non-bank financial institutions	501,652	524,108	310,952	41,724	30,631	19,025	121,776	–
Trading financial liabilities	3,975	4,077	–	762	1,922	1,110	126	157
Financial assets sold under repurchase agreements	864	871	–	291	580	–	–	–
Deposits from customers	6,342,985	6,488,301	3,592,896	315,576	558,633	1,539,215	473,968	8,013
Debt securities issued								
– Certificates of deposit issued	9,608	10,020	–	347	383	5,094	4,196	–
– Subordinated bonds issued	39,939	57,098	–	–	–	2,042	12,045	43,011
– Bonds issued	2,984	3,178	–	–	–	–	3,178	–
Other financial liabilities	24,719	24,719	21,322	731	53	2,074	–	539
Total	6,926,732	7,112,378	3,925,176	359,431	592,202	1,568,560	615,289	51,720
Off balance sheet loan commitments and credit card commitments (Note)	–	478,622	334,442	24,343	26,051	44,825	21,644	27,317

	2007							
	Carrying amount	Gross cash outflow	Repayable on demand	Within one month	Between one month and three months	Between three months and one year	Between one year and five years	More than five years
Non-derivative financial liabilities								
Borrowings from central banks	6	6	6	–	–	–	–	–
Deposits and placements from banks and non-bank financial institutions	567,582	570,654	517,764	21,840	22,278	8,740	32	–
Trading financial liabilities	10,809	11,175	–	3,447	399	6,200	1,129	–
Financial assets sold under repurchase agreements	109,541	110,230	–	109,255	975	–	–	–
Deposits from customers	5,298,436	5,425,133	3,386,002	191,529	440,476	1,103,519	294,904	8,703
Debt securities issued								
– Certificates of deposit issued	8,347	8,856	–	273	1,156	2,859	4,568	–
– Subordinated bonds issued	39,928	58,928	–	–	–	2,012	10,954	45,962
Other financial liabilities	25,003	25,003	21,994	1,221	261	857	–	670
Total	6,059,652	6,209,985	3,925,766	327,565	465,545	1,124,187	311,587	55,335
Off balance sheet loan commitments and credit card commitments (Note)	–	362,943	205,100	27,953	32,368	44,348	38,000	15,174

Note: The loan commitments and credit card commitments may expire without being drawn upon.

64 RISK MANAGEMENT (continued)

(4) Operational risk

Operational risk represents the risk of loss due to deficient and flawed internal processes, personnel and information system, or other external events.

The Group manages this risk through a control-based environment by establishing a framework of policies and procedures in order to identify, assess, report, manage and control risks. The framework covers all business functions ranging from finance, accounting, credit, settlement, savings, treasury, intermediary business, application and management of information system, assets safeguard and legal compliance. This has allowed the Group to comprehensively identify and address the operational risk inherent in all key products, activities, processes and systems. Major operational risk management measures adopted by the Group include:

— improved the self-assessment of operational risk and internal control, identified and assessed key risk area and optimised measures of internal control; boosted business continuity management, set up emergency recovery plan for major production systems, conducted contingent drills and enhanced the bank wide emergency recovery ability;

— started a project for operational risk management of information systems; built up a standard platform for operational risk management throughout the Bank to achieve self-evaluation of operational risk and internal controls, and enhanced the interaction and application of the management tools of historical loss database and key risk indicators so as to support the operational risk management and decisions-making;

— established an internal reporting system for any staff misconduct which may adversely affect the Group's business. Under the system, statistics for staff misconduct are regularly reported to the Head Office, while significant incidents are required to be reported to the Head Office within 24 hours after such incidents are uncovered;

— amended and improved the internal control system on a continuous basis; enhanced staff training; implemented an accountability system to ensure compliance with policies and processes; as well as established relevant policies and procedures, in which the management is held responsible for any staff misconduct;

— strengthened business operational checks and balance between departments and different positions, as well as the centralised appointment and rotation of key personnel;

— developed a systematic authorisation management and business operational policies;

— backed-up data in the Group's key data processing system to minimise operational risks from an IT malfunction, and set up a computer disaster recovery centre to automatically back-up operational data;

64 RISK MANAGEMENT (continued)

(4) Operational risk (continued)

— set up an anti-money laundering team within the Legal and Compliance Department to coordinate and monitor anti-money laundering activities, ensure the regulatory requirements of anti-money laundering are properly satisfied by verifying clients' identities, preserving clients' identity documents and transactions records, reporting money laundering transactions, suspicious transactions and transactions which potentially related to financing criminal activities, as well as conducting anti-money laundering training and publicity activities;

— enhanced the controls over operational risks arising from essential segments of business units; examined and monitored major risks affecting business units; and strengthened the content of controls and risk management for business units; and

— enhanced information system checks and security enforcement; examined and assessed information security risk; tested and evaluated graded protection security technology for key information systems; and conducted contingent drills for potential information system risk to ensure normal operation of network and information systems during the Beijing Olympics.

(5) Fair value

(a) Financial assets

The Group's financial assets mainly include cash and deposits with central banks, deposits and placements with banks and non-bank financial institutions, trading financial assets, financial assets held under resale agreements, loans and advances to customers, available-for-sale financial assets, held-to-maturity investments and debt securities classified as receivables.

Deposits with central banks, deposits and placements with banks and non-bank financial institutions and financial assets held under resale agreements

Deposits with central banks, deposits and placements with banks and non-bank financial institutions and financial assets held under resale agreements are mainly priced at market interest rates and mature within one year. Accordingly, the carrying values approximate the fair values.

Loans and advances to customers

Majority of the loans and advances to customers are repriced at least annually to the market rate. Accordingly, their carrying values approximate the fair values.

Investments

Available-for-sale and trading financial assets are stated at fair value in the financial statements. The following table shows the carrying values and the fair values of the debt securities classified as receivables and held-to-maturity investments which are not presented on the balance sheet at their fair values.

(Expressed in millions of Renminbi unless otherwise stated)

64 RISK MANAGEMENT (continued)

(5) Fair value (continued)

(a) Financial assets (continued)

Group

	Carrying value		Fair value	
	2008	2007	**2008**	2007
Debt securities classified as receivables	**551,818**	551,336	**560,096**	541,152
Held-to-maturity investments	**1,041,783**	1,191,035	**1,087,483**	1,177,626
Total	**1,593,601**	1,742,371	**1,647,579**	1,718,778

Bank

	Carrying value		Fair value	
	2008	2007	**2008**	2007
Debt securities classified as receivables	**551,818**	551,336	**560,096**	541,152
Held-to-maturity investments	**1,041,783**	1,190,425	**1,087,483**	1,176,332
Total	**1,593,601**	1,741,761	**1,647,579**	1,717,484

(b) Financial liabilities

The Group's financial liabilities mainly include borrowings from central banks, deposits and placements from banks and non-bank financial institutions, trading financial liabilities, financial assets sold under repurchase agreements, deposits from customers, and debt securities issued. The carrying values of financial liabilities approximated their fair values at the balance sheet date, except that the fair value of subordinated bonds issued as at 31 December 2008 was RMB40,751 million (2007: RMB39,998 million), which was higher than their carrying value of RMB39,939 million (2007: RMB39,928 million).

64 RISK MANAGEMENT (continued)

(6) Capital management

The Group's capital management comprises the management of the capital adequacy ratio, capital financing, and economic capital, of which the prime focus is capital adequacy ratio management. The Group calculates capital adequacy ratio in accordance with the guidelines issued by the CBRC. The capital of the Group is analysed into core capital and supplementary capital.

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.

Capital adequacy ratio management is a core issue of capital management. The capital adequacy ratio reflects the Group's quality of operations and risk management. The Group's capital adequacy ratio management objectives are to meet the legal and regulatory requirements, and to prudently determine the capital adequacy ratio under realistic exposures with reference to the capital adequacy ratio levels of leading global banks and the Group's operating situations.

The Group predicts, plans, and manages the capital adequacy ratio by using scenario models and stress tests based on its strategic development plans, business expansion needs, and risk exposure trends.

Capital allocation

Maximisation of the return on risk-adjusted capital is the principal basis used in determining how capital is allocated within the Group to particular businesses or activities. Account is also taken of synergies with other businesses and activities, the availability of management and other resources, and the fit of the activity with the Group's longer term strategic objectives. The Group's policies in respect of capital management and allocation are reviewed regularly by the board of directors.

The amount of capital allocated to each business or activity is based primarily upon the regulatory capital, but in some cases the regulatory requirements do not reflect fully the varying degree of risk associated with different activities. In such cases the capital requirements may be flexed to reflect differing risk profiles. The process of allocating capital to specific businesses and activities is undertaken by the ALM.

(Expressed in millions of Renminbi unless otherwise stated)

64 RISK MANAGEMENT (continued)

(6) Capital management (continued)

The Group's consolidated regulatory capital positions calculated in accordance with the guidance issued by the CBRC as at 31 December 2008 and 2007 are as follows:

	Note	2008	2007
Core capital adequacy ratio	(a)	10.17%	10.37%
Capital adequacy ratio	(b)	12.16%	12.58%
Components of capital base			
Core capital:			
— Share capital		233,689	233,689
— Capital reserve, investment revaluation reserve and exchange reserve	(d)	83,202	85,408
— Surplus reserve and general reserve		73,550	49,393
— Retained earnings	(c), (d)	39,316	16,609
— Minority interests		1,596	1,304
		431,353	386,403
Supplementary capital:			
— General provision for doubtful debts		38,110	33,373
— Positive changes in fair value of available-for-sale financial assets and trading financial instruments		8,684	10,527
— Long-term subordinated bonds		40,000	40,000
		86,794	83,900
Total capital base before deductions		518,147	470,303
Deductions:			
— Goodwill		(1,527)	(1,624)
— Unconsolidated equity investments		(5,682)	(4,687)
— Others	(e)	(522)	(810)
Total capital base after deductions		510,416	463,182
Risk-weighted assets	(f)	4,196,493	3,683,123

64 RISK MANAGEMENT (continued)

(6) Capital management (continued)

Notes:

(a) Core capital adequacy ratio is calculated by dividing the net amount of core capital, which is after deductions of 100% of goodwill and 50% of unconsolidated equity investments and others, by risk-weighted assets.

(b) Capital adequacy ratio is calculated by dividing the total capital base after deductions by risk-weighted assets.

(c) The dividend proposed after the balance sheet date has been deducted from retained earnings.

(d) The investment revaluation reserve arising from the accumulated 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. In addition, the unrealised accumulated net positive changes in fair value of trading financial instruments, net of income tax, are excluded from the core capital and included in the supplementary capital.

(e) Others mainly represent investments in those asset backed securities specified by CBRC which required reduction.

(f) The balances of risk-weighted assets include an amount equal to 12.5 times the Group's market risk capital.

65 EVENTS AFTER THE BALANCE SHEET DATE

Issuance of the Subordinated Bonds

Pursuant to the approvals from CBRC and the PBC, the Bank issued subordinated bonds in the national interbank bond market (the "Subordinated Bonds") on 26 February 2009.

The issue size of the Subordinated Bonds is RMB40 billion, divided into two types: Type I is fixed rate bonds for a term of ten years and the issue size is RMB12 billon. The coupon rate for the first five years is 3.2% and the Bank is entitled to redeem the bonds at the end of the first five years. If the Bank does not exercise its redemption right, then the coupon rate for the last five years will be 6.2%. Type II is fixed rate bonds for a term of fifteen years and the issue size is RMB28 billion. The coupon rate for the first ten years is 4.0% and the Bank is entitled to redeem the bonds at the end of the first ten years. If the Bank does not exercise its redemption right, then the coupon rate for the last five years will be 7.0%.

The funds raised from the issuance of the Subordinated Bonds have been transferred to the Bank's account in February 2009 to replenish the supplementary capital of the Bank in accordance with the applicable laws and the approvals from the regulatory authorities.

65 EVENTS AFTER THE BALANCE SHEET DATE (continued)

Investment in trust company

The Bank has agreed to invest in Hefei Xingtai Trust Corporation Limited ("Xingtai Trust") by subscribing to the increased registered capital and hold a 67% interest in the registered capital of Xingtai Trust as enlarged by the capital increase. The registered capital of Xingtai Trust will be increased from RMB504 million to RMB1.527 billion; the total amount that the Bank needs to pay for the capital increase of Xingtai Trust is RMB3.409 billion in cash. The premium of the capital contribution by the Bank in excess of the increase of the registered capital of Xingtai Trust will be booked as capital reserve of Xingtai Trust pursuant to applicable regulations. Following the completion of the capital increase, the Bank will hold a 67.00% interest, Heifei Xingtai Holding Group Corporation Limited a 27.50% interest and Hefei Municipal State-owned Assets Holding Corporation Limited a 5.50% interest in the registered capital of Xingtai Trust, which will be renamed as Jianxin Trust Co., Ltd..

The investment has been approved by CBRC in February 2009. The Bank and all other parties to the Capital Increase Agreement will perform their obligations as provided thereby and assist Xingtai Trust in completing the registration modification with the Administration for Industry and Commerce as soon as practicable. After the completion of the acquisition, Xingtai Trust will be accounted for as subsidiary of the Bank.

66 COMPARATIVE FIGURES

Certain comparative figures have been adjusted to conform with changes in disclosures in current year.

67 ULTIMATE PARENT

The Group is controlled by the PRC government, the majority of the Bank's shares are held by Huijin, a government agency.

68 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE

Up to the date of issue of the financial statements, a number of new standards, amendments to standards and interpretations are not yet effective for the year ended 31 December 2008, and have not been applied in preparing these consolidated financial statements.

The Group is in the process of making assessment of what the impact of these amendments, new standards and new interpretations at initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the Group's results of operations and financial position.

Revised IAS 1 Presentation of Financial Statements requires the separation of changes in equity of an entity arising from transactions with owners from other changes in equity. The Group will apply Revised IAS 1 for annual accounting periods beginning 1 January 2009.

IFRS 8 Operating Segments introduces the "management approach" to segment reporting. The Group will apply IFRS 8 for annual accounting periods beginning 1 January 2009.

(Expressed in millions of Renminbi unless otherwise stated)

The information set out below does not form part of the audited financial statements, and is included herein for information purposes only.

1 DIFFERENCE BETWEEN THE FINANCIAL STATEMENTS PREPARED UNDER IFRS AND THOSE PREPARED IN ACCORDANCE WITH PRC GAAP

China Construction Bank Corporation (the "Bank") prepares consolidated financial statements, which include the financial statements of the Bank and its subsidiaries (collectively the "Group"), in accordance with International Financial Reporting Standards ("IFRS") and its interpretations promulgated by the International Accounting Standards Board and the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

As a financial institution incorporated in the People's Republic of China (the "PRC") and listed in the Shanghai Stock Exchange, the Group also prepares its consolidated financial statements for the year ended 31 December 2008 in accordance with the Accounting Standards for Business Enterprises and other relevant regulations issued by the regulatory bodies of the PRC (collectively "PRC GAAP").

There is no difference in the net profit for the year ended 31 December 2008 or total equity as at 31 December 2008 between the Group's consolidated financial statements prepared under IFRS and those prepared under PRC GAAP respectively.

2 LIQUIDITY RATIOS

Group

	As at 31 December 2008	**Average for the year ended 31 December 2008**	As at 31 December 2007	Average for the year ended 31 December 2007
RMB current assets to RMB current liabilities	**52.74%**	**47.45%**	40.98%	43.52%
Foreign currency current assets to foreign currency current liabilities	**109.84%**	**111.27%**	100.51%	172.01%

The above liquidity ratios are calculated in accordance with the formula promulgated by the China Banking Regulatory Commission.

(Expressed in millions of Renminbi unless otherwise stated)

2 LIQUIDITY RATIOS (continued)

The Hong Kong Banking (Disclosure) Rules (the "Rules") took effect on 1 January, 2007. It requires the disclosure of average liquidity ratio, which being the arithmetic mean of each calendar month liquidity ratio. The Group prepared liquidity ratio on a semi-annual basis and the disclosed average liquidity ratio is the arithmetic mean of two consecutive liquidity ratios as at 30 June and 31 December.

3 CURRENCY CONCENTRATIONS

Group

	2008			
	USD (RMB equivalent)	**HKD (RMB equivalent)**	**Others (RMB equivalent)**	**Total (RMB equivalent)**
Spot assets	**267,877**	**82,948**	**43,113**	**393,938**
Spot liabilities	**(172,382)**	**(72,158)**	**(35,691)**	**(280,231)**
Forward purchases	**160,471**	**12,764**	**76,185**	**249,420**
Forward sales	**(259,483)**	**(5,877)**	**(82,006)**	**(347,366)**
Net (short)/long position	**(3,517)**	**17,677**	**1,601**	**15,761**
Net structural position	**—**	**169**	**136**	**305**

	2007			
	USD (RMB equivalent)	HKD (RMB equivalent)	Others (RMB equivalent)	Total (RMB equivalent)
Spot assets	454,533	73,927	46,589	575,049
Spot liabilities	(167,987)	(78,756)	(30,169)	(276,912)
Forward purchases	155,788	21,834	33,183	210,805
Forward sales	(403,066)	(4,925)	(43,025)	(451,016)
Net option position	(4)	—	4	—
Net long position	39,264	12,080	6,582	57,926
Net structural position	31	378	57	466

3 CURRENCY CONCENTRATIONS (continued)

The net option position is calculated using the delta equivalent approach required by the Hong Kong Monetary Authority (the "HKMA"). The net structural position of the Group includes the structural positions of the Bank's overseas branches, banking subsidiaries and other subsidiaries substantially involved in foreign exchange. Structural assets and liabilities include:

— investments in property and equipment, net of accumulated depreciation;

— capital and statutory reserves of overseas branches; and

— investments in overseas subsidiaries and related companies.

4 CROSS-BORDER CLAIMS

The Group is principally engaged in business operations within Mainland China, and regards all claims on overseas third parties as cross-border claims.

For the purpose of this unaudited supplementary financial information, Mainland China excludes the Hong Kong Special Administrative Region of the PRC ("Hong Kong"), the Macau Special Administrative Region of the PRC ("Macau") and Taiwan.

Cross-border claims include loans and advances to customers, deposits and placements with banks and non-bank financial institutions, holdings of trade bills and certificates of deposit and investment securities.

Cross-border claims have been disclosed by country or geographical area. 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 transfers are 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.

(Expressed in millions of Renminbi unless otherwise stated)

4 CROSS-BORDER CLAIMS (continued)

Group

	2008			
	Banks and non-bank financial institutions	Public sector entities	Others	Total
Asia Pacific excluding Mainland China	16,029	2,665	59,694	78,388
— of which attributed to Hong Kong	11,459	1,358	37,296	50,113
Europe	17,859	59	8,997	26,915
North and South America	61,840	10,092	31,840	103,772
	95,728	12,816	100,531	209,075

	2007			
	Banks and non-bank financial institutions	Public sector entities	Others	Total
Asia Pacific excluding Mainland China	42,051	1,355	32,515	75,921
— of which attributed to Hong Kong	12,706	899	17,102	30,707
Europe	57,474	—	10,064	67,538
North and South America	114,802	68,146	49,984	232,932
	214,327	69,501	92,563	376,391

The above cross-border claims are disclosed in accordance with the requirements of the Rules. According to these requirements, "others" includes the transactions with sovereign counterparties.

(Expressed in millions of Renminbi unless otherwise stated)

5 OVERDUE LOANS AND ADVANCES TO CUSTOMERS BY GEOGRAPHICAL SECTOR

Group

	2008	2007
Yangtze River Delta	**7,353**	7,996
Pearl River Delta	**7,604**	9,552
Bohai Rim	**15,063**	18,702
Central	**11,192**	11,710
Western	**10,495**	10,468
Northeastern	**5,390**	6,232
Head office	**1,569**	2,186
Overseas	**374**	177
Total	**59,040**	67,023

The above analysis represents the gross amount of loans and advances overdue for more than 90 days as required by the Rules.

Loans and advances with a specific repayment date are classified as overdue when the principal or interest is overdue.

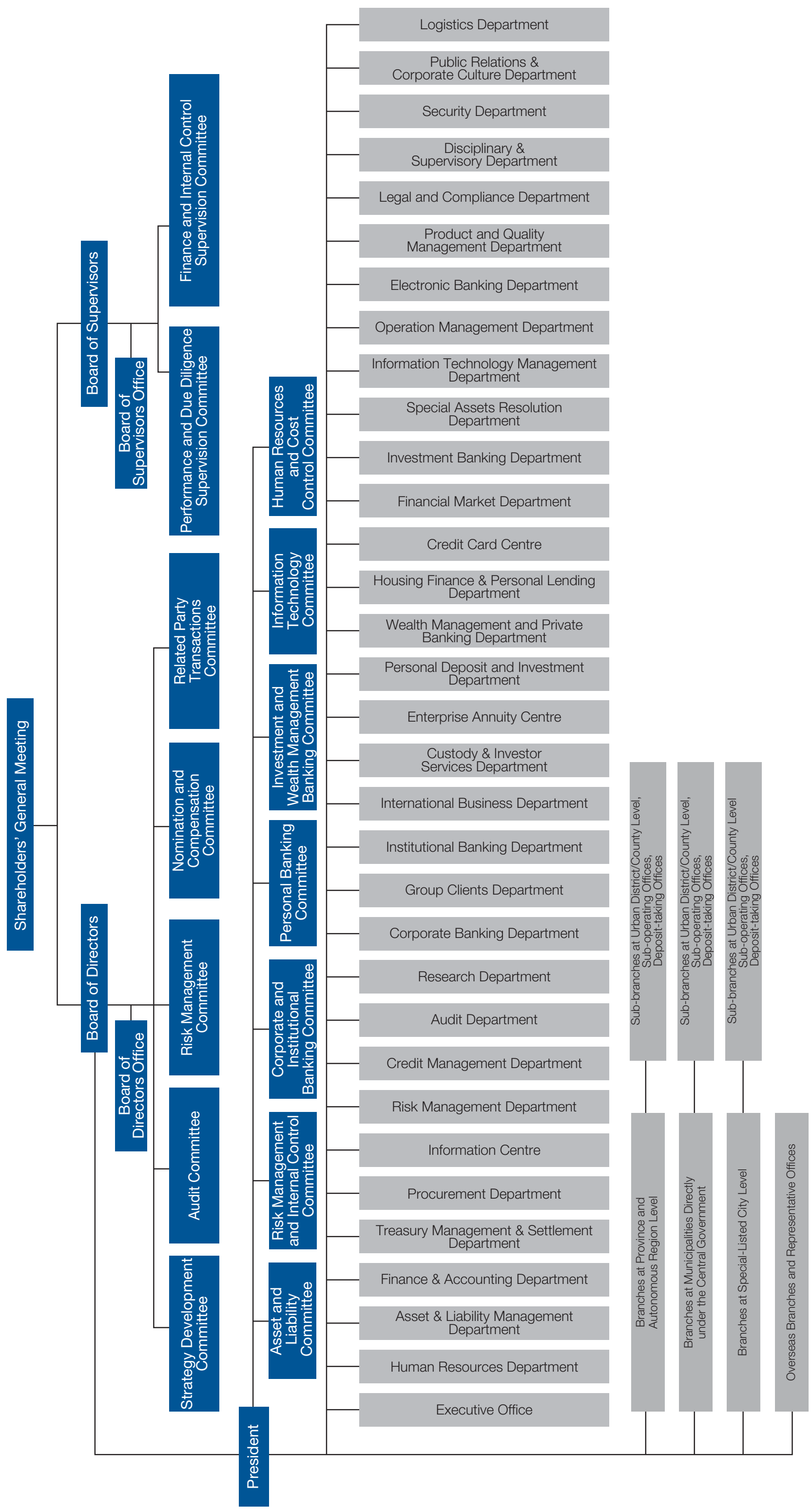
Loans and advances repayable on demand are classified as overdue when a demand for repayment has been served on the borrower but repayment has not been made in accordance with the instructions. If the loans and advances repayable on demand are outside the approved limit that was advised to the borrower, they are also considered as overdue.

As at 31 December 2008, the amounts of RMB48,922 million (2007: RMB56,981 million) and RMB10,118 million (2007: RMB10,042 million) of the above overdue loans and advances were subject to individual assessment and collective assessment for impairment respectively. The covered portion and uncovered portion of these individually assessed loans and advances were RMB8,863 million and RMB40,059 million respectively (2007: RMB13,058 million and RMB43,923 million respectively). The fair value of collateral held against these individually assessed loans and advances was RMB9,377 million (2007: RMB16,406 million). The fair value of collateral was estimated by management based on the latest available external valuations adjusted by taking into account the current realisation experience as well as market situation. The impairment allowances made against these individually assessed loans and advances were RMB39,617 million (2007: RMB41,635 million).

6 NON-BANK MAINLAND CHINA EXPOSURE

The Bank is a commercial bank incorporated in Mainland China with its banking business primarily conducted in Mainland China. As at 31 December 2008, substantial amounts of the Bank's exposures arose from businesses with Mainland China entities or individuals. Analyses of various types of exposures by counterparty have been disclosed in the respective notes to the financial statements.

Organisational Structure



Branches and Subsidiaries

Tier-one Branches in Mainland China

Anhui Branch

Address : No. 253, Huizhou Road, Hefei
Postcode : 230001
Telephone : (0551) 2874100
Facsimile : (0551) 2872014

Beijing Branch

Address : No. 4, Building 28, Xuanwumen West Street, Beijing
Postcode : 100053
Telephone : (010) 63603664
Facsimile : (010) 63603656

Chongqing Branch

Address : No. 123, Minzu Road, Yuzhong District, Chongqing
Postcode : 400010
Telephone : (023) 63771855
Facsimile : (023) 63771835

Dalian Branch

Address : No. 1, Jiefang Street, Zhongshan District, Dalian
Postcode : 116001
Telephone : (0411) 82818818
Facsimile : (0411) 82804560

Fujian Branch

Address : No. 142, Guping Road, Fuzhou
Postcode : 350003
Telephone : (0591) 87811098
Facsimile : (0591) 87856865

Gansu Branch

Address : No. 77, Qin'an Road, Lanzhou
Postcode : 730030
Telephone : (0931) 4891555
Facsimile : (0931) 4891862

Guangdong Branch

Address : No. 509, Dongfengzhong Road, Guangzhou
Postcode : 510045
Telephone : (020) 83018888
Facsimile : (020) 83013950

Guangxi Branch

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Postcode : 530022
Telephone : (0771) 5513110
Facsimile : (0771) 5513012

Guizhou Branch

Address : No. 56, Zhonghua North Road, Guiyang
Postcode : 550001
Telephone : (0851) 6696000
Facsimile : (0851) 6696377

Hainan Branch

Address : CCB Plaza, No. 8, Guomao Avenue, Haikou
Postcode : 570125
Telephone : (0898) 68587488
Facsimile : (0898) 68587569

Hebei Branch

Address : No. 40, Ziqiang Road, Shijiazhuang
Postcode : 050000
Telephone : (0311) 87888866
Facsimile : (0311) 88601010

Henan Branch

Address : No. 80, Huayuan Road, Zhengzhou
Postcode : 450003
Telephone : (0371) 65556699
Facsimile : (0371) 65556688

Heilongjiang Branch

Address : No. 67, Hongjun Street, Nan'gang District, Harbin
Postcode : 150001
Telephone : (0451) 53619788
Facsimile : (0451) 53625552

Hubei Branch

Address : No. 709, Jianshe Street, Wuhan
Postcode : 430015
Telephone : (027) 65775888
Facsimile : (027) 65775881

Hunan Branch

Address : Yin'gang Plaza, No. 2, Baisha Road, Changsha
Postcode : 410005
Telephone : (0731) 4419191
Facsimile : (0731) 4419141

Jilin Branch

Address : No. 810, Xi'an Road, Changchun
Postcode : 130061
Telephone : (0431) 88573030
Facsimile : (0431) 88988748

Jiangsu Branch

Address : No. 188, Hongwu Road, Nanjing
Postcode : 210002
Telephone : (025) 84200545
Facsimile : (025) 84209316

Jiangxi Branch

Address : No. 366, Bayi Street, Nanchang
Postcode : 330006
Telephone : (0791) 6848200
Facsimile : (0791) 6848318

Liaoning Branch
Address : No. 176, Zhongshan Road, Heping District, Shenyang
Postcode : 110002
Telephone : (024) 22787600
Facsimile : (024) 22856915

Inner Mongolia Branch
Address : No. 9, Zhao Wuda Street, Huhhot
Postcode : 010010
Telephone : (0471) 6200263
Facsimile : (0471) 6200257

Ningbo Branch
Address : No. 31, Guangji Street, Ningbo
Postcode : 315010
Telephone : (0574) 87313888
Facsimile : (0574) 87325019

Ningxia Branch
Address : No. 98, Nanxun West Road, Yinchuan
Postcode : 750001
Telephone : (0951) 4126111
Facsimile : (0951) 4106165

Qingdao Branch
Address : No. 71, Guizhou Road, Qingdao
Postcode : 266002
Telephone : (0532) 82651888
Facsimile : (0532) 82670157

Qinghai Branch
Address : No. 59, West Street, Xining
Postcode : 810000
Telephone : (0971) 8261181
Facsimile : (0971) 8261225

Three Gorges Branch
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Postcode : 443000
Telephone : (0717) 6736888 -3515
Facsimile : (0717) 6738137

Shandong Branch
Address : No. 178, Luoyuan Street, Jinan
Postcode : 250012
Telephone : (0531) 82088108
Facsimile : (0531) 86169108

Shaanxi Branch
Address : No. 38, South Guangji Street, Xi'an
Postcode : 710002
Telephone : (029) 87617515
Facsimile : (029) 87617514

Shanxi Branch
Address : No. 126, Yingze Street, Taiyuan
Postcode : 030001
Telephone : (0351) 4957800
Facsimile : (0351) 4957871

Shanghai Branch
Address : No.900, Lujiazui Ring Road, Shanghai
Postcode : 200120
Telephone : (021) 58880000
Facsimile : (021) 58781818

Shenzhen Branch
Address : East Section, Finance Centre, South Hongling Road, Shenzhen
Postcode : 518010
Telephone : (0755) 82488189
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Sichuan Branch
Address : Sichuan CCB Plaza, No. 86, Tidu Street, Chengdu
Postcode : 610016
Telephone : (028) 86767161
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Suzhou Branch
Address : No. 18, Suhua Road, Suzhou Industrial Park, Suzhou
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Address : Plus 1 No. 19, Nanjing Road, Hexi District, Tianjin
Postcode : 300203
Telephone : (022) 23401616
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Xiamen Branch
Address : No. 98, Lujiang Road, Xiamen
Postcode : 361001
Telephone : (0592) 2158888
Facsimile : (0592) 2158862

Tibet Branch
Address : No. 21, Beijing West Road, Lhasa
Postcode : 850008
Telephone : (0891) 6838792
Facsimile : (0891) 6836818

Xinjiang Branch
Address : No. 99, Minzhu Road, Urumqi
Postcode : 830002
Telephone : (0991) 2848666
Facsimile : (0991) 2819160

Yunnan Branch
Address : CCB Plaza, No. 306, Jinbi Road, Kunming
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Telephone : (0871) 3060997
Facsimile : (0871) 3060333

Zhejiang Branch
Address : No. 288, Tiyuchang Road, Hangzhou
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Telephone : (0571) 85313263
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Branches and Representative Offices outside Mainland China

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Subsidiaries

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Facsimile : (010) 66228889
Website : www.ccbfund.cn

CCB Financial Leasing Corporation Limited

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Facsimile : (010) 66275809
Website : www.ccbleasing.com

中国建设银行
China Construction Bank