ICBC

INDUSTRIAL AND COMMERCIAL BANK OF CHINA LIMITED

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

Stock Code: 1398

2009 Annual Report

Company Profile

Industrial and Commercial Bank of China Limited, formerly known as Industrial and Commercial Bank of China, was established on 1 January 1984. On 28 October 2005, the Bank was wholly restructured to a joint-stock limited company. On 27 October 2006, the Bank was listed on both Shanghai Stock Exchange and The Stock Exchange of Hong Kong Limited, being the largest IPO that took place in global capital markets in history.

Through its continuous endeavor and stable development, the Bank has developed into the world's top listed bank with the highest market capitalization, customer deposits and profit, possessing an excellent customer base, a diversified business structure, strong innovation capabilities and market competitiveness. The Bank provides comprehensive financial products and services to 3.61 million corporate banking customers and 216 million personal banking customers by virtue of the distribution network consisting of 16,232 domestic institutions, 162 overseas institutions and over 1,504 correspondent banks worldwide, as well as through its E-banking network comprising a range of internet and telephone banking services and self-service banking centers, basically forming an internationalized trans-market operating structure focusing on commercial banking business and maintaining a leading position in the domestic market in most commercial banking areas. The Bank strives to duly implement the organic unification of economic and social responsibilities, establishing the image of a large responsible bank in the aspects of supporting economic and social development, protecting environment and resources, and participating in community services, and has repeatedly won the awards of "Most Respectable Enterprise in China" and "Valuable Enterprises — Model for Social Responsibility".

In the future, the Bank will continue to aim at becoming the most profitable, most excellent and most respectable top international financial institution.

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Important Notice

The Board of Directors, the Board of Supervisors, Directors, Supervisors and Senior Management members of Industrial and Commercial Bank of China Limited undertake that the information in this report contains no false record, misleading statement or material omission, and assume individual and joint and several liabilities to the authenticity, accuracy and completeness of the information in this report.

The 2009 Annual Report of the Bank and the results announcement have been considered and approved at the meeting of the Board of Directors of the Bank held on 25 March 2010. All directors were present at the meeting.

The 2009 financial statements prepared by the Bank in accordance with PRC GAAP and IFRSs have been audited by Ernst & Young Hua Ming and Ernst & Young in accordance with Chinese and International Standards on Audit respectively, with standard unqualified auditors' reports being issued.

The Board of Directors of Industrial and Commercial Bank of China Limited

25 March 2010

Mr. Jiang Jianqing, Legal Representative of the Bank, Mr. Yang Kaisheng, President in charge of finance of the Bank, and Mr. Shen Rujun, General Manager of the Finance and Accounting Department of the Bank, hereby warrant and guarantee that the financial statements contained in the Annual Report are authentic and complete.

Corporate Information

Legal name in Chinese

中國工商銀行股份有限公司（“中國工商銀行”）

Legal name in English

INDUSTRIAL AND COMMERCIAL BANK OF CHINA LIMITED (“ICBC”)

Legal representative

Jiang Jianqing

Registered address and office address

No. 55 Fuxingmennei Avenue, Xicheng District, Beijing, PRC
Postal code: 100140
Website: www.icbc.com.cn, www.icbc-ltd.com

Principal place of business in Hong Kong

ICBC Tower, 3 Garden Road, Central, Hong Kong

Authorized representatives

Yang Kaisheng, Gu Shu

Board Secretary and Company Secretary

Gu Shu
Address: No. 55 Fuxingmennei Avenue, Xicheng District, Beijing, PRC
Telephone: 86-10-66108608
Facsimile: 86-10-66106139
E-mail: ir@icbc.com.cn

Qualified accountant

Yeung Manhin

Selected newspapers for information disclosure

China Securities Journal, Shanghai Securities News, Securities Times, Securities Daily

Website designated by China Securities Regulatory Commission for publication of the annual report in respect of A shares

www.sse.com.cn

The “HKExnews” website of The Stock Exchange of Hong Kong Limited for publication of the annual report in respect of H shares

www.hkexnews.hk

Legal advisors

Mainland China

King & Wood PRC Lawyers
40/F, Office Tower A, Beijing Fortune Plaza, 7 East 3rd Ring Middle Road, Chaoyang District, Beijing, PRC

Hong Kong, China

Linklaters
10/F, Alexandra House, Chater Road, Central, Hong Kong

Share Registrars

A Share

China Securities Depository and Clearing Corporation Limited, Shanghai Branch
36/F, China Insurance Building, No. 166 Lujiazui Dong Road, Pudong New Area, Shanghai, PRC

H Share

Computershare Hong Kong Investor Services Limited
17M Floor, Hopewell Center,183 Queen's Road East, Wanchai, Hong Kong

Location where copies of this annual report are kept

Office of the Board of Directors of the Bank

Place where shares are listed, stock name and stock code

A Share

Shanghai Stock Exchange

Stock name: 工商銀行

Stock code: 601398

H Share

The Stock Exchange of Hong Kong Limited

Stock name: ICBC

Stock code: 1398

Other relevant information of the Bank

Date of change of registration: 4 November 2008
Registration authority: State Administration for Industry and Commerce, PRC
Corporate business license number: 100000000003965
Financial license institution number: B0001H111000001
Tax registration certificate number: Jing Shui Zheng Zi 110102100003962
Organizational code: 10000396-2

Name and address of auditors

Domestic auditors

Ernst & Young Hua Ming
Level 16, Ernst & Young Tower (Tower E3), Oriental Plaza, No. 1 East Chang An Avenue, Dongcheng District, Beijing, PRC

International auditors

Ernst & Young
18/F, Two International Finance Centre, 8 Finance Street, Central, Hong Kong

This report is prepared in both Chinese and English languages; in case of any discrepancy between the Chinese version and the English version, the Chinese version shall prevail.

Financial Highlights

(Financial data and indicators in this Annual Report are prepared in accordance with IFRSs and, unless otherwise specified, are consolidated amounts of the Bank and its subsidiaries and denominated in Renminbi.)

Financial Data

	2009	2008	2007
Annual operating results (in RMB millions)			
Net interest income	245,821	263,037	224,465
Net fee and commission income	55,147	44,002	38,359
Operating income	309,411	310,195	257,428
Operating expenses	120,819	111,335	104,660
Impairment losses	23,285	55,462	37,406
Operating profit	165,307	143,398	115,362
Profit before tax	167,294	145,376	115,378
Net profit	129,396	111,226	82,254
Net profit attributable to equity holders of the parent company	128,645	110,841	81,520
Net cash flow from operating activities	403,862	370,913	296,129
As at the end of the reporting period (in RMB millions)			
Total assets	11,785,053	9,757,146	8,683,712
Total loans and advances to customers	5,728,626	4,571,994	4,073,229
Allowance for impairment losses on loans	145,452	135,983	115,687
Net investment in securities	3,599,173	3,048,310	3,107,328
Total liabilities	11,106,119	9,150,516	8,140,036
Due to customers	9,771,277	8,223,446	6,898,413
Due to banks and other financial institutions	1,001,634	646,254	805,174
Equity attributable to equity holders of the parent company	673,893	602,675	538,371
Net capital base	731,956	620,033	576,741
Net core capital base	586,431	510,549	484,085
Supplementary capital	172,994	121,998	94,648
Risk-weighted assets(1)	5,921,330	4,748,893	4,405,345
Per share data (in RMB yuan)			
Net assets per share(2)	2.02	1.80	1.61
Basic earnings per share	0.39	0.33	0.24
Diluted earnings per share	0.39	0.33	0.24
Net cash flow per share from operating activities	1.21	1.11	0.89
Credit rating			
S&P(3)	A-/Positive	A-/Positive	A-/Positive
Moody's(3)	A1/Positive	A1/Stable	A1/Stable

Notes: (1) Being risk-weighted assets and market risk capital adjustment. Please refer to the section headed "Discussion and Analysis — Capital Management".

(2) Calculated by dividing equity attributable to equity holders of the parent company at the end of the reporting period by the number of shares issued at the end of the reporting period.

(3) The rating results are in form of "long-term foreign currency deposits rating/outlook".

Financial Indicators

	2009	2008	2007
Profitability (%)			
Return on average total assets(1)	1.20	1.21	1.02
Return on weighted average equity(2)	20.15	19.43	16.23
Net interest spread(3)	2.16	2.80	2.67
Net interest margin(4)	2.26	2.95	2.80
Return on risk-weighted assets(5)	2.43	2.43	2.01
Ratio of net fee and commission income to operating income	17.82	14.19	14.90
Cost-to-income ratio(6)	33.18	29.84	35.02
Asset quality (%)			
Non-performing loans ("NPL") ratio(7)	1.54	2.29	2.74
Allowance to NPL(8)	164.41	130.15	103.50
Allowance to total loans ratio(9)	2.54	2.97	2.84
Capital adequacy (%)			
Core capital adequacy ratio(10)	9.90	10.75	10.99
Capital adequacy ratio(10)	12.36	13.06	13.09
Total equity to total assets ratio	5.76	6.22	6.26
Risk-weighted assets to total assets ratio	50.24	48.67	50.73

Notes: (1) Calculated by dividing net profit by the average balance of total assets at the beginning and at the end of the reporting period.

(2) Calculated by dividing profit attributable to equity holders of the parent company by the weighted average balance of equity attributable to equity holders of the parent company, which is calculated in accordance with the "Rules for the Compilation and Submission of Information Disclosure by Companies that Offer Securities to the Public No. 9 — Computation and Disclosure of Return on Net Assets and Earnings per Share (Revision 2010)" issued by CSRC.

(3) Calculated by the spread between yield on average balance of interest-generating assets and cost on average balance of interest-bearing liabilities.

(4) Calculated by dividing net interest income by the average balance of interest-generating assets.

(5) Calculated by dividing net profit by the average balance of risk-weighted assets and adjustment to market-risk capitals at the beginning and at the end of the reporting period.

(6) Calculated by dividing operating expenses (less business tax and surcharges) by operating income.

(7) Calculated by dividing the balance of NPL by total balance of loans and advances to customers.

(8) Calculated by dividing allowance for impairment losses on loans and advances by total balance of NPL.

(9) Calculated by dividing allowance for impairment losses on loans and advances by total balance of loans and advances to customers.

(10) Please refer to the section headed "Discussion and Analysis — Capital Management".

Five-Year Financial Summary

	2009	2008	2007	2006	2005
Annual operating results (in RMB millions)					
Net interest income[1]	245,821	263,037	224,465	163,542	153,603
Net fee and commission income	55,147	44,002	38,359	16,344	10,546
Operating income	309,411	310,195	257,428	181,638	171,620
Profit before tax	167,294	145,376	115,378	72,065	63,026
Net profit	129,396	111,226	82,254	49,880	38,019
Net profit attributable to equity holders of the parent company	128,645	110,841	81,520	49,263	37,555
As at the end of reporting period (in RMB millions)					
Total assets	11,785,053	9,757,146	8,683,712	7,508,751	6,456,131
Loans and advances to customers, net	5,583,174	4,436,011	3,957,542	3,533,978	3,205,861
Net investment in securities	3,599,173	3,048,310	3,107,328	2,860,798	2,305,689
Total liabilities	11,106,119	9,150,516	8,140,036	7,037,750	6,196,255
Due to customers	9,771,277	8,223,446	6,898,413	6,326,390	5,736,866
Equity attributable to equity holders of the parent company	673,893	602,675	538,371	466,464	255,839
Per share data (in RMB yuan)					
Basic earnings per share	0.39	0.33	0.24	0.18	0.15
Diluted earnings per share	0.39	0.33	0.24	0.18	0.15
Financial indicators (%)					
Return on average total assets	1.20	1.21	1.02	0.71	0.66
Net interest spread	2.16	2.80	2.67	2.32	2.58
Net interest margin	2.26	2.95	2.80	2.41	2.61
Ratio of net fee and commission income to operating income	17.82	14.19	14.90	9.00	6.14
Cost-to-income ratio[2]	33.18	29.84	35.02	36.32	40.09
NPL ratio	1.54	2.29	2.74	3.79	4.69
Allowance to NPL	164.41	130.15	103.50	70.56	54.20
Allowance to total loans ratio	2.54	2.97	2.84	2.68	2.54

Notes: (1) Due to the changes in the presentation of the financial statements, the approaches adopted for calculation of the "net interest income" for 2005 and other years are different, please refer to the 2007 Annual Report of the Bank for details.

(2) Calculated by dividing operating expense (less business tax and surcharges) by operating income. In calculating the cost-to-income ratio for year 2005, expenses and income from the special government bond for the period ended 30 November 2005 were deducted.

Other Financial Indicators

		Regulatory Criteria	2009	2008	2007
Liquidity ratio[2] (%)	RMB	>=25.0	30.7	33.3	26.8
	Foreign currency	>=25.0	61.1	83.5	97.9
Loan-to-deposit ratio[3] (%)	RMB and foreign currency	<=75.0	59.5	56.4	56.3
Percentage of loans to single largest customer[4] (%)		<=10.0	2.8	2.9	3.1
Percentage of loans to top 10 customers[5] (%)			20.9	20.4	21.1
Loan migration ratio (%)	Pass		3.5	4.6	3.5
	Special mention		9.9	9.3	10.4
	Substandard		31.3	39.4	41.3
	Doubtful		18.1	10.2	10.2

Notes: (1) The regulatory ratios in the table are calculated in accordance with related regulatory requirements and accounting standards applicable to the current year. The comparative figures are not restated.

(2) Calculated by dividing the balance of current assets by the balance of current liabilities.

(3) Calculated by dividing loan balance by deposit balance. Deposit balances exclude fiscal deposits and outward remittance, and loan balances at the end of 2007 exclude discounted bills.

(4) Calculated by dividing loans to the single largest customer by net capital base.

(5) Calculated by dividing loans to the top 10 customers in aggregate by net capital base.

Chairman's Statement

Chairman of the Board of Directors **Jiang Jianqing**

2009 was a year that would leave a deep footprint in the history of financial development. In this year, the global financial industry struggled in an unprecedented exceptional crisis, whilst the industry promoted reform and restructuring of the global financial system, with a deep reflection on the unbalanced commercial mode and financial disorder that was experienced. The global financial industry is experiencing in-depth changes that will have a significant influence on its future development trends.

ICBC was, of course, unable to avoid the negative impacts of this huge financial crisis. However, benefiting from the government's vigorous policies and measures to deal with the crisis, the Chinese banking industry's basic commercial mode which invariably serves the real economy, and the Bank's consistent policy of stable and sound business operation and the solid foundation laid by continuing transformation and development these years, the Bank has not only avoided a direct hit from the financial crisis, but also successfully seized opportunities arising from the crisis, becoming the world's top listed bank with the highest market capitalisation, profit and customer deposits. In 2009, although the allowance to NPL increased substantially to 164.41%, net profit reached RMB129,396 million, representing a year-on-year increase of 16.3%. Earnings per share and return on weighted average equity were RMB0.39 and 20.15%, representing an increase of 18.2% and 0.72 percentage point from the previous year, respectively and both hitting a record high. Cost-to-income ratio was 33.18%, maintaining at a reasonable level. Both the balance of non-performing loans (NPLs) and the NPL ratio dropped for the tenth consecutive year, with NPL ratio falling to 1.54%. The capital adequacy ratio and the core capital adequacy ratio were 12.36% and 9.90% respectively, maintaining a sound level of capital adequacy during the Bank's rapid business development.

Economy and finance are inter-dependent. Only when the economy is in good condition can finance enjoy sound development. The Bank has shouldered the corresponding responsibility of a big bank in the global financial crisis, proactively responded to the government's macroeconomic policies to combat the crisis, and appropriately increased lending to support economic growth. Meanwhile, the Bank strived to use financial leverage to drive economic restructuring, promoting the balance between investment and consumption, real economy and virtual economy, and people and the environment. In this year, the Bank increased lending to the key national projects, bolstering the implementation of the State's policy of expanding investment. The Bank also increased lending in the field of personal consumption to support the State's policy of stimulating consumption. The Bank's support to the financing needs of SMEs advocated the implementation of the State's policy of promoting employment growth and improving people's livelihood. The increased credit granted to the modern service industry and the projects in the fields of new energy, new technology and low-carbon economy supported the development of strategic emerging industries and fostered new economic growth drivers. The Bank also strictly controlled the lending to industries with high energy consumption, high pollution and over-capacity to promote an upgrading of the country's industrial structure.

Through the financial crisis, the international community has generally accepted that excessive financial innovation outside of the real economy would hype a crisis situation. However, people also recognised that financial innovations did not necessarily result in higher risks. To the contrary, the stagnancy of some financial innovations may even be disadvantageous to risk management and control, and support in financial innovation was needed to deal with a crisis. China's economy is now in the stage of "golden opportunities" but the development of finance falls behind the demands of the real economy. Financial innovation in China is obviously insufficient rather than being excessive. Therefore, we should rely on innovation to seize opportunities and explore new breakthroughs. In this year, the Bank has diligently accelerated the innovation of products, technology and sales channels, progressing changes in its mode of development and the optimization of business structure, driving the transformation from a traditional financing agency to a comprehensive financial services provider, and from a local bank to an international bank, thus further establishing a diversified and internationalized business development pattern. The Bank's revenue structure and sales channels structure were greatly enhanced in 2009. Net fee and commission income contributed 17.82% of the total operating income, representing an increase of 3.63 percentage points from the previous year. The substitution rate of E-banking business exceeded 50%, indicating a major change in the traditional counter-based service mode. The Bank entered some new markets in countries and areas such as Canada, Thailand, Vietnam, Malaysia and Abu Dhabi through acquisition of existing businesses and application of new licences. All the 23 overseas business institutions in 20 countries and areas worldwide maintained rapid business growth and gained profits. The Bank saw an increase of 165.0% in its pre-tax profit generated abroad. Additional capital was injected into ICBC Leasing and ICBC International was reorganised, further consolidating the Bank's comprehensive business strength.

The primary method used by the Bank to cope with difficulties and challenges these years is by carrying out reform to unravel difficulties in our development and to stimulate operation vigour. Faced with the complicated external conditions full of abrupt changes and operation hardships, the Bank has consistently launched reforms in key areas and segments, and smoothly completed the reform of the management system of financial market business and asset management business. The Precious Metal Business Department was established, and the reform in key sub-branches at the county level progressed in a stable manner, effectively energizing the business and development forces of our various institutions. The Bank has also made reforms in the operational management system and centralized the management of reports, and progressed the building of back-office centres such as E-banking center and documents center in a full scale so that the formation of an integrated and efficient back office platform capable of business handling and management with low cost and effective supervision is accelerated. These in-depth reform measures have improved the quality of services across the Bank, enhanced the Bank's business efficiency, competitiveness and development capabilities, and increased the level of risk management, laying a solid foundation in terms of new systems and mechanisms for the future development at a higher level.

Good corporate governance and sound risk management are key to the stable operation of the banking industry and even the whole financial system. They are also the primary factors determining whether a bank can achieve fast and sound development. Nonetheless, we also recognise clearly that there is not a single universally applicable fixed model for corporate governance, and we must start from the conditions of our own country and the Bank, learn from international experience, and produce a system of risk control and corporate governance that is suitable for our own development. In the past year, the Bank has taken business development and risk control into overall consideration. We focused on operations that were legally compliant, prudently and persistently ensured that risks were at an acceptable level, refined the comprehensive risk management mechanism, and strived to raise the technological level of risk management, thereby keeping the asset quality stable and various risks controllable. The Bank also revised tens of corporate governance rules and regulations, including the Articles of Association of the Bank and the rules of procedures for the Shareholders' General Meeting, the Board of Directors and the Board of Supervisors, further clarifying and refining our corporate operational procedures. The Bank adjusted the set up and the composition of the special committees of the Board of Directors by separating the Related Party Transactions Sub-Control Committee from the Risk Management Committee and splitting the Nomination and Compensation Committee into the Nomination Committee and the Compensation Committee, with functions and powers of each of these special committees clarified, so that their set up is more reasonable, and that their operations are more efficient.

Achieving success is not as challenging as sustaining success. Looking back at the first decade in the new century, the Bank, like a phoenix reborn in flames, has successfully went into the spotlight from the edge of the global financial stage, becoming one of the world's leading banks. Looking into the future, at the start of another decade, we are facing an even more complicated post-crisis environment, with changes in global economic and financial patterns, and new challenges brought about by rapid introduction of intermediaries other than banks and the fast development of market driven interest rates. The Bank will accelerate the transformation of its mode of development, deepen the reform of its systems and mechanisms, vigorously improve its financial services, and constantly enhance its competitiveness and development capabilities, risk management and control, and sustainable profitability, in order to explore a scientific way to build the Bank into a first-class international financial institution which suits the domestic conditions in China.

The crisis will soon be over and recovery is underway. Apart from the bitter memory of the financial crisis, we should reflect on the development philosophy of the modern banking industry and the corporate values, and explore a new route for future economic and financial development. Learning from history and looking into the future, the Bank will set sail for a new voyage and achieve further growth!

Chairman: Jiang Jianqing

25 March 2010

President **Yang Kaisheng**

Last year, we faced the severe challenge of the spreading global financial crisis. All staff of ICBC worked diligently to overcome the hard hit as a result of the financial crisis and realize healthy and stable development of the Bank. The Bank also managed a new leap forward by seizing opportunities in the crisis, showing the investors and the public the Bank's strong competitiveness and sound risk control and value creation capabilities in this "final test" of the crisis.

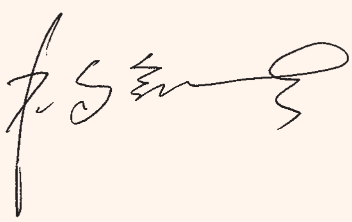
Despite the negative impacts resulting from the global financial crisis, the decline of domestic economic growth and narrowed interest spread on the growth of banks' profits, the Bank achieved commendable financial performance, with net profit increasing by 16.3%, and further improved its revenue structure, through accelerating business innovation and changing its mode of development. During the past year, net fee and commission income of the Bank increased by 25.3%, continuing to lead comparable domestic peers, both in terms of the actual amount of increment and the growth rate. Net fee and commission income contributed 17.82% of the total operating income, representing an increase of 3.63 percentage points from the previous year, and reaching a level comparable to international big banks. Income from investment banking grew by 56.2%, making the Bank the first domestic commercial bank with investment banking income exceeding RMB10 billion. The fast development of fee-based business has to some extent offset the negative impact of narrowed interest spread on the profit growth, promoting a sustainable growth of profit.

Amid the complicated economic and financial environments both domestically and internationally in 2009, the Bank has made good judgement and well controlled its credit policy, both in terms of volume and pace, whilst actively satisfying the reasonable capital demand of the real economy. Domestic branches recorded an increase in RMB loans of RMB1,035,247 million or 24.2% in 2009, representing an increase of RMB498,482 million year-on-year, hitting a record high in terms of increase in loans in the history of the Bank. The credit orientation was reasonable and the monthly and quarterly growth in loans was well distributed. The Bank adhered to the policy of "differentiated treatment, encouraging the growth of some sectors while discouraging the expansion of others" and actively promoted the restructuring of the economy through optimising its credit structure. In this way, the Bank on the one hand expanded its support to key national projects, key industries and enterprises in line with the industrial policies, as well as construction projects in the fields of new energy, comprehensive use of resources, and energy saving and environmental protection, and promoted the development of modern service industry. The Bank also backed the reasonable capital demands of small and medium-sized enterprises, trade financing, and personal consumption. On the other hand, the Bank strictly controlled the lending to industries with high energy consumption, high pollution and over-capacity as well as substandard and duplicating construction projects. Meanwhile, the Bank has continuously enhanced its ability to control regional risks and proactively adjusted its regional credit policies under the guidance of the State's plan for regional development. In 2009, the growth of loans in the Bank's operations in central and western regions was notably higher than the Bank's average as a whole.

Facing with the unique opportunities resulting from the evolving crisis and arising during the course of crisis combating, the Bank has realized new breakthroughs in our competitiveness and development by seizing these opportunities. In the past year, the Bank has continuously improved its diversified and inter-market competitive development capability through accelerating financial innovation and business transformation. Not only did the Bank consolidate its advantages in traditional businesses, it also further established its leading position in most emerging business sectors in China such as credit card, E-banking, investment banking, asset custody and pension and cash management. At the same time, the Bank considered service enhancing as an important means of seizing opportunities and promoting development and therefore placed great emphasis on improving service quality and increasing the capability of winning customers and markets by accelerating the innovations of technology and products, upgrading the building of sales channels and changing its service mode. In 2009, the Bank made smooth progress in the construction of its future-oriented fourth-generation IT application system (NOVA+), further increasing its superiority in advanced technology. Tiered marketing service system of outlets was fully established, providing more refined and personalised customer services. The substitution rate of the traditional counter-based services by E-banking services exceeded 50%, with significant improvement in service quality and efficiency. The Bank also achieved new breakthroughs in its global reach. The Bank acquired 70% equity interest in The Bank of East Asia (Canada), launched a voluntary tender offer for all shares in ACL BANK Public Company Limited in Thailand, merged Seng Heng Bank and the Macau Branch into Industrial and Commercial Bank of China (Macau) Limited, opened Hanoi branch and obtained business licences for the Abu Dhabi branch and the subsidiary bank in Malaysia. The Bank has 23 banking institutions in 20 countries and regions worldwide, and the number of branches totaled 162, indicating a marked enhancement in its global service capability. The overseas institutions have accelerated business innovation and improved their localized operations, in reaction to the global financial crisis and maintained sound and rapid development. All the overseas institutions of the Bank gained profits and the overall profit level has a relatively big increase.

Under such severe and complicated economic and financial situations, the Bank took business development and risk prevention and control into overall consideration and paid more attention to legal and stable operation. The Bank has especially taken strict control over loans approval when increasing the credit, strengthened the post-lending management, and made full check of new lendings to make prompt corrections and eliminate potential risks, thus ensuring that its risks are controlled at an acceptable level. The Bank's balance of non-performing loans (NPLs) in 2009 decreased by RMB16,015 million, and the NPL ratio fell by 0.75 percentage point to 1.54%. It has been the tenth consecutive year that the Bank maintained a drop in both the NPL balance and the NPL ratio. Confronted with the ups and downs in the international financial market, the Bank has resolutely and promptly reduced its holding of foreign-currency bonds with high risks, and made timely adjustment of its investment strategy and assets portfolio, effectively lowering risks and increasing profit. Adapting to the evolving trend in risks under special conditions, the Bank has adopted various measures, including improving its systems and policies, tightening its rules and regulations, encouraging innovative technological means, and strengthening supervision and inspection, to constantly strengthen and improve risk prevention and control in various business sectors, and achieve new breakthroughs in comprehensive risk management.

2010 may be a year when China will experience even more complicated economic conditions. The Bank will cautiously study and assess the economic and financial situation and be more forward-looking and proactive in its operations. The Bank will place more emphasis on sustainable development by changing its mode of development and adjusting its structure, winning more quality customers and market share through accelerating innovation and enhancing service, and coping with the challenges of various uncertainties and risks by strengthening corporate governance and improving internal control management. We will try our best to enhance our ability to compete and develop, and ensure stable quality of assets and sustainable profit growth.



President: Yang Kaisheng

25 March 2010

Chairman of the Board of Supervisors **Zhao Lin**

2009 Awards

- **Global Finance**

Best Bank in China

Best Treasury & Cash Management Bank in China

Best Trade Finance Bank in China

Best Sub-Custodian Bank in China

Best Consumer Internet Bank in China

Best Integrated Consumer Bank Site in Asia

Best Integrated Corporate Bank Site in Asia

Best Integrated Corporate Bank Site — Global

- **The Asset**

Best Domestic Bank (China)

Best Transaction Bank (China)

Best Domestic Custodian (China)

Best Cash Management Bank (China)

Rising Star Trade Finance Bank (China)

China's Most Promising Companies (Banking & Finance) No. 1

Platinum Award for All-Round Excellence

- **FinanceAsia**

Best Bank in China

Best Cash Management Bank in China

- **The Asian Banker**

Best Mega Retail Bank in China

Excellence in Multi-Channel Distribution in China

Achievement Award for Commitment to Investors in China

- **Reader's Digest**

Trusted Brand — Bank: Platinum (China)

Trusted Brand — Credit Card Issuing Bank: Gold (China)

- **Emerging Markets**

Banking Achievement 2009, Asia

- **Asiamoney**

Best RMB Cash Management Services (China)

- **Global Custodian**

Domestic Top Rated Provider (China)

- **DHL/South China Morning Post**

Hongkong Business Awards — China Company Award

- **League of American Communications Professionals**

Vision Awards — Annual Report: Silver

Vision Awards — Best Annual Report Narrative: Bronze (Asia Pacific)

- **Hong Kong Institute of Certified Public Accountants**

Best Corporate Governance Disclosure Awards 2009: H-share Category Platinum Award

- **Asian Legal Business**

Banking and Financial Services In-House Team of the Year, China

- **Africa Investor**

Bank Arranger of the Year

- **MasterCard Worldwide**

Best Platinum Card of the Year

- **American Express**

Outstanding Acquisition Programme

- **Factors Chain International**

Export Factor Growth Award

• The Economic Observer

Most Respectable Enterprise in China
Best Chinese-invested Bank in China
Best Commercial Credit Card in China

• Financial News

Best Commercial Bank of the Year
Top 10 SME Financial Services Providers in China
Online Bank of the Year

• 21st Century Business Herald

Best Commercial Bank in Asia
Best Corporate Citizen in China
Private Banking Team of the Year

• China Business News

Corporate Social Responsibility Ranking in China: Outstanding Enterprise Award
Retail Finance Brand of the Year
Banking Wealth Management Brand of the Year

• Shanghai Securities News

Gold Governance Information Disclosure Company Board Secretary Award
Best Banking Products Innovation Award

• China Securities Journal

Top 100 Chinese Listed Companies Gold Bull Award

• Securities Daily, Organizing Committee of the China Capital Market Annual Conference

Gold Censer Prize for the Listed Company (No.1)

• Securities Times

Best Fund Custodian Bank of China
Top 100 Chinese Listed Companies by Value
Excellent Management Teams of Chinese Listed Companies
Most Socially Responsible Chinese Listed Companies
Most Popular Websites of Chinese Listed Companies among the Investors
Best Website of Chinese Listed Companies for Information Disclosure
Top 100 of Board Secretaries of Chinese Listed Companies
Ten Years of Outstanding Contribution Award
Best Mobile Banking
Best Marketing & Promotion Award
Best Proprietary Innovation Award
Best Bank Website of the Year
Best Bank in Investment Banking (China)
Best M&A Investment Banking (China)
Best M&A Project (China)

- **Global Entrepreneur**

Best Performance Company in China

- **Almanac of China's Securities Investment Funds**

Best Assets Custodian Bank

- **Wisemoney**

Most Popular E-banking

- **Wisemoney, Hexun, China National Radio**

Most Popular RMB Wealth Management Product

- **People's Daily Online**

People's Award for Social Responsibility

Top 100 China's Brands: 2009 Top 10 Brands

Top 100 China's Brands: 2009 60 Most Influential Brands

Sustainable Development Project for Earthquake Relief

- **Sina**

Best Comprehensive Bank

- **Sohu**

Most Competitive Bank

Best Online Bank

- **Hexun**

Community Enterprise of the Year

Outstanding Services Award of Banking Sector

Best Customer Experience Award

Best Mobile Banking Award

Best Online Banking Award (Consumer Online Banking)

Best Investment & Wealth Management Award (Consumer Online Banking)

- **Tencent**

Most Influential Credit Card

- **Loan Syndication and Trading Association of China Banking Association**

Best Performance in Syndicated Loans

Best Project in Syndicated Loans

- **Organizing Committee of the Annual Affair of China's Small and Medium Entrepreneurs**

Top 10 Commercial Banks Supporting the Development of SMEs

National Informatization Evaluation Center

Meritorious Award for the Informatization of Chinese Enterprises

Top 500 Enterprise Informatization in China

Grand Award for the Informatization of Enterprises

Best Overall IT Architecture Award

China Financial Certification Authority

Best Online Bank in China

CCTV

60 Excellent Brands during the PRC's 60-Year History

China UnionPay

Outstanding Contribution to the Promotion of China UnionPay Classic Cards

Outstanding Contribution to the Overseas Business of China UnionPay Cards

Organizing Committee of China International Financial Exhibition

Excellent Financial Product Award

Excellent Financial Brand Award

Organizing Committee of China International Forum on Green Development

China Ten Green Companies

China Foundation for Poverty Alleviation

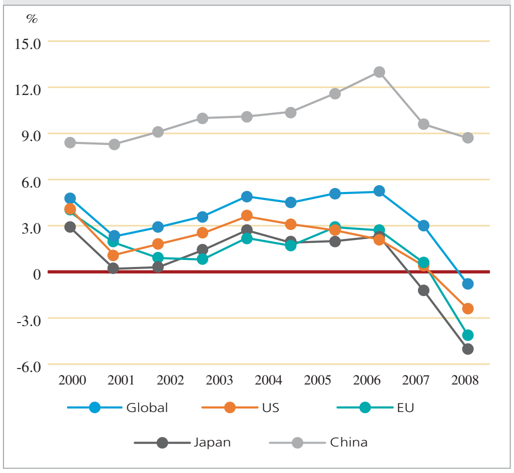
60 Models of Care in 60 Years

ECONOMIC, FINANCIAL AND REGULATORY ENVIRONMENTS

International Economic, Financial and Regulatory Environments

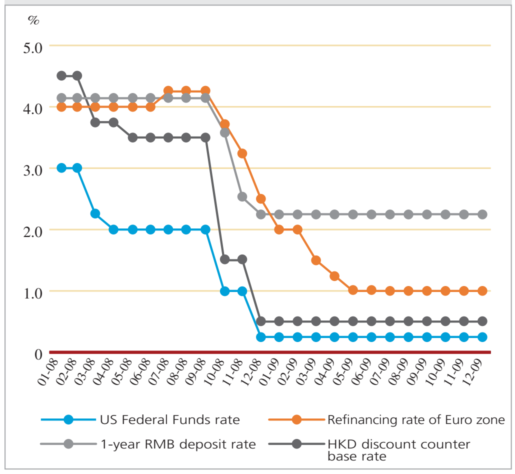
In 2009, the global economy showed signs of stability and recovery as a result of the extensive macro-economic stimulus policies, but the foundation still remained weak. The economic recovery in US, the Euro Zone and Japan was slow, while the emerging economies, in particular the Asian economies, saw a relatively obvious rebound. The global trade continued to contract, unemployment rates in major economies remained high, and the fiscal deficits were big concerns. According to the World Economic Outlook published by the International Monetary Fund (IMF) on 26 January 2010, the global economic growth rate was -0.8% in 2009, representing a drop of 3.8 percentage points from 2008, and the global trade volume shrank 12.3%.

GDP Growth Rate of Major Economies since 2000



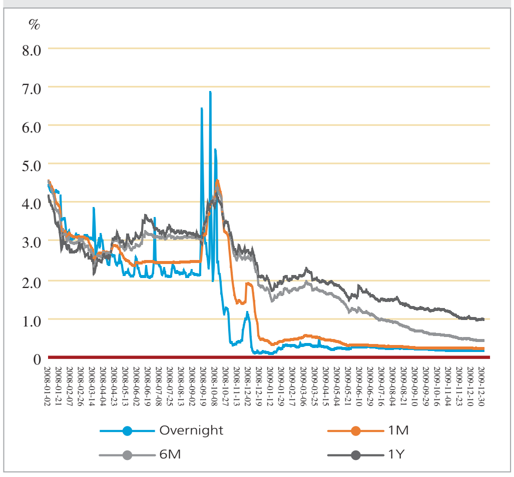
Data source: IMF, Bloomberg.

Changes in Interest Rate of Major Countries and Regions since 2008



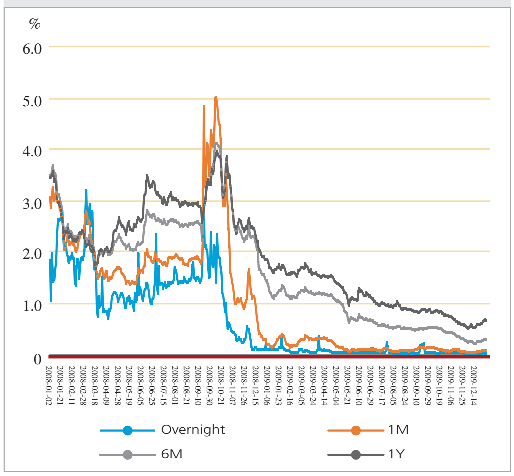
Data source: Bloomberg.

Movements of US Dollar LIBOR since 2008



Data source: Bloomberg.

Movements of Hong Kong Dollar HIBOR since 2008



Data source: Bloomberg.

Affected by significant changes in the international economic and financial environment, volatility of the international financial market accelerated and exchange rates of major currencies fluctuated widely. At the end of 2009, the US Dollar Index (USDX) closed at 77.86 points, representing a fall of 4.2% from the end of 2008; the exchange rate of US dollar against Euro closed at USD1.4332/Euro, representing a depreciation of 2.9% of US dollar; and the exchange rate of US dollar against Japanese yen closed at JPY93.08/USD, representing an appreciation of 2.5% of US dollar. Interest rates in major financial markets fluctuated sharply. The one-year US dollar LIBOR declined to 0.98438% at the end of 2009 from 2.02375% at the beginning of the year; and the one-year Hong Kong dollar HIBOR dropped to 0.66929% from 1.85000%. Yield on treasury bonds of major economies went down after hitting a peak. Major stock markets in the world rebounded robustly. At the end of 2009, the MSCI All-country World Index closed at 1168.47 points, representing an increase of 26.98% from the end of 2008; and global market capitalization reached USD45.96 trillion, representing a growth of 43.04%.

Since early 2009, central banks of major economies have maintained or reduced the benchmark interest rate to a level close to zero, and increased the money supply through the quantitative loose monetary policy to regulate the financial market. The US Federal Reserve maintained the benchmark interest rate at a low level of 0–0.25%; the European central bank has implemented four consecutive interest rate cuts and the Bank of England has also implemented three consecutive interest rate cuts, whereby the benchmark interest rate was lowered to 1% and 0.5%, respectively; and the Japanese central bank continued to maintain the benchmark interest rate at a low level of 0.1%.

Economic, Financial and Regulatory Environments in China

In 2009, in response to the serious impact of the global financial crisis and the extremely complicated situations domestically and internationally, China adhered to the implementation of proactive fiscal policy and moderately loose monetary policy, and fully implemented and continuously optimized the package plan for responding to challenges arising from the global financial crisis, which contributed to the quick reversal of the apparent economic slowdown and the overall recovery of the national economy.

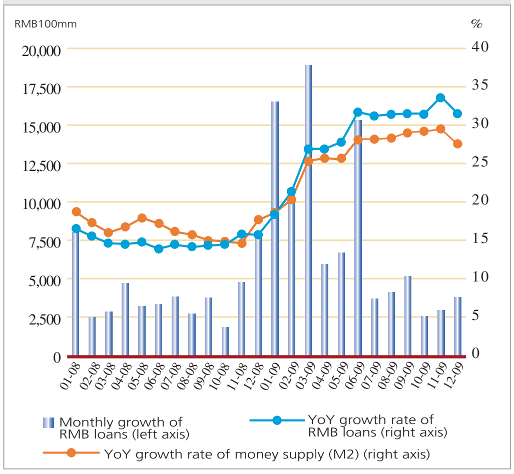
According to preliminary statistics, China's gross domestic products (GDP) amounted to RMB33.54 trillion, representing a year-on-year increase of 8.7%, which was 0.9 percentage point lower than the growth of 2008. GDP grew by 6.2%, 7.9%, 9.1% and 10.7%, respectively, in each of the first to fourth quarters. In terms of the three driving forces, capital formation, final consumption and net export contributed 8.0, 4.6 and -3.9 percentage points, respectively, to the GDP growth. Industrial output picked up quarter on quarter, and achieved a growth of profit following a remarkable decline. Investment continued to grow rapidly, and total fixed assets investment grew by 30.1% to RMB22.48 trillion, of which, infrastructure investment (excluding electricity) reached RMB4.19 trillion and property development investment amounted to RMB3.62 trillion, representing a growth of 44.3% and 16.1%, respectively. Market sales grew quickly, with total retail sales of consumer goods expanded by 15.5% to RMB12.53 trillion. The year-on-year growth of the consumer price index (CPI) and the producer price index (PPI) turned to positive from negative in November and December of the year, respectively, and the decline was 0.7% and 5.4%, respectively, year-on-year. The year-on-year growth of exports also turned to positive in December. Imports and exports totaled USD2.21 trillion in 2009, representing a decrease of 13.9% from 2008; with a trade surplus of USD196.1 billion, representing a decrease of USD99.4 billion from 2008. The income of urban and rural households grew steadily and the employment status was better than expected. The Business Climate Index and the Entrepreneur Confidence Index picked up continuously. The Manufacturing Purchasing Managers' Index (PMI) reached 56.6% in December, exceeding the critical value for ten consecutive months.

The moderately loose monetary policy provided powerful credit support to reverse the rapid slowdown, money supply grew rapidly and liquidity was continuously strengthened. At the end of 2009, M2 balance increased by 27.68% from the end of 2008 to RMB60.62 trillion, with the growth being accelerated by 9.86 percentage points from 2008; and M1 balance increased by 32.35% to RMB22.00 trillion, with the growth being accelerated by 23.29 percentage points.

Loans extended by financial institutions maintained a fast growth, in particular the medium- and long-term loans grew considerably. Total balance of loans denominated in RMB and foreign currencies was RMB42.56 trillion at the end of 2009, representing an increase of RMB10.52 trillion or 32.99% from the end of 2008, with the growth rate up 15.1 percentage points. Medium- and long-term loans were principally extended to infrastructure industries (including transportation, storage and postal services; production and supply of electricity, gas and water; and water, environmental and public utility management), leasing and commercial service industry, real estate industry and manufacturing industry. Medium- and long-term loans extended by major financial institutions (including state-owned commercial banks, policy banks, joint-stock commercial banks and city commercial banks) to the four industries mentioned above were RMB2.5 trillion, RMB640.4 billion, RMB601.3 billion and RMB502.5 billion, respectively, accounting for 50.0%, 13.1%, 12.3% and 10.2% of the total new medium- and long-term loans, respectively. The balance of RMB loans was RMB39.97 trillion at the end of 2009, representing an increase of RMB9.59 trillion or 31.74%, with the growth rate up 13.01 percentage points. Deposits of financial institutions expanded rapidly, and presented an evident trend for demand deposits. The total balance of deposits denominated in RMB and foreign currencies grew by 27.67% to RMB61.20 trillion at the end of 2009, of which, the balance of RMB deposits increased by RMB13.13 trillion to RMB59.77 trillion, representing a growth of 28.21% and with the increment up RMB5.44 trillion as compared to 2008.

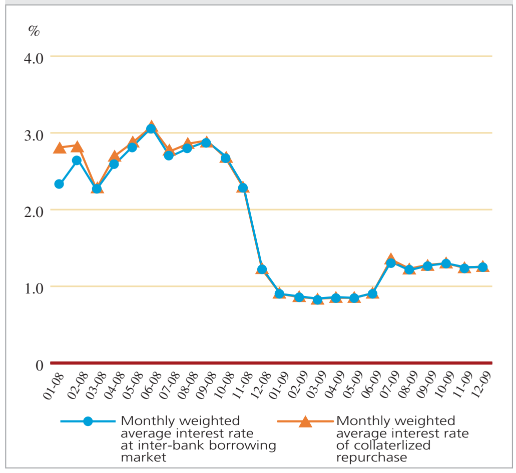
RMB exchange rate remained largely stable at a reasonable and balanced level. At the end of 2009, the mean exchange rate of RMB against US dollar was RMB6.8282/USD, representing a slight appreciation of 0.09% during the year and an accumulative appreciation of 21.21% since the reform of the exchange rate regime. Foreign exchange reserves of China amounted to USD2.40 trillion, representing a growth of 23.28%.

RMB Loan Growth of Domestic Financial Institutions since 2008



Data source: PBOC.

Movements of Interest Rate in Money Market since 2008



Data source: PBOC.

The financial market operated stably in general and market liquidity was sufficient. Trading size in the money market expanded rapidly, while interest rate in the money market stayed at a low level in the first half of 2009, and the weighted average collateralized repo rate and the inter-bank offered rate stood at around 0.85%. However, interest rates in the money market picked up from the low level in the second half of the year, and the weighted average collateralized repo rate and the inter-bank offered rate reached 1.26% and 1.25%, respectively, in December, representing a growth of 36 and 35 basis points respectively, from January. The scale of bond issuance enlarged rapidly, where 23 commercial banks issued subordinated bonds amounted to RMB266.9 billion in aggregate, representing an increase of 2.7 times year-on-year. The bond market also witnessed active trading, with slight fluctuation in the bond index, and the yield curve presented an overall upward trend. The types of institutional investors were further diversified. SHIBOR showed an overall rising trend after the previous decline, playing an increasingly important role in pricing for bond issuance and gradually consolidating its position as the benchmark interest rate in the money market.

Stock market trading became active and the stock index rose despite of its volatility. During the year, the Shanghai and Shenzhen stock markets marked a total trading volume of RMB53.60 trillion, representing a year-on-year increase of RMB26.89 trillion, and average daily trading reached RMB219,667 million, up 100.7%. At the end of 2009, the Shanghai Composite Index and the Shenzhen Component Index closed at 3277.14 points and 1201.34 points, representing an annual growth of 79.98% and 117.12%, respectively. Free float market capitalization hit RMB15.13 trillion, up 234.54%. The amount of fund raised in the stock market expanded significantly. During the year, various types of enterprises raised RMB608.4 billion in aggregate through IPOs in domestic and overseas stock markets, refinancing and the issuance of convertible bonds, representing a year-on-year increase of RMB242.3 billion. Specifically, fund raised in the second half of the year reached RMB503.0 billion, accounting for 82.7% of the total in the year. The number of securities investment funds increased by 26.88% to 557. The launch of ChiNext, the growth enterprise board in China, indicated that a multi-tier capital market system has preliminarily taken shape in China. Insurance businesses developed better than expected: premium income exceeded RMB1 trillion for the first time and reached RMB1.11 trillion, representing a growth of 13.8%.

Outlook for 2010

Looking into the year 2010, the global economy is expected to sustain recovery, though there shall be a greater possibility for the various economies to adjust their economic stimulus plans, which shall in turn increase the sovereignty risk of some countries as well as the inflationary pressure in some regions. It is probable that the economic recovery may reverse. On 26 January 2010, IMF predicted that the global economic growth rate would rebound to 3.9% in 2010. As the signs of economic recovery are emerging, the central banks of major economies might be considering the exit strategy and approach while remain prudent about the withdrawal of the unconventional monetary policy. Before achieving a sustainable economic recovery, the central banks will continuously implement robust policies in response to the challenges so as to achieve and synchronize economic recovery and employment growths.

In 2010, China's economy will face many favorable factors, and the national economy is expected to maintain a momentum of steady and rapid growth. However, it will also have to face challenges posed by the complex situation domestically and internationally. On the one hand, a number of uncertainties, such as unclear new growth points of the global economy, limited space for major economies to further accelerate the stimulus policy, increasing trade frictions and the exit of stimulus policy, will largely affect the global economy and China's external development environment. On the other hand, the foundation for the rebound of domestic demand is still unbalanced, private investment and the drive for endogenous growth need to be reinforced, and the tasks of continuously expanding the household consumptions and promoting the economic restructuring are difficult.

In the next stage, PBOC will continue to strive for the combination of the market mechanism and macro-economic control, and properly tackle the relationship among steady and rapid economic growth, economic restructuring and management of inflation expectation to underpin and accelerate the momentum of economic recovery. While continuing to implement the moderately loose monetary policy, PBOC will pay attention to the intensity, progress and priorities of the implementation, maintain the continuity and stability of the policy, and focus on improving its pertinence and flexibility to enhance sustainable economic development through financial support. PBOC will also reinforce liquidity management, and employ multiple monetary tools to achieve a reasonable growth of the total monetary credit and focus on gradually shifting the monetary condition from anti-crisis to a normal level. M2 supply is expected to grow by approximately 17%, further increasing the financial support for the transition of economic development pattern and economic restructuring.

FINANCIAL STATEMENTS ANALYSIS

Income Statement Analysis

In 2009, in response to the impact of the international financial crisis and the influence of volatile domestic economy, the Bank has actively seized the opportunities amid the market change, continued pushing forward the strategic transformation of business structure and growth pattern, accelerated the product innovation and market exploration, drove forward the diversification of revenue structure, actively broadened its source of income, implemented strict risk management and cost control, further enhanced its profitability, thereby sustaining a sound momentum of healthy development in the complicated and austere operating environment. Net profit reached RMB129,396 million, representing an increase of RMB18,170 million or 16.3% over the previous year. Operating income amounted to RMB309,411 million, maintaining the same level as last year. Among the operating income, net interest income dropped by RMB17,216 million or 6.5% to RMB245,821 million due to the influence of narrowing net interest margin, but since the third quarter, net interest income has already shown a growth as compared with the second quarter. Non-interest income grew by RMB16,432 million or 34.8% to RMB63,590 million. Operating expense increased by RMB9,484 million or 8.5% to RMB120,819 million. Allowance for impairment losses declined by RMB32,177 million or 58.0%. Income tax expense increased by RMB3,748 million or 11.0% to RMB37,898 million.

CHANGES OF KEY INCOME STATEMENT ITEMS

In RMB millions, except for percentages

Item	Year ended 31 December 2009	Year ended 31 December 2008	Increase/ (decrease)	Growth rate (%)
Net interest income	245,821	263,037	(17,216)	(6.5)
Non-interest income	63,590	47,158	16,432	34.8
Operating income	309,411	310,195	(784)	(0.3)
Less: Operating expenses	120,819	111,335	9,484	8.5
Less: Allowance for impairment losses	23,285	55,462	(32,177)	(58.0)
Operating profit	165,307	143,398	21,909	15.3
Share of profits and losses of associates and a jointly controlled entity	1,987	1,978	9	0.5
Profit before tax	167,294	145,376	21,918	15.1
Less: Income tax expenses	37,898	34,150	3,748	11.0
Net Profit	129,396	111,226	18,170	16.3
Attributable to:				
Equity holders of the parent company	128,645	110,841	17,804	16.1
Non-controlling interests	751	385	366	95.1

Net Interest Income

In 2009, the Bank actively adapted to the changes in market environment, properly accelerated the credit disbursement, optimized the deployment of credit resources, arranged for reasonable investment schedule, timely adjusted the investment strategy and structure, enhanced the operation of funds, and increased the efficiency of fund utilization in accordance with the state proactive fiscal policy and moderately ease monetary policy. It adopted multiple measures to actively expand the low-cost liability business and endeavored to minimize the adverse impact on net interest income from the downward revision of benchmark interest rate and the low market interest rate. The Bank recorded a net interest income of RMB245,821 million, representing a decrease of RMB17,216 million or 6.5% from the previous year, accounting for 79.4% of the Bank's total operating income. Interest income dropped by RMB34,696 million or 7.9% to RMB405,878 million; interest expenses declined by RMB17,480 million or 9.8% to RMB160,057 million.

The table below sets out the average balance of interest-generating assets and interest-bearing liabilities, interest income and expense, as well as average yield and average cost, respectively.

In RMB millions, except for percentages

Item	Year ended 31 December 2009			Year ended 31 December 2008		
	Average balance	Interest income/ expense	Average yield/cost (%)	Average balance	Interest income/ expense	Average yield/cost (%)
Assets						
Loans and advances to customers	5,318,554	277,139	5.21	4,341,052	307,103	7.07
Investment in securities	3,183,562	96,230	3.02	3,072,444	102,688	3.34
Investment in securities not related to restructuring	2,227,043	75,294	3.38	2,066,299	80,222	3.88
Investment in securities related to restructuring[2]	956,519	20,936	2.19	1,006,145	22,466	2.23
Due from central banks	1,519,055	23,361	1.54	1,254,668	22,634	1.80
Due from banks and other financial institutions[3]	837,673	9,148	1.09	252,565	8,149	3.23
Total interest-generating assets	**10,858,844**	**405,878**	**3.74**	**8,920,729**	**440,574**	**4.94**
Non-interest-bearing assets	438,737			392,892		
Allowance for impairment losses	(145,825)			(130,132)		
Total assets	**11,151,756**			**9,183,489**		
Liabilities						
Deposits	9,103,898	145,246	1.60	7,380,312	160,253	2.17
Due to banks and other financial institutions [3]	1,002,534	13,021	1.30	897,473	16,043	1.79
Subordinated bonds	53,087	1,790	3.37	35,000	1,241	3.55
Total interest-bearing liabilities	**10,159,519**	**160,057**	**1.58**	**8,312,785**	**177,537**	**2.14**
Non-interest-bearing liabilities	350,840			316,547		
Total liabilities	**10,510,359**			**8,629,332**		
Net interest income		**245,821**			**263,037**	
Net interest spread			**2.16**			**2.80**
Net interest margin			**2.26**			**2.95**

Notes: (1) The average balances of interest-generating assets and interest-bearing liabilities represent their daily average balances. The average balances of non-interest-generating assets, non-interest-bearing liabilities and the allowance for impairment losses represent the average of the balances at the beginning of the year and that at the end of the year.

(2) Investment in securities related to restructuring includes Huarong bonds, special government bonds, MOF receivables and special PBOC bills. Please see "Note 27.(a) to the Financial Statements: Receivables" for details.

(3) Due from banks and other financial institutions includes the amount of reverse repurchase agreements; and due to banks and other financial institutions includes the amount of repurchase agreements.

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

In RMB millions

Item	Comparison between 2009 and 2008		
	Increase/(decrease) due to		Net increase/ (decrease)
	Volume	Interest rate	
Assets			
Loans and advances to customers	50,780	(80,744)	(29,964)
Investment in securities	4,275	(10,733)	(6,458)
Investment in securities not related to restructuring	5,403	(10,331)	(4,928)
Investment in securities related to restructuring	(1,128)	(402)	(1,530)
Due form central banks	3,989	(3,262)	727
Due from banks and other financial institutions	6,404	(5,405)	999
Changes in interest income	**65,448**	**(100,144)**	**(34,696)**
Liabilities			
Deposits	27,061	(42,068)	(15,007)
Due to banks and other financial institutions	1,376	(4,398)	(3,022)
Subordinated bonds	612	(63)	549
Change in interest expenses	**29,049**	**(46,529)**	**(17,480)**
Change in net interest income	**36,399**	**(53,615)**	**(17,216)**

Note: Changes in volume are measured by the changes in average balances, while the changes in interest rate are measured by the changes in average interest rates. Changes resulted from the combination of volume and interest rate have been allocated to the changes resulted from business volume.

◆ *Net Interest Spread and Net Interest Margin*

Net interest spread and net interest margin reached 2.16% and 2.26%, respectively, representing a decrease of 64 and 69 basis points as compared to the previous year. This is primarily because the average yield of interest-generating assets declined by 120 basis points, a decline higher than that in the average cost on interest-bearing liabilities, which decreased by 56 basis points. Since the third quarter, the net interest spread and the net interest margin have both stabilized and started to grow.

The table below sets out the changes in the yield of interest-generating assets, cost of interest-bearing liabilities, net interest spread and net interest margin.

Percentages

Item	Year ended 31 December 2009	Year ended 31 December 2008	Increase/ (decrease) (basis point)
Yield of interest-generating assets	3.74	4.94	(120)
Cost of interest-bearing liabilities	1.58	2.14	(56)
Net interest spread	2.16	2.80	(64)
Net interest margin	2.26	2.95	(69)

Interest Income

◆ *Interest Income on Loans and Advances to Customers*

Interest income on loans and advances to customers was RMB277,139 million, representing a decrease of RMB29,964 million or 9.8%. The decrease in interest income is mainly attributable to the decline of average yield of loans and advances to customers by 186 basis points from 7.07% in 2008 to 5.21%. In 2009, the scale of the Bank's outstanding loans grew rapidly, and the average balance increased by RMB977,502 million or 22.5%, resulting in an increase in interest income by RMB50,780 million. The decline in yield of loans and advances to customers, however, reduced interest income by RMB80,744 million, and outweighed the increase in interest income from volume growth. As a result, the balance of interest income on loans and advances to customers declined.

In terms of maturity structure, the average balance of short-term loans were RMB1,746,303 million, interest income derived therefrom was RMB79,803 million, and the average yield was 4.57%. The average balance of medium to long-term loans were RMB3,572,251 million, interest income arising therefrom was RMB197,336 million, and the average yield was 5.52%.

ANALYSIS OF THE AVERAGE YIELD OF LOANS AND ADVANCES TO CUSTOMERS BY BUSINESS LINE

In RMB millions, except for percentages

	Year ended 31 December 2009			Year ended 31 December 2008		
Item	Average balance	Interest income	Average yield (%)	Average balance	Interest income	Average yield (%)
Corporate loans	3,698,346	213,084	5.76	3,135,615	226,646	7.23
Discounted bills	457,609	10,625	2.32	230,444	15,529	6.74
Personal loans	983,203	48,445	4.93	796,763	56,776	7.13
Overseas and others	179,396	4,985	2.78	178,230	8,152	4.57
Total loans and advances to customers	**5,318,554**	**277,139**	**5.21**	**4,341,052**	**307,103**	**7.07**

Interest income on corporate loans amounted to RMB213,084 million, representing a decrease of 6.0% and accounting for 76.9% of the total interest income on loans and advances to customers. The decrease of interest income was attributable to the decrease in the average yield from 7.23% in 2008 to 5.76% but was partially offset by the increase in the average balance. The decrease in average yield was mainly because PBOC lowered the benchmark interest rate for RMB-denominated loans for five times in the second half of 2008. As a result, the benchmark interest rate for 1-year RMB-denominated loans was 5.31% at the beginning of 2009, which decreased by 216 basis points from the beginning of the last year. Due to the cumulative effect of interest rate reduction policy, a relatively lower interest rate was applied to the newly granted loans and re-priced loans of the Bank.

Interest income on discounted bills was RMB10,625 million, representing a decrease by 31.6%. The decrease in interest income is because the average yield declined from 6.74% in the previous year to 2.32%, which partially offset the growth in average balance. The decline in average yield was principally attributable to the significant decrease in the SHIBOR-based market interest rate applied to discounted bills as compared to the previous year as a result of the moderately ease monetary policy.

Interest income on personal loans was RMB48,445 million, representing a decrease of 14.7%. The decline in interest income was mainly due to the decrease in average yield from 7.13% in 2008 to 4.93% but was partially offset by the increase in the average balance. The decline in the average yield was principally due to: (1) the cumulative effect of interest rate reduction policy; (2) favorable interest rates were applied to the qualified personal housing loans in order to implement the macro-control policy of stimulating household consumption.

Interest income on overseas and other loans was RMB4,985 million, representing a decrease by 38.8%. The decrease in interest income was attributable to the decline in the average yield from 4.57% in 2008 to 2.78% but was partially offset by the increase in the average balance. The decline in the average yield was mainly due to the sharp decline in the average LIBOR and HIBOR as compared to the previous year.

◆ *Interest Income on Investment in Securities*

Interest income on investment in securities was RMB96,230 million, representing a decrease of RMB6,458 million or 6.3%. Interest income on investment in securities not related to restructuring decreased by RMB4,928 million or 6.1%, and the decline was because of the decline in the average yield from 3.88% in 2008 to 3.38% but was partially offset by the increase in the average balance. The decline in the average yield of investment in securities not related to restructuring was principally because: (1) the yield curve for the RMB-denominated bonds moved down remarkably as compared to the previous year, thereby reducing the yield of new investment; (2) PBOC reduced the benchmark interest rate for deposits for four times during the second half of 2008, thereby the yield of the Bank's investment in RMB-denominated floating rate bonds dropped as such bonds were linked to the benchmark interest rate for deposits. Despite of the abovementioned unfavorable factors, the Bank has closely monitored the trend of the RMB bond market, arranged for reasonable investment schedule and timely adjusted the investment strategy and investment structure, thus the Bank managed to limit the decline in the average yield of investment in securities not related to restructuring to 50 basis points.

Interest income on investment in securities related to restructuring decreased by RMB1,530 million or 6.8%, which was mainly attributable to the partial repayment of MOF receivables. As yield on MOF receivables was higher than that of the remaining investment in securities relating to restructuring, reduction in average balance and average yield of investment in securities relating to restructuring was resulted.

◆ *Interest Income on Due From Central Banks*

Due from central banks mainly includes the mandatory reserve deposits with central banks and the excess reserve deposits. Interest income on due from central banks was RMB23,361 million, representing an increase of RMB727 million or 3.2%. The increase in interest income was attributable to the growth in the average balance by RMB264,387 million but was partially offset by the decline in the average yield. The increase in the average balance was principally due to the growth in the deposits from customers. The decrease in the average yield was mainly because PBOC reduced the interest rate for reserve deposits by 27 basis points in November 2008.

◆ *Interest Income on Due from Banks and Other Financial Institutions*

Interest income on due from banks and other financial institutions was RMB9,148 million, representing an increase of RMB999 million or 12.3%. The increase in interest income was mainly caused by the growth in the average balance by RMB585,108 million but was partially offset by the 214 basis points decrease in the average yield. The increase in the average balance was principally because the Bank enhanced the operation of reverse repurchase agreements to increase the yield from fund operation. The decrease in the average yield was mainly because of the significant decline in the average interest rate in the inter-bank money market in 2009 as compared to the previous year.

Interest Expense

◆ *Interest Expense on Deposits*

Interest expense on deposits amounted to RMB145,246 million, representing a decrease of RMB15,007 million or 9.4%, and accounted for 90.7% of the total interest expense. The decrease in interest expense on deposits was mainly due to the decrease in the average cost from 2.17% in 2008 to 1.60% but was partially offset by the increase in the average balance. The decrease in average cost was mainly attributed to the cumulative effect of interest rate reduction policy. PBOC reduced the benchmark interest rate for RMB-denominated deposits for four times during the second half of 2008, as a result of which the benchmark interest rate for 1-year RMB-denominated deposits decreased by 189 basis points to 2.25% and the benchmark interest rate for demand deposits decreased by 36 basis points to 0.36%. Due to the fact that the Bank has maintained a high proportion of demand deposits and the re-pricing of time deposits lagged slightly behind, the average cost of deposits dropped by merely 57 basis points.

ANALYSIS OF AVERAGE DEPOSIT COST BY PRODUCTS

In RMB millions, except for percentages

	Year ended 31 December 2009			Year ended 31 December 2008		
Item	Average balance	Interest expense	Average cost (%)	Average balance	Interest expense	Average cost (%)
Corporate deposits						
Time deposits	1,618,171	39,705	2.45	1,227,435	41,938	3.42
Demand deposits(1)	2,911,786	18,456	0.63	2,439,832	24,721	1.01
Sub-total	**4,529,957**	**58,161**	**1.28**	**3,667,267**	**66,659**	**1.82**
Personal deposits						
Time deposits	2,869,428	80,094	2.79	2,276,616	82,313	3.62
Demand deposits	1,537,701	5,568	0.36	1,281,000	7,590	0.59
Sub-total	**4,407,129**	**85,662**	**1.94**	**3,557,616**	**89,903**	**2.53**
Overseas deposits	**166,812**	**1,423**	**0.85**	**155,429**	**3,691**	**2.37**
Total deposits	**9,103,898**	**145,246**	**1.60**	**7,380,312**	**160,253**	**2.17**

Note: (1) Includes outward remittance and remittance payables.

◆ *Interest Expense on Due to Banks and Other Financial Institutions*

Interest expense on due to banks and other financial institutions was RMB13,021 million, representing a decrease of RMB3,022 million or 18.8%. The decrease in interest expense was due to the decrease in average cost from 1.79% in 2008 to 1.30% but was partially offset by the increase in the average balance. By capitalizing the ample liquidity in the inter-bank market and the brisk trades on the capital market, the Bank actively absorbed the low-cost liabilities and increased the proportion of the deposits with relatively low interest rate in due to banks and other financial institutions, and thus effectively lowered the average cost.

◆ *Interest Expense on Subordinated Bonds*

Interest expense on subordinated bonds was RMB1,790 million, representing an increase of RMB549 million or 44.2%. The increase in interest expense was due to the growth of average balance by RMB18,087 million which was partially offset by the 18 basis points decrease in the average cost. The increase in the average balance was attributable to the Bank's issuance of RMB40 billion subordinated bonds in July 2009. Please refer to "Note 37 to the Financial Statements: Subordinated bonds" for details about the subordinated bonds issued by the Bank.

Non-interest Income

Due to the implementation of an income structure diversification strategy, the Bank recorded a non-interest income of RMB63,590 million during the reporting period, representing an increase of RMB16,432 million or 34.8%, and accounted for 20.6% of total operating income, an increase of 5.4 percentage points. This implied a continuous improvement in the revenue structure.

COMPOSITION OF NON-INTEREST INCOME

In RMB millions, except for percentages

Item	Year ended 31 December 2009	Year ended 31 December 2008	Increase/ (decrease)	Growth rate (%)
Fee and commission income	59,042	46,711	12,331	26.4
Less: Fee and commission expense	3,895	2,709	1,186	43.8
Net fee and commission income	55,147	44,002	11,145	25.3
Other non-interest related gain	8,443	3,156	5,287	167.5
Total	**63,590**	**47,158**	**16,432**	**34.8**

In line with the changes in market environment and in the customer demands, the Bank vigorously expedited the innovation of products and services, accelerated the channel building, extended the customer resources and enhanced the management level. Net fee and commission income was RMB55,147 million, representing a growth of RMB11,145 million or 25.3% as compared to that of the previous year. The net fee and commission income represented 17.82% of the total operating income, representing an increase of 3.63 percentage points. Among others, the Bank realized a relatively fast growth in income from investment banking business, bank card business, corporate wealth management services and guarantee and commitment business; and maintained steady growth of settlement, clearing business and cash management, personal wealth management and private banking services, trust and agency service as well as the asset fiduciary business. During the reporting period, income from the wealth management services amounted to RMB5,834 million and income from various agency services amounted to RMB8,651 million.

COMPOSITION OF NET FEE AND COMMISSION INCOME

In RMB millions, except for percentages

Item	Year ended 31 December 2009	Year ended 31 December 2008	Increase/ (decrease)	Growth rate (%)
Settlement, clearing business and cash management	14,587	13,002	1,585	12.2
Investment banking business	12,539	8,028	4,511	56.2
Personal wealth management and private banking services	12,059	10,327	1,732	16.8
Bank card business	9,408	7,199	2,209	30.7
Corporate wealth management services	4,442	2,788	1,654	59.3
Guarantee and commitment business	2,396	1,849	547	29.6
Asset fiduciary business	2,212	2,066	146	7.1
Trust and agency services	882	756	126	16.7
Others	517	696	(179)	(25.7)
Fee and commission income	**59,042**	**46,711**	**12,331**	**26.4**
Less: Fee and commission expense	**3,895**	**2,709**	**1,186**	**43.8**
Net fee and commission income	**55,147**	**44,002**	**11,145**	**25.3**

Income from settlement, clearing business and cash management business was RMB14,587 million, representing an increase of RMB1,585 million or 12.2% as compared to that of the previous year. Against the impact from financial crisis, the Bank has managed to realize steady growth of income from RMB settlement, cash and account management business, although income from commissioned foreign exchange settlement business declined.

Income from investment banking business increased by RMB4,511 million or 56.2% to RMB12,539 million, mainly because the Bank made use of favorable opportunities and boosted the growth of income from businesses such as investment and financing advisor services, syndicated loan management and the undertaking of enterprise bond issuance while keeping the continuous growth of revenue from corporate information services.

Income from personal wealth management and private banking business was RMB12,059 million, representing an increase of RMB1,732 million or 16.8%. This was mainly due to the rapid growth of income from personal wealth management products and the insurance products agency services. With the turnaround of the capital market and the intensified marketing efforts, the income from personal fund agency services increased by RMB373 million or 10.2%.

Income from bank card business increased by RMB2,209 million or 30.7% to RMB9,408 million, mainly due to the notable growth of bank card consumption, which raised the consumption rebate income and the administrative charges on installment payment, as well as the increase in the number of new cards issued, which increased the annual fee income charged on bank cards.

Income from corporate wealth management services amounted to RMB4,442 million, representing an increase of RMB1,654 million or 59.3%. The increase was mainly due to the increase of commission income and management fee resulted from the rapid growth in the sales volume of corporate wealth management products and the increase in operating income from treasury bond issuance agency service and the third party fiduciary services.

Income from guarantee and commitment business was RMB2,396 million, representing an increase of RMB547 million or 29.6%, which was mainly resulted from the development of loan commitment and other businesses.

OTHER NON-INTEREST RELATED GAIN

In RMB millions, except for percentages

Item	Year ended 31 December 2009	Year ended 31 December 2008	Increase/ (decrease)	Growth rate (%)
Net trading income/(expense)	(75)	1,883	(1,958)	(104.0)
Net loss on financial assets and liabilities designated at fair value through profit or loss	(129)	(699)	570	N/A
Net gain/(loss) on financial investments	7,339	(367)	7,706	N/A
Other operating income, net	1,308	2,339	(1,031)	(44.1)
Total	**8,443**	**3,156**	**5,287**	**167.5**

Other non-interest income was RMB8,443 million, an increase of RMB5,287 million as compared to that of the previous year. Net income on financial investments increased by RMB7,706 million, which was principally because the Bank strengthened the treasury operation and enhanced the efficiency of asset deployment. Net trading income decreased by RMB1,958 million, mainly due to the Bank's proactive reduction of bond position on trading accounts and the decline in the revenue from trading bonds. Other net operating income declined as a result of the increase in net loss from foreign exchange and foreign exchange products.

Operating Expenses

OPERATING EXPENSES

In RMB millions, except for percentages

Item	Year ended 31 December 2009	Year ended 31 December 2008	Increase/ (decrease)	Growth rate (%)
Staff costs	60,490	53,252	7,238	13.6
Premises and equipment expenses	16,760	15,017	1,743	11.6
Business tax and surcharges	18,157	18,765	(608)	(3.2)
Amortisation of assets	1,361	1,300	61	4.7
Others	24,051	23,001	1,050	4.6
Total	**120,819**	**111,335**	**9,484**	**8.5**

Operating expenses were RMB120,819 million, representing an increase of RMB9,484 million or 8.5% from the previous year. Staff costs amounted to RMB60,490 million, representing an increase of RMB7,238 million or 13.6% as compared to the previous year. Premise and equipment expenses increased by RMB1,743 million or 11.6%, mainly because the Bank enhanced the investment in service channel building in a bid to upgrade the channel marketing competence and service level and improve the customer satisfaction degree. Due to the Bank's intensified efforts in cost control and management and resources allocation optimization, other operating expense amounted to RMB24,051 million, representing an increase of 4.6%. Cost-to-income ratio was 33.18%, maintaining at a reasonable level.

Impairment Losses

Impairment losses decreased by RMB32,177 million or 58.0% to RMB23,285 million, of which, impairment loss on loans and advances to customers decreased by RMB14,830 million to RMB21,682 million, mainly because the Bank strengthened the control over loan risks, and intensified its efforts on the disposal and recovery of non-performing loans, thereby gradually improving the loan quality. Impairment losses on other assets decreased by RMB17,347 million to RMB1,603 million, which was mainly caused by the decrease of impairment loss on foreign currency-denominated debt securities. Please refer to "Note 26 to the Financial Statements: Loans and advances to customers" and "Note 15 to the Financial Statements: Impairment losses on assets other than loans and advances to customers" for details.

Income Tax Expense

Income tax expense increased by RMB3,748 million or 11.0% from the previous year to RMB37,898 million. The effective tax rate decreased by 0.8 percentage point to 22.7%. The effective tax rate was lower than the statutory tax rate mainly because the interest income arising from PRC government bonds is exempt from income tax under the tax law. Please see "Note 16 to the Financial Statements: Income tax expense" for reconciliation of income tax expense applicable to profit before tax at the PRC statutory income tax rate and the effective income tax rate.

Segment Information

The Bank's principal operating segments are corporate banking, personal banking and treasury operations. The Bank adopts the Performance Value Management System (PVMS) to evaluate the performance of each of its operating segments.

SUMMARY OPERATING SEGMENT INFORMATION

In RMB millions, except for percentages

	Year ended 31 December 2009		Year ended 31 December 2008	
Item	Amount	Percentage (%)	Amount	Percentage (%)
Corporate banking	166,157	53.7	153,068	49.3
Personal banking	93,114	30.1	106,301	34.3
Treasury operations	48,727	15.7	49,927	16.1
Others	1,413	0.5	899	0.3
Total operating income	**309,411**	**100.0**	**310,195**	**100.0**

Please refer to the section headed "Discussion and Analysis — Business Overview" for the details of the development of each of these operating segments.

SUMMARY GEOGRAPHICAL SEGMENT INFORMATION

In RMB millions, except for percentages

Item	Year ended 31 December 2009		Year ended 31 December 2008	
	Amount	Percentage (%)	Amount	Percentage (%)
Head Office	24,903	8.0	28,742	9.3
Yangtze River Delta	68,446	22.1	74,394	24.0
Pearl River Delta	43,551	14.1	46,079	14.8
Bohai Rim	63,568	20.6	57,558	18.5
Central China	39,062	12.6	37,871	12.2
Western China	47,605	15.4	44,360	14.3
Northeastern China	13,554	4.4	14,478	4.7
Overseas and others	8,722	2.8	6,713	2.2
Total operating income	**309,411**	**100.0**	**310,195**	**100.0**

Note: Please see "Note 48 to the Financial Statements: Segment information" for the Bank's classification of geographic regions.

Balance Sheet Analysis

In 2009, the Bank actively adapted to the changes in domestic and foreign economic and financial situations, optimized the composition of assets and liabilities businesses, and further pushed forward the business transformation in accordance with the national macro-control policy. It strictly adhered to a prudent credit development strategy, properly accelerated the credit disbursement, optimized the loan structure and improved the loans quality. The Bank timely adjusted its investment strategy and optimized its investment portfolio by closely monitoring the trends of the domestic and international financial markets. It intensified its efforts on the funds deployment, and enhanced the efficiency and revenue of its treasury operation. It adopted multiple measures to optimize the structure of liability business. While maintaining the steady growth of due from customers, the Bank actively absorbed the low-cost liabilities by capitalizing on the affluent funds in the inter-bank market and the turnaround of capital market, thus ensuring the stability and the continuous growth of funding sources.

Assets Deployment

At the end of 2009, total assets of the Bank was RMB11,785,053 million, representing an increase of RMB2,027,907 million or 20.8% from the end of the previous year, of which the gross loans and advances to customers (collectively referred to as "loans") increased by RMB1,156,632 million or 25.3%, net investment in securities increased by RMB550,863 million or 18.1%, and reverse repurchase agreements increased by RMB245,333 million or 150.1%. By the composition of assets, net loans accounted for 47.4% of the total assets, representing an increase of 1.9 percentage points from the end of 2008; the net investment in securities accounted for 30.5%, representing a decrease of 0.7 percentage point; and reverse repurchase agreements accounted for 3.5%, representing an increase of 1.8 percentage points.

ASSETS DEPLOYMENT

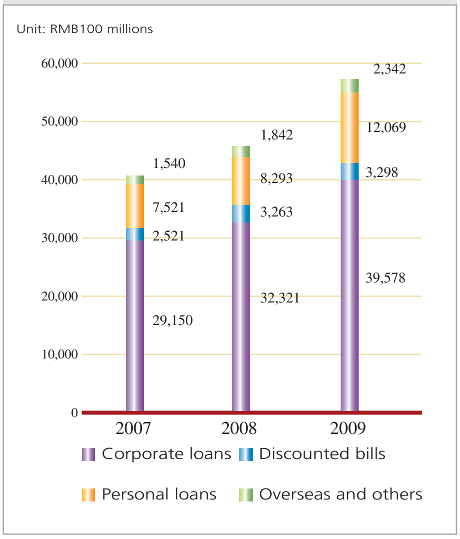
In RMB millions, except for percentages

Item	At 31 December 2009 Amount	At 31 December 2009 Percentage (%)	At 31 December 2008 Amount	At 31 December 2008 Percentage (%)
Total loans and advances to customers	5,728,626	—	4,571,994	—
Less: Allowance for impairment losses on loans	145,452	—	135,983	—
Loans and advances to customers, net	5,583,174	47.4	4,436,011	45.5
Investment in securities, net	3,599,173	30.5	3,048,310	31.2
Cash and balance with central banks	1,693,048	14.4	1,693,024	17.4
Due from banks and other institutions, net	235,301	2.0	168,363	1.7
Reverse repurchase agreements	408,826	3.5	163,493	1.7
Others	265,531	2.2	247,945	2.5
Total assets	**11,785,053**	**100.0**	**9,757,146**	**100.0**

Loans

In 2009, the Bank pursued a prudent credit policy, reasonably expanded the aggregate volume of credit on the premise of proper risk control, properly accelerated credit disbursement, increased the credit support to the state major construction projects as well as to the pillar industries and enterprises that are in line with orientation of the state industrial policies, actively developed the quality personal credit market, and optimized the allocation of credit resources in light of changes in the national macro-control policy. At the end of 2009, loans amounted to RMB5,728,626 million, representing an increase of RMB1,156,632 million or 25.3% from the end of the previous year, of which, RMB-denominated loans of domestic operations increased by RMB1,035,247 million or 24.2%.

Composition of Loans



DISTRIBUTION OF LOANS BY BUSINESS LINE

In RMB millions, except for percentages

Item	At 31 December 2009 Amount	At 31 December 2009 Percentage (%)	At 31 December 2008 Amount	At 31 December 2008 Percentage (%)
Loans of domestic operations	**5,494,428**	**95.9**	**4,387,759**	**96.0**
Corporate loans	3,957,786	69.1	3,232,102	70.7
Discounted bills	329,792	5.7	326,315	7.1
Personal loans	1,206,850	21.1	829,342	18.2
Overseas and others	**234,198**	**4.1**	**184,235**	**4.0**
Total	**5,728,626**	**100.0**	**4,571,994**	**100.0**

DISTRIBUTION OF CORPORATE LOANS BY MATURITY

In RMB millions, except for percentages

	At 31 December 2009		At 31 December 2008	
Item	Amount	Percentage (%)	Amount	Percentage (%)
Short-term corporate loans	1,190,417	30.1	1,133,303	35.1
Medium to long-term corporate loans	2,767,369	69.9	2,098,799	64.9
Total	**3,957,786**	**100.0**	**3,232,102**	**100.0**

DISTRIBUTION OF CORPORATE LOANS BY PRODUCT LINE

In RMB millions, except for percentages

	At 31 December 2009		At 31 December 2008	
Item	Amount	Percentage (%)	Amount	Percentage (%)
Working capital loans	1,265,782	32.0	1,208,683	37.4
Of which: Trade finance	311,354	7.9	122,152	3.8
Project loans	2,254,893	57.0	1,681,445	52.0
Property loans	437,111	11.0	341,974	10.6
Total	**3,957,786**	**100.0**	**3,232,102**	**100.0**

Corporate loans increased by RMB725,684 million or 22.5%. In terms of maturity, the short-term corporate loans increased by RMB57,114 million or 5.0%; the medium to long-term corporate loans increased by RMB668,570 million or 31.9%. In terms of product type, project loans increased by RMB573,448 million or 34.1%. This is mainly because the credit demand increased notably after the state rolled out a series of plans to boost the steady yet fast development of the macro economy; and the Bank accelerated the adjustment of credit policies and the product innovation, and increased the credit support to major customers in infrastructure area and the disbursement of quality medium to long-term project loans that are in line with the orientation of the state policy of boosting domestic demand. The property loans increased by RMB95,137 million or 27.8%, principally attributable to the continuous optimization of property loan structure and the proper increase of land reserve loans. Working capital loans increased by RMB57,099 million or 4.7%; among which, trade finance increased by RMB189,202 million or 154.9%, mainly because the Bank vigorously boosted the development of trade finance business, strengthened the allocation and transformation of general working capital loans and further optimized the structure of working capital loans.

Discounted bills increased by RMB3,477 million from the end of the previous year. This is mainly because the Bank timely adjusted the scale of discounted bill business in accordance with the progress of credit disbursement and the demand in credit market, in a bid to realize the balanced disbursement of loans and meet the revenue target.

DISTRIBUTION OF PERSONAL LOANS BY PRODUCT LINE

In RMB millions, except for percentages

	At 31 December 2009		At 31 December 2008	
Item	Amount	Percentage (%)	Amount	Percentage (%)
Personal housing loans	874,244	72.4	597,374	72.0
Personal consumption loans	157,635	13.1	101,145	12.2
Personal business loans	138,095	11.4	113,726	13.7
Credit card overdrafts	36,876	3.1	17,097	2.1
Total	**1,206,850**	**100.0**	**829,342**	**100.0**

Personal loans increased by RMB377,508 million or 45.5%, and accounted for 21.1% of the loans, representing an increase of 2.9 percentage points from the end of 2008. This is mainly because the Bank timely revised and improved the personal credit policy in light of the changes in personal credit demand and in strict adherence to the national policy of boosting domestic demand. The Bank strengthened the product innovation and effectively supported the credit demands relating to personal housing, consumption and business. Personal housing loans increased by RMB276,870 million or 46.3%; personal consumer loans increased by RMB56,490 million or 55.9%; and personal business loans increased by RMB24,369 million or 21.4%. Credit card overdraft increased by RMB19,779 million or 115.7%, largely due to the continuous growth of the number of credit cards issued and the transaction amount and the rapid development of credit card installment repayment business.

DISTRIBUTION OF LOANS BY CURRENCY

RMB-denominated loans increased by RMB1,047,772 million or 24.4% and accounted for 90.6% of the total increment in the loans. Foreign currencies-denominated loans increased by RMB108,860 million or 39.1% and accounted for 9.4% of the total increment in the loans.

DISTRIBUTION OF LOANS BY REMAINING MATURITY

In RMB millions, except for percentages

	At 31 December 2009		At 31 December 2008	
Remaining Maturity	**Amount**	**Percentage (%)**	**Amount**	**Percentage (%)**
Impaired or overdue	95,442	1.7	115,742	2.5
Less than 1 year	2,089,594	36.5	1,916,991	42.0
1–5 years	1,633,587	28.5	1,202,882	26.3
Over 5 years	1,910,003	33.3	1,336,379	29.2
Total	**5,728,626**	**100.0**	**4,571,994**	**100.0**

Note: The overdue loans refer to the loans of which principal or interest has become overdue. For loans repaid on an installment basis, only the amount which is not repaid upon maturity date is deemed overdue. Please see "Note 49.(a) to the Financial Statements: Credit risk" for definition of impaired loans.

At the end of 2009, loans with a remaining maturity of more than 1 year amounted to RMB3,543,590 million, accounting for 61.8% of the loans; loans with a remaining maturity of less than 1 year amounted to RMB2,089,594 million, accounting for 36.5% of the loans and mainly comprising of working capital loans and discounted bills; and impaired or overdue loans amounted to RMB95,442 million and accounting for 1.7% of the loans, a decrease of 0.8 percentage point.

Please see "Discussion and Analysis — Risk Management" for detailed analysis of loan scale and loan quality.

Investment

In 2009, the Bank arranged for reasonable investment schedule, timely adjusted the investment strategy and actively optimized the investment structure in accordance with the trends in domestic and foreign financial markets. At the end of 2009, net investment in securities amounted to RMB3,599,173 million, representing an increase of RMB550,863 million or 18.1% as compared to the end of the previous year.

INVESTMENT

In RMB millions, except for percentages

Item	At 31 December 2009		At 31 December 2008	
	Amount	Percentage (%)	Amount	Percentage (%)
Investment in securities not related to restructuring	2,699,254	75.0	2,063,981	67.7
Investment in securities related to restructuring(1)	895,306	24.9	975,559	32.0
Equity instruments	4,613	0.1	8,770	0.3
Total	**3,599,173**	**100.0**	**3,048,310**	**100.0**

Note: (1) Investment in securities related to restructuring includes Huarong bonds, special government bonds, MOF receivable and special PBOC bills. For details, please refer to "Note 27.(a) to the Financial Statements: Receivables".

Investment in securities not related to restructuring amounted to RMB2,699,254 million, representing an increase of RMB635,273 million or 30.8% from the end of last year. With respect to the investment portfolio analysis by issuers, investment in government bonds increased by RMB148,367 million or 35.1%; investment in bonds issued by the central bank increased by RMB170,122 million or 21.3%; investment in bonds issued by policy banks increased by RMB157,883 million or 26.3%; and investment in other bonds increased by RMB158,901 million or 65.3%, mainly because the Bank properly increased its investment in quality enterprise bonds with controllable risks and high yield. With respect to the investment portfolio analysis by remaining maturity, bonds not related to restructuring with a term of less than three months or a term of three to 12 months increased by RMB642,605 million or 141.6%, and their proportion in total investment in bonds not related to restructuring increased by 18.6 percentage points. This is mainly because against the low yield in the bond market, the Bank proactively revised the investment strategy and shortened the duration of investment portfolio to control interest rate risks. With respect to the investment portfolio analysis by currency, RMB bonds grew by RMB656,875 million or 33.9%, mainly because the Bank closely monitored the trend of RMB-denominated debt securities market and increased the investment in RMB bonds in the second half year when the yield was high; the RMB equivalent of investment in USD bonds decreased by RMB11,840 million or 13.4%; and the RMB equivalent of investment in other foreign currency bonds decreased by RMB9,762 million or 24.8%, mainly due to the Bank's timely divestment of some foreign currency bonds.

Investment in securities related to restructuring was RMB895,306 million, representing a decrease of RMB80,253 million from the end of 2008, which was due to the repayment of MOF receivables during the reporting period. Please see "Note 27.(a) to the Financial Statements: Receivables".

DISTRIBUTION OF INVESTMENT IN SECURITIES NOT RELATED TO RESTRUCTURING BY ISSUER

In RMB millions, except for percentages

Item	At 31 December 2009		At 31 December 2008	
	Amount	Percentage (%)	Amount	Percentage (%)
Government bonds	570,952	21.2	422,585	20.5
Central bank bills	967,146	35.8	797,024	38.6
Policy bank bonds	759,010	28.1	601,127	29.1
Other bonds	402,146	14.9	243,245	11.8
Total	**2,699,254**	**100.0**	**2,063,981**	**100.0**

DISTRIBUTION OF INVESTMENT IN SECURITIES NOT RELATED TO RESTRUCTURING BY REMAINING MATURITY

In RMB millions, except for percentages

Remaining Maturity	At 31 December 2009 Amount	At 31 December 2009 Percentage (%)	At 31 December 2008 Amount	At 31 December 2008 Percentage (%)
Undated[(1)]	10,489	0.4	31,474	1.5
Less than 3 months	315,543	11.7	153,839	7.5
3-12 months	780,720	28.9	299,819	14.5
1-5 years	1,011,601	37.5	1,180,561	57.2
Over 5 years	580,901	21.5	398,288	19.3
Total	**2,699,254**	**100.0**	**2,063,981**	**100.0**

Note: (1) Includes impaired portion and those overdue for more than one month.

DISTRIBUTION OF INVESTMENT IN SECURITIES NOT RELATED TO RESTRUCTURING BY CURRENCY

In RMB millions, except for percentages

Item	At 31 December 2009 Amount	At 31 December 2009 Percentage (%)	At 31 December 2008 Amount	At 31 December 2008 Percentage (%)
RMB	2,593,342	96.1	1,936,467	93.8
USD	76,346	2.8	88,186	4.3
Other foreign currencies	29,566	1.1	39,328	1.9
Total	**2,699,254**	**100.0**	**2,063,981**	**100.0**

DISTRIBUTION OF INVESTMENT IN SECURITIES BY HOLDING PURPOSE

In RMB millions, except for percentages

Item	At 31 December 2009 Amount	At 31 December 2009 Percentage (%)	At 31 December 2008 Amount	At 31 December 2008 Percentage (%)
Investments at fair value through profit or loss	20,147	0.6	33,641	1.1
Available-for-sale investments	949,909	26.4	537,580	17.6
Held-to-maturity investments	1,496,738	41.6	1,314,320	43.1
Receivables	1,132,379	31.4	1,162,769	38.2
Total	**3,599,173**	**100.0**	**3,048,310**	**100.0**

At the end of 2009, the Group held RMB884,393 million worth of financial bonds[1], including RMB759,010 million bonds issued by policy banks and RMB125,383 million bonds issued by banks and non-banking financial institutions, representing 85.8% and 14.2%, respectively.

1 Financial bonds refer to the debt securities issued by financial institutions on the bond market, including the debt securities issued by policy banks, commercial banks and non-banking financial institutions but excluding the debt securities related to restructuring and central bank bills.

TOP 10 FINANCIAL BONDS HELD BY THE GROUP

In RMB millions, except for percentages

Debt Securities	Nominal Value	Annual Interest Rate	Maturity Date	Impairment Loss
Policy bank bonds 2006	20,000	3.26%	7 December 2013	–
Policy bank bonds 2006	20,000	3.15%	27 November 2011	–
Policy bank bonds 2008	15,440	4.83%	4 March 2015	–
Policy bank bonds 2007	10,950	5.07%	29 November 2017	–
Policy bank bonds 2009	10,320	2.04%	28 October 2010	–
Policy bank bonds 2009	9,520	3.75%	11 November 2014	–
Policy bank bonds 2009	9,390	Benchmark interest rate + 0.55%	19 May 2019	–
Policy bank bonds 2006	9,090	3.11%	23 October 2013	–
Policy bank bonds 2007	8,990	4.94%	20 December 2014	–
Policy bank bonds 2007	8,550	Benchmark interest rate + 0.75%	11 December 2012	–

Note: The benchmark interest rate refers to the interest rate published by PBOC for 1-year lump-sum time deposits applicable on the day of the bond issuance and the remaining interest bearing years.

At the end of 2009, the aggregate nominal value of the Bank's investment in the US sub-prime residential mortgage-backed securities, Alt-A residential mortgage-backed securities, structured investment vehicles (SIVs), corporate CDOs and the bonds issued by Lehman Brothers Holdings of the USA was USD1,808 million, representing 0.10% of the Group's total assets. The Group has made accumulative allowance of USD1,554 million for impairment loss on the abovementioned assets based on the market valuation results. The provision coverage (provisions/unrealized loss) was 104.37%, and the provision ratio (provisions/nominal value) was 85.95%.

The Group believes that allowance for impairment losses on the abovementioned assets has reflected the impact of the observable market conditions on such assets as at the end of the reporting period. The Group will closely monitor the future development of the market.

Reverse Repurchase Agreements

Reverse purchase agreements amounted to RMB408,826 million, representing an increase of RMB245,333 million or 150.1% from the end of the previous year, which is mainly because the Bank enhanced the treasury operation and expanded the scale of reverse repurchase agreements business with a view to increase the efficiency and yield of funds utilization.

Liabilities

At the end of 2009, total liabilities of the Bank amounted to RMB11,106,119 million, representing an increase of RMB1,955,603 million or 21.4% from the end of the previous year.

LIABILITIES

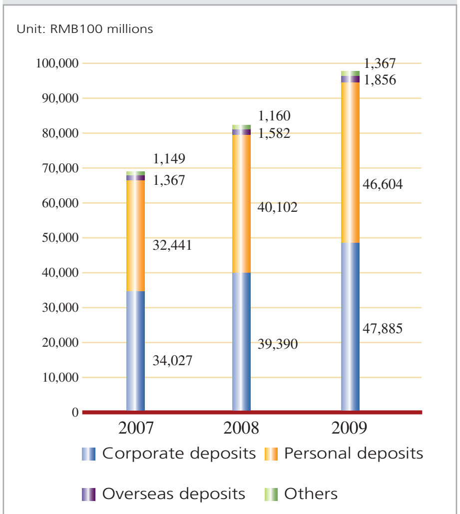
In RMB millions, except for percentages

	At 31 December 2009		At 31 December 2008	
Item	Amount	Percentage (%)	Amount	Percentage (%)
Due to customers	9,771,277	88.0	8,223,446	89.9
Due to banks and other financial institutions	1,001,634	9.0	646,254	7.0
Repurchase agreements	36,060	0.3	4,648	0.1
Subordinated bonds	75,000	0.7	35,000	0.4
Others	222,148	2.0	241,168	2.6
Total liabilities	**11,106,119**	**100.0**	**9,150,516**	**100.0**

Due to Customers

Customer deposit is the Bank's main source of fund. In 2009, thanks to the continuous implementation of a proactive fiscal policy and a moderately loose monetary policy, the market liquidity was ample, the initial public offerings were resumed, and the capital market turned around. Leveraging on its competitive advantages in the market, the Bank achieved a steady growth of deposits by guiding the customers to adjust their financial assets allocation. At the end of 2009, the balance of due to customers was RMB9,771,277 million, representing an increase of RMB1,547,831 million or 18.8% compared with that of the end of 2008. In terms of the customers structure, the balance of corporate deposits increased by RMB849,523 million or 21.6% and its proportion in the total deposits grew by 1.1 percentage points; and the personal deposits increased by RMB650,184 million or 16.2% and its proportion in the total deposits decreased by 1.1 percentage points. In terms of the maturity structure, the balance of time deposits increased by RMB518,854 million or 13.1%, while the balance of demand deposits increased by RMB980,853 million or 24.6% and the ratio of demand deposits to total deposits balance increased by 2.4 percentage points, showing a strong trend that time deposits shifted to demand deposits in the market.

Composition of due to customers



DISTRIBUTION OF DUE TO CUSTOMERS BY BUSINESS LINE

In RMB millions, except for percentages

	At 31 December 2009		At 31 December 2008	
Item	Amount	Percentage (%)	Amount	Percentage (%)
Corporate deposits				
Time deposits	1,625,829	16.6	1,380,907	16.8
Demand deposits	3,162,661	32.4	2,558,060	31.1
Sub-total	**4,788,490**	**49.0**	**3,938,967**	**47.9**
Personal deposits				
Time deposits	2,852,197	29.2	2,578,265	31.4
Demand deposits	1,808,235	18.5	1,431,983	17.4
Sub-total	**4,660,432**	**47.7**	**4,010,248**	**48.8**
Overseas	**185,640**	**1.9**	**158,222**	**1.9**
Others(1)	**136,715**	**1.4**	**116,009**	**1.4**
Total	**9,771,277**	**100.0**	**8,223,446**	**100.0**

Note: (1) Mainly includes outward remittance and remittance payables.

DISTRIBUTION OF DUE TO CUSTOMERS BY GEOGRAPHIC AREA

In RMB millions, except for percentages

	At 31 December 2009		At 31 December 2008	
Item	Amount	Percentage (%)	Amount	Percentage (%)
Head Office	148,757	1.5	204,034	2.5
Yangtze River Delta	2,038,077	20.9	1,695,156	20.6
Pearl River Delta	1,234,464	12.6	1,036,594	12.6
Bohai Rim	2,567,898	26.3	2,138,473	26.0
Central China	1,376,586	14.1	1,145,525	13.9
Western China	1,533,885	15.7	1,264,649	15.4
Northeastern China	685,970	7.0	580,793	7.1
Overseas	185,640	1.9	158,222	1.9
Total	**9,771,277**	**100.0**	**8,223,446**	**100.0**

DISTRIBUTION OF DUE TO CUSTOMERS BY REMAINING MATURITY

In RMB millions, except for percentages

	At 31 December 2009		At 31 December 2008	
Remaining Maturity	Amount	Percentage (%)	Amount	Percentage (%)
Demand(1)	5,227,043	53.5	4,177,866	50.8
Less than 3 months	1,519,544	15.6	1,350,735	16.4
3–12 months	2,359,489	24.1	2,098,624	25.5
1–5 years	655,590	6.7	590,151	7.2
Over 5 years	9,611	0.1	6,070	0.1
Total	**9,771,277**	**100.0**	**8,223,446**	**100.0**

Note: (1) Includes the time deposits payable on demand.

In terms of the currency structure, the balance of RMB deposits amounted to RMB9,457,807 million, which contributed 96.8% of the total balance of due to customers and represented an increase of RMB1,544,429 million or 19.5% as compared with the end of the previous year. The balance of foreign currency deposits was equivalent to RMB313,470 million, representing an increase of RMB3,402 million or 1.1% from the end of the previous year. Of the foreign currency deposits, the balance of USD deposits was equivalent to RMB163,755 million, representing a decrease of RMB13,169 million; the balance of HKD deposits was equivalent to RMB106,041 million, representing an increase of RMB6,906 million, and the balance of deposits denominated in other currencies was equivalent to RMB43,674 million, representing an increase of RMB9,665 million.

Due to Banks and Other Financial Institutions

The balance of due to banks and other financial institutions was RMB1,001,634 million, an increase of RMB355,380 million or 55.0% as compared with that at the end of the previous year. As a result of the ample liquidity in the banking market and the recovery of capital market, the Bank actively promoted the development of third-party fiduciary services and achieved a relatively rapid growth of deposits from banks and other financial institutions.

Subordinated Bonds

Subordinated bonds were RMB75,000 million, representing an increase of RMB40,000 million or 114.3% from the end of the previous year. This is mainly because the Bank successfully issued RMB40 billion of RMB subordinated bonds in the national inter-bank bond market in July 2009.

Shareholders' Equity

At the end of 2009, shareholders' equity amounted to RMB678,934 million in aggregate, an increase of RMB72,304 million or 11.9% as compared with that at the end of the previous year, of which, equity attributable to equity holders of the parent company was RMB673,893 million, representing an increase of RMB71,218 million or 11.8%. Please refer to the "Financial Statements: Consolidated Statement of Changes in Equity" for details.

SHAREHOLDERS' EQUITY

In RMB millions

Item	At 31 December 2009	At 31 December 2008
Share capital	334,019	334,019
Reserves	221,114	195,727
Retained profits	118,760	72,929
Equity attributable to equity holders of the parent company	**673,893**	**602,675**
Non-controlling interests	**5,041**	**3,955**
Total shareholders' equity	**678,934**	**606,630**

For details of off-balance-sheet items, please refer to "Note 43 to the Financial Statements: Commitments and contingent liabilities".

Other Financial Information

Financial Instruments Measured at Fair Value

The following table is prepared pursuant to the format prescribed by CSRC in the "No. 2 Standards on the Content and Format of Information Disclosure of Companies with Public Offerings — Content and Format of the Annual Report" (Revision 2007).

MOVEMENT OF FINANCIAL INSTRUMENTS MEASURED AT FAIR VALUE

In RMB millions

Item	Balance at the beginning of the year	Balance at the end of the year	Changes in current year	Effects on profit for the year
Financial assets designated at fair value through profit or loss	33,641	20,147	(13,494)	(114)
Available-for-sale financial assets	535,690	948,020	412,330	(590)
Derivative financial assets	15,721	5,758	(9,963)	(9,963)
Total financial assets	**585,052**	**973,925**	**388,873**	**(10,667)**
Financial liabilities designated at fair value through profit or loss	11,834	15,831	3,997	69
Derivative financial liabilities	13,612	7,773	(5,839)	(5,839)
Total financial liabilities	**25,446**	**23,604**	**(1,842)**	**(5,770)**

Quoted market price in an active market is the best evidence of the fair value of the Group's financial instruments measured at fair value. In the event that the market for a financial instrument is inactive, valuation techniques shall be adopted. The majority of the valuation techniques adopted only observable market data, while those of some other financial instruments may use one or more inputs that are not observable in the market. The Group's financial instruments measured at fair value primarily include investments in RMB bonds and foreign currency bonds, derivatives and others. The fair value of investments in RMB bonds is mainly based on quoted market price or determined using valuation techniques based only on observable market data. The fair value of foreign currency bonds is established mainly by referring to the quoted prices from dealers, brokers and valuation service providers. The fair value of vanilla derivatives is mainly determined using valuation models that are generally adopted by market participants. Inputs to valuation models are determined from observable market data as far as possible, such as the market quotation of spot and forward exchange rates and the market yield curve. For more complex structured derivatives, the fair value is mainly determined by reference to quoted prices from dealers.

In terms of the internal control related to the determination of fair value, the Bank has set up a market risk management control system. In accordance with the unique characteristics of the related business as well as the market conditions, the Bank formulated the fair value assessment methods and put the methods into use after it was approved by the Market Risk Management Committee; unified and standardized the valuation techniques and workflow on fair value measurement, built an independent team for product control to test the fair value, and developed specific procedures on reporting and measurement of the fair value.

Reconciliation of Differences between the Financial Statements Prepared under PRC GAAP and Those under IFRSs

For the detailed reconciliation of differences between the financial statements prepared under PRC GAAP and those under IFRSs, please refer to the "Unaudited Supplementary Financial Information: (a) Differences between the financial statements prepared under IFRSs and those prepared in accordance with PRC GAAP".

BUSINESS OVERVIEW

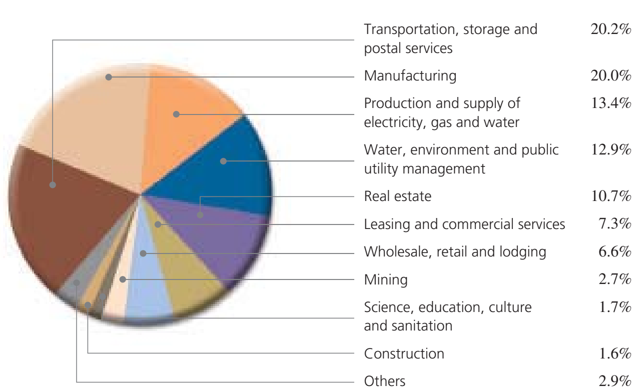
Corporate Banking

In 2009, the Bank seized the opportunity of economic development, accelerated business restructuring and advanced the transformation of corporate banking so as to proactively respond to changes in the macro environment. With improved development mode and optimized credit structure, credit business saw stable and rapid growth. Investment banking was developed vigorously, including investment and financing consultation, underwriting of debt financing instruments and management of syndicated loan arrangements; the promotion of emerging businesses such as cash management, asset custody, corporate wealth management and cross-border Renminbi settlement were accelerated. Integrated marketing was enhanced to explore customers' business potential and increase the total return of customers. The multi-tiered customer marketing system was reformed to heighten the marketing level of large and quality customers, to provide more differentiated services for different customer groups and to expand the quality customer base. At the end of 2009, the Bank had 3.61 million corporate customers, representing an increase of 510,000 customers over the end of the previous year; 84,000 customers had loan balances with the Bank, representing an increase of 8,927 customers. According to statistics from PBOC, at the end of 2009, the Bank ranked first in the banking industry in terms of both corporate loans and corporate deposits, with a market share of 11.9% and 13.8%, respectively.

Corporate Deposits and Loans

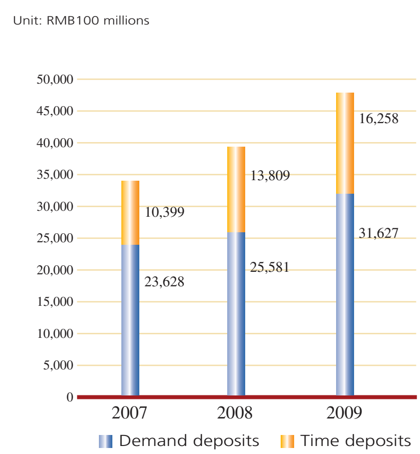
In conformity to the national macro-control policy, the Bank controlled total volume of lending and the pace of lending growth, adjusted the loan orientation, and competed for quality credit markets. Lending was increased to key investment projects of the State and to key industries and enterprises identified in the national industrial policy. The green credit policy was promoted to strictly control lending to industries with high pollution, high energy consumption and over-capacity and to support the growth in credit business in relation to areas such as new energy, energy conservation, environment protection and integrated utilization of resources. The Bank accelerated product innovation to accommodate to market needs and introduced an array of new products, including M&A loans, project bridge loans and pre-project loans, in an effort to sharpen competitive edges in quality credit markets. Arrangement and promotion of trade finance were strengthened, and the rapid development of SME credit business was enhanced. The Bank won the "Best Performance in Syndicated Loans" from China Banking Association in recognition of its

Balance of Corporate Loans



Note: Domestic operations data

Growth of Corporate Deposits



Note: Domestic operations data

proactive development of the syndicated loan business. At the end of 2009, the balance of domestic corporate loans stood at RMB3,957,786 million, up RMB725,684 million or 22.5% over the end of the previous year.

The Bank gave full play to its advantages in comprehensive banking services, the customer base was expanded for corporate deposits. The link between deposit business and wealth management was tightened to explore customers' potential for deposits, to absorb customers' funds and to drive rapid growth of corporate deposits. At the end of 2009, the balance of domestic corporate deposits amounted to RMB4,788,490 million, an increase of RMB849,523 million or 21.6% over the end of the previous year.

Small and Medium Enterprise Business

The Bank regarded the development of small and medium enterprise (SME) banking as an important strategy, enhanced its organizational promotion and accelerated innovation in products and services. Near 1,000 small enterprise banking centers were established across the Bank to improve the SME banking service system and to enhance the level of specialized operation. To increase operational efficiency, a special small enterprise rating and credit policy was formulated and processes for collateral assessment, rating, credit and loan review and approval were consolidated. Innovative small enterprise financing guarantee measures were created to introduce third-party cooperation and joint guarantee. Small enterprise-characterized products, including the "small enterprise revolving loan" and "Internet loan" were developed; order financing, invoice financing, domestic factoring and other SME trade finance products were introduced. The Bank was awarded the "Top 10 SME Financial Services Providers in China" by the *Financial News* and the "Top 10 Commercial Banks Supporting the Development of SMEs" by the Organizing Committee of the Annual Affair of China's Small and Medium Entrepreneurs. At the end of 2009, 44,243 small enterprise customers had loan balances with the Bank, an increase of 6,686 over the end of the previous year.

Institutional Banking

The Bank actively expanded the scope of cooperation between the banking and insurance businesses, and signed agreements on comprehensive business cooperation with 52 insurance companies. Third party depository business maintained rapid growth with funds increasing by RMB196.5 billion to RMB388.0 billion, ranking first in the banking industry. The Bank also rolled out inter-bank platform business and extended the scope of inter-bank cooperation. The number of domestic correspondent banks increased by 16 to 101. In addition, the Bank enhanced the bank-government business system, added online tax payment guarantee as a new feature to the "Bank-Customs Link" system, and launched the non-tax income collection agency system to increase its service capacity for government agencies.

Settlement and Cash Management

The settlement account marketing campaign was carried out to further promote settlement package services and expand the scale of settlement accounts. Marketing approaches were optimized with the introduction of settlement bonus point reward services, thereby increasing the volume of settlement transactions. The Certified Treasury Professional (CTP) qualification system was improved to enhance the professional competency and service capability of the marketing team. At the end of 2009, 4.4 million corporate settlement accounts were maintained with the Bank, representing an increase of 640,000 over the end of the previous year. The transaction volume of corporate RMB settlement increased by 28.5% to RMB668 trillion during the year, maintaining the largest market share in China.

The liquidity management product line focused on fund pool was built to increase the efficiency of enterprise fund use. Based on its strong business systems and extending on its strengths in domestic cash management service, the Bank was the first to launch the global cash management service, evidencing its increasing significance in market influence. The Bank has been awarded the "Best Cash Management Bank in China" by the magazines *The Asset* and *FinanceAsia* for three consecutive years, and the "Best RMB Cash Management Services (China)" by the magazine *Asiamoney*. At the end of 2009, the Bank had 287,026 cash management customers, an increase of 168,275 or 141.7% over the end of the previous year.

Investment Banking

The Bank accelerated the restructuring and brand building of investment banking businesses to drive rapid growth of business income. The Bank seized the opportunities arising from the development of the bond market to expand its bond underwriting business. In 2009, the Bank underwrote RMB279.0 billion worth debt financing instruments of non-financial enterprises as a lead arranger, ranking first in China. M&A lending was actively developed in support of M&As of leading enterprises in domestic key industries. Cooperation with Standard Bank of South Africa and other institutions was strengthened to provide services for enterprises engaged in overseas M&A activities. Industrial investment fund consultation service was propelled to support local governments in industrial restructuring and regional economic development. The Bank improved the capabilities of the investment banking analysis team, enriched the research product system, and heightened the service level of investment and financing consulting, perennial financial consulting and enterprise information service. With significantly increased influence of its investment banking brand, the Bank was awarded the "Best Bank in Investment Banking (China)" by the *Securities Times*. In 2009, investment banking income exceeded RMB10,000 million mark and reached RMB12,539 million, an increase of 56.2% from the previous year.

International Settlement and Trade Finance

The Bank accelerated innovation in trade finance products and developed customized trade finance solutions. New services were offered for international trade finance, including purchase order finance and prepayment finance. The Bank also encouraged cooperation between domestic and overseas institutions on the development of forward FX transaction-linked trade services and new foreign exchange trading services to increase the clients' earning. The centralized processing solution of international settlement and trade financing for large corporate group customers was launched, which has created a centralized processing platform that integrates bill processing and trade financing services. The Bank further accelerated the integration of bill processing services and has completed such integration for 28 domestic branches and 13 overseas institutions in aggregate. The Bank issued the first RMB letter of credit for cross-border trade and conducted the first RMB financing under factoring for cross-border trade. The Bank also opened the first non-resident account (NRA), gaining a first-mover advantage. In 2009, domestic branches disbursed an aggregate of RMB679.7 billion in trade finance, an increase of 87.6% as compared to the previous year, of which domestic trade finance increased by 183.9% to RMB374.4 billion, and international trade finance grew by 32.6% to USD44.7 billion. Domestic branches handled international settlement of USD545.9 billion in aggregate, representing a larger market share.

Asset Management

- *Asset Custody Services*

Capitalizing on the recovery of the capital market, the Bank strengthened its market development efforts and the scale of its asset custody services increased significantly. The number of securities investment funds under the Bank's custody increased by 38 to 145, maintaining the leading position in the banking industry. The insurance asset custody customer base expanded steadily, with the custody scale grew by approximately 50%. Global custody services developed progressively, the number of QFII custody customers of the Bank became the top of the Chinese banks, and the scale of QDII's asset custody continued to lead the banking industry. In terms of enhancing business innovation, the Bank took the lead in introducing "one-to-more" wealth management custody service for fund houses and "one-to-one" service for QDIIs. Robust development was seen in emerging custody services, such as custody of funds in receipt and payment accounts, custody of trust scheme and custody of customer asset management for securities companies, with the structure of the custody business continued to optimize. The Bank was recognized as the best custodian bank in China by domestic and overseas financial media, including *Global Custodian*, *The Asset* and *Global Finance*, further adding to its brand influence. At the end of 2009, the total net value of assets under the Bank's custody reached RMB1,806.5 billion, an increase of 57.9% over the end of the previous year.

◆ *Pension Services*

The Bank strengthened its marketing efforts towards large and medium enterprise customers by leveraging on its comprehensive competitive advantages. Standardized enterprise annuity scheme products were promoted, and the market for SME customer was expanded. The "Ruyi Pension Management 2" enterprise annuity scheme for which the Bank acted as trustee was launched to enrich the product family and to build the "Ruyi Pension Management" brand. The business system was optimized and upgraded to increase service capability. At the end of 2009, the Bank provided enterprise annuity service for 18,320 enterprises, an increase of 2,786 over the end of the previous year; the annuity funds under the Bank's trusteeship amounted to RMB7.0 billion, up RMB3.0 billion; the Bank managed 6.78 million individual annuity accounts, an increase of 1.73 million accounts; the annuity funds under the Bank's custody stood at RMB84.5 billion, up RMB30.5 billion. In addition, the Bank also actively developed other pension services, including basic pension insurance and occupational annuity.

◆ *Precious Metal Business*

In addition to the three core products, namely brand gold, paper gold and physical gold trading, new services such as deferred delivery and repurchase of gold were offered to provide more investment options for customers; brand gold accumulation service was introduced to provide customers with convenience in accumulation, individual purchases and redemption upon maturity. Many new brand gold products were launched to optimize the brand gold sale system and increase purchase options for customers. In 2009, the volume of precious metal transactions that the Bank engaged on its own account or on behalf of its customers reached 992 tons, of which, bullion transactions for personal accounts reached 722 tons, maintaining the leading position in the industry. The Bank cleared RMB183.5 billion on behalf of Shanghai Gold Exchange, maintaining the leading position in the industry.

◆ *Corporate Wealth Management*

The Bank intensified efforts in product innovation and increased customer service capability. Aimed at building a complete ultra-short-term product line, a number of non-fixed-term and fixed-term (7 days, 14 days and 28 days) rolling ultra-short-term products were introduced to meet diverse customer needs in liquidity management. Based on its considerable research and development strengths, the Bank developed innovative structured and arbitrage products, introduced an array of wealth management products including stock investment cash options and preferred beneficiary rights in real estate investment fund trust scheme, to meet customized needs of investors. Leveraging on its advantages in physical outlets and E-banking network, the Bank implemented multi-business-line interactive marketing to drive rapid growth in sales of wealth management products. In 2009, cumulative sales of the Bank's corporate wealth management products reached RMB1,795.1 billion, an increase of 128.0% year-on-year.

Personal Banking

In 2009, the Bank improved the customer-oriented operation management system, increased the level of specialization in operation and accelerated transformation of the personal banking operation management system. The Bank promoted coordinated marketing of personal banking and corporate banking to enhance cross-selling and to increase the customer penetration rate for its products. The Bank optimized the multi-tiered customer service system, implemented refined service management, expanded customer base and increased the proportion of medium and high-end customers. The Bank accelerated innovation and promotion of personal financing services, wealth management products and bank cards, increased brand influence and drove coordinated development of personal banking business. The Bank was awarded the "Best Mega Retail Bank in China" by *The Asian Banker*. At the end of 2009, the Bank had 216 million personal customers, including 5.8 million personal loan customers. According to statistics from PBOC, at the end of 2009, the Bank ranked first in the industry both in terms of savings deposits and personal loans, with a market share of 17.6% and 19.3%, respectively.

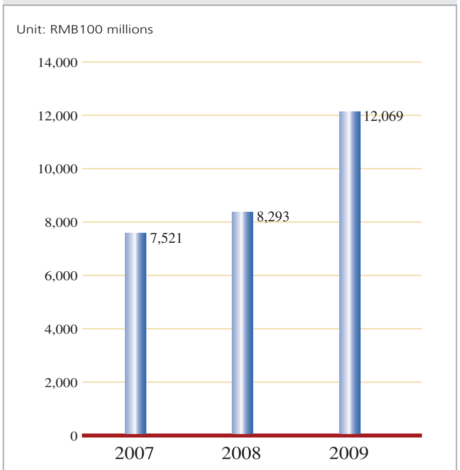
Savings Deposits

The Bank enhanced coordinated marketing with corporate banking to develop services such as quality enterprise payroll payment agency service and third-party custody and to broaden the sources of savings deposits. In response to the changes in market and customer needs, the Bank guided customers to establish diversified investment portfolios and to absorb settlement transaction funds and investment funds. The Bank also optimized the structure of savings deposits and promoted the coordinated development of savings deposits and wealth management through the reallocation of fund sources from savings deposits to quality wealth management products. At the end of 2009, the balance of domestic savings deposits amounted to RMB4,660,432 million, an increase of RMB650,184 million or 16.2% over the end of the previous year, of which, demand savings deposits increased by RMB376,252 million or 26.3% and term savings deposits increased by RMB273,932 million or 10.6%.

Personal Loans

The Bank seized the prime opportunity arising from the State's effort in stimulating domestic consumer demand to increase personal lending. Preferential lending rate was offered to eligible personal housing loans to drive development of the personal housing loan business. New services including personal housing mortgage loans, personal commercial vehicle loans and personal revolving loans were introduced to extend the personal credit product line and to meet financing needs of individual customers. The "direct loan" service mode and "Deposit-Loan Link" wealth management value-added service were promoted and the electronic approval process was implemented to increase efficiency of the approval process and improve service capability. At the end of 2009, domestic personal loans amounted to RMB1,206,850 million, an increase of RMB377,508 million or 45.5% over the end of the previous year, of which, personal housing loans increased by RMB276,870 million or 46.3%.

Growth of Personal Loans



Note: Domestic operations data

Personal Wealth Management

The Bank timely adjusted its product strategy in alignment with market changes and has strengthened innovation in products and services, optimized the Bank's wealth management product system characterized by classification by the level of yields, complementary risk appetite and liquidity nesting, increased wealth management service capability and amplified its leading edge in the personal wealth management market. In 2009, domestic sales of various personal wealth management products amounted to RMB1,527.8 billion.

The Bank actively promoted low-risk, stable-return wealth management products invested in bonds, notes and trust loans. Ultra-short-term wealth management products with different commencement times and maturities were issued alternately, and the "Money Link Express" product line was enriched. Tiered customer services were improved and a number of new wealth management products tailored for medium and high-end customers were developed. The Bank had commenced the sales and marketing of personal banking product portfolios to drive the coordinated development of personal wealth management business and other personal banking services. In 2009, RMB887.2 billion[1] worth of personal banking wealth management products were sold, an increase of 129.0% from the previous year and maintaining the leading position in the industry.

The Bank improved its regular fund investment and "Li Tian Li" wealth management services and also promoted dedicated accounts fund management. In 2009, the Bank distributed RMB487.8 billion worth of open-ended funds, evidencing its leading edge over peers. The Bank also deepened the cooperation with insurance companies and enhanced the "Bank-Insurance Link" system. In 2009, agency sales of individual insurance products reached RMB72.4 billion, still leading the industry. The Bank had also distributed RMB80.4 billion worth of treasury bonds, maintaining the first place in the industry. In 2009, agency sales of various personal wealth management products amounted to RMB640.6 billion.

◆ *Elite Club Account*

Elite Club Account is a personal banking brand designed by the Bank for medium and high-end customers. In 2009, the Bank continued to promote the innovation of Elite Club Account products and services in order to increase the brand influence. An array of Elite Club Account wealth management products were offered to accelerate building of dedicated channels and increase customer service capability. Elite Club Account smart cards were introduced to provide customers with a higher level of transaction security. It is evident that the coverage of customers using Elite Club Account as well as its market influence has steadily increased, and the Bank was recognized as the "Retail Finance Brand of the Year" by *China Business News*. At the end of 2009, the Bank had 6.69 million Elite Club Account customers, an increase of 2.14 million customers over the end of the previous year.

◆ *Wealth Management*

Wealth management businesses were promoted to provide wealth advisory service, asset management and other customized and professional wealth management services for individual customers with over RMB1 million worth of financial assets. The Bank developed channels specially designed for wealth management customers, with an aggregate of 149 premier wealth management centers established. The Bank also launched 48 types of dedicated "ICBC Wealth Gold" wealth management products, and jointly offered 13 types of "one-to-more" dedicated accounts wealth management products to wealth management customers with fund houses. The number of wealth management customers surpassed 500,000, with total financial assets exceeding RMB1,100.0 billion.

1 Since 2009, the amount of cumulative sales of "Money Link Express", the non-fixed term wealth management product, refers to the difference between the daily average balance for the reporting period and the outstanding balance as at the end of the previous year instead of accumulated subscription amount. Comparative figures have been adjusted accordingly.

Private Banking

The Bank provided high-net-worth customers having RMB8 million or more personal financial assets with private banking services which focus on asset management and consulting services. In 2009, the Bank established private banking sub-departments in Nanjing, Hangzhou and several other cities, further expanding its geographic presence. An array of wealth management products and service solutions tailored for private banking customers were launched, and a diverse product base integrating commercial banking, funds, securities, insurance, trust and other services were preliminarily established to enhance asset management capability. The Bank accelerated the attraction and fostering of talents, promoted refined management of service processes and standards and increased professional service capability. The Bank was awarded the "Private Banking Team of the Year" by *21st Century Business Herald*. At the end of 2009, the Bank had over 13,000 private banking customers and managed RMB255,000 million worth of assets.

Bank Card Business

In 2009, the Bank accelerated product innovation and service upgrading in terms of its bank card business, enhanced market development, saw robust growth in all aspects of the bank card business and further consolidated its leading position in the industry. At the end of 2009, the Bank issued 290 million bank cards, an increase of 50.78 million cards over the end of the previous year. Annual consumption volume of bank cards stood at RMB1,497,900 million, representing an increase of 88.1% from the previous year. Income from bank card business amounted to RMB9,408 million, up 30.7%.

- *Credit Card Business*

The Bank completed the functional integration of international credit cards, credit cards and quasi-credit cards to realize consolidation of product functions and process reengineering and to further improve service capability. The scope of card issuance was enlarged to cover consumer markets and emerging technological areas, including household appliances, railway, business travel service and mobile payment; the scale of co-branded cards was also expanded. The chartered and preferential merchant base was expanded; credit card installment payment service was launched in cooperation with large household appliance retailers, and the scale of POS acquiring market and overdraft business was expanded. The new Shijiazhuang telephone service center and 25 VIP service centers were established to increase the service capability. With continuous enhancement of its brand influence, the Bank was recognized as the "Trusted Brand — Credit Card Issuing Bank: Gold (China)" by *Reader's Digest* of the United States, awarded the "Outstanding Acquisition Programme" by American Express and honored with the title of the "Best Platinum Card of the Year" from MasterCard Worldwide. At the end of 2009, 52.01 million credit cards were issued, an increase of 12.96 million over the end of the previous year; annual consumption volume stood at RMB449,000 million, up 76.0% from the previous year, evidencing the leading edge of the Bank both in terms of card issuance and consumption . The balance of domestic credit card overdrafts amounted to RMB36,876 million, representing an increase of RMB19,779 million or 115.7%.

- *Debit Card Business*

The Bank actively developed the market for the co-brand card business by introducing a variety of national and regional Co-brand Moneylink Cards to extend the product line of Moneylink Cards. The Bank also introduced the magnetic strip debit cards that meet the PBOC2.0 standards to enhance the security of bank cards and to increase customer service capability. A range of special marketing activities tailored to different characteristics of customers were carried out to expand the customer base and card consumption. At the end of 2009, 237 million debit cards were issued, representing an increase of 37.82 million over the end of the previous year, with an annual consumption exceeding RMB1 trillion and reached RMB1,048,900 million, up 93.8%.

Item	At 31 December 2009	At 31 December 2008	Growth rate (%)
Issued bank cards (unit: 10,000)	28,910	23,832	21.3
Debit cards	23,709	19,927	19.0
Credit cards	5,201	3,905	33.2
	2009	**2008**	**Growth rate (%)**
Annual consumption volume (In RMB100 million)	14,979	7,964	88.1
Average consumption volume per card[(1)] (In RMB Yuan)	5,615	3,570	57.3

Note: (1) Average consumption volume per card = Consumption volume during the reporting period/Average monthly card issuance for the reporting period. Comparative figures have been adjusted accordingly.

Treasury Operations

In 2009, the ongoing spread of the global financial crisis triggered profound changes in global financial markets. The Bank achieved coordinated development of asset scale and returns through active product innovation, timely adjustment of investment and trading strategies, strengthening of treasury operations and prevention of business risks.

Money Market Activities

The Bank adjusted its strategy and increased the efficiency of its treasury operations based on liquidity and interest movements in the money markets. In the first half of 2009, when there was abundant liquidity in the money market, the Bank increased the offering frequency and expanded the scale of outward financing, with the reserve ratio being controlled at a reasonable level. In response to the interest rate hikes in the second half of the year, the Bank moderately trimmed the financing scale, increased investment in bonds, and seized the opportunity arising from IPO resumption to increase arbitrage transactions and improve return on financing. In 2009, domestic branches of the Bank transacted RMB13,499.3 billion of RMB placement and taking cumulatively, representing an increase of 77.2%, of which, placement stood at RMB12,622.6 billion, representing an increase of 4.9 times. In respect of foreign currencies, the Bank strengthened its refined fund management and maintained short-term inter-bank placement maturity to ensure the security of funds. In 2009, the Bank's foreign currency transaction volume in money markets amounted to USD689.2 billion.

Management of Investment Portfolio

- *Trading Book Business*

RMB bond price index showed an overall downward trend in 2009. The Bank effectively mitigated market risks of asset portfolios by adopting a trading strategy of controlling positions and reducing durations. In 2009, the transaction volume on RMB bond trading book was RMB2.6 trillion. The number of over-the-counter market making transactions for book-entry treasury bonds increased to 64, and the transaction volume further increased. The Bank actively carried out trading in RMB interest rate derivatives, strengthened range trading and made timely adjustments to risk exposures with respect to different maturities. In 2009, the volume of RMB interest rate swap transactions amounted to RMB60.5 billion, representing an increase of 81.7%.

In respect of foreign currencies, the yield in the US treasury bond market increased despite of market volatility. The Bank seized the opportunity arising from the market volatility to focus on the trading of medium-term US treasury bonds, with an aggregate transaction volume amounting to USD40.1 billion.

◆ *Banking Book Business*

In 2009, RMB bond market interest rates rose slightly from low levels. The Bank shortened durations to prevent interest rate risks and new investments were mainly with short maturities. The Bank closely kept track of market interest rate movements and increased investments in the second half of the year when the market interest rates stayed at a relatively high level. Investments were mainly made in sovereign and quasi-sovereign bonds. In keeping up with the fast developing trend of the direct financing market, the Bank moderately increased investment in credit products including corporate bonds with controllable risks and higher returns. At the end of 2009, the balance of RMB bond investment in banking book amounted to RMB3,476,234 million.

In respect of foreign currencies, the Bank grasped the trend of global financial markets and adjusted its product mix, reduced holdings of risky foreign currency mortgage-backed bonds and controlled credit risk. The Bank diversified into non-USD investments and maintained a relatively stable proportion of non-USD bonds.

Franchise Treasury Business

In response to the challenges and difficulties posed by the global financial crisis, the Bank strengthened business innovation and prevented business risks. The Bank introduced innovative exchange trading products, produced business processing systems such as automatic foreign exchange trading reporting system and comprehensive price enquiry trading system, increased the automated level of the processing of foreign exchange trading and enhanced the ability to prevent and control risks. In 2009, the volume of agency foreign exchange settlement and sales and foreign exchange trading amounted to USD286,200 million. The Bank innovated in the features of structured deposit products, enriched the product series provided, expanded business scale and the transaction volume of structured derivatives for customers reached USD82.2 billion. The Bank actively promoted customized application of RMB interest rate derivative and fostered agency trading needs.

Distribution Channels

Domestic Branch Network

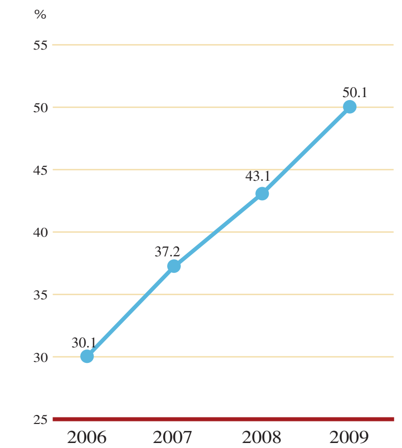
In 2009, while maintaining a generally stable total number of physical outlets, the Bank coordinated the establishment of various channels, optimized the regional presence of outlets, promoted operational transformations of outlets and consolidated its strengths in distribution channels, which aimed at fostering and upgrading core competencies of branches. The Bank continued to implement outlet renovation and upgrade projects, completed the construction of 86 premier wealth management centers and 1,116 VIP service centers. The service environment of the outlets was notably improved and the customer service capability of such outlets was considerably enhanced. Based on different target customers as well as different modes of operation management for the outlets, the Bank actively explored new modes of operation management for the four types of business outlets including premier wealth management centers, VIP service centers, wealth management outlets and financial convenience stores. The Bank participated in the pilot program of new rural financial institutions by establishing Zhejiang Pinghu ICBC Rural Bank Co., Ltd. and Chongqing Bishan ICBC Rural Bank Co., Ltd..

At the end of 2009, the Bank had 16,232 domestic institutions, including the Head Office, 31 tier-1 branches, five branches directly controlled by the Head Office, 27 banking offices of tier-1 branches, 390 tier-2 branches, 3,054 tier-1 sub-branches, 12,687 front line business outlets, 33 institutions directly controlled by the Head Office and their branch offices, and four majority controlling subsidiaries.

E-banking

In line with the bank-wide development strategy, the Bank built E-banking into an integrated and comprehensive business platform that combines trading, marketing and services. In line with customer needs, the Bank accelerated product innovation and function optimization to consolidate its leading edge over peers. In 2009, the Bank introduced 48 new products, improved and optimized the functions of 82 existing products, thereby further improving customer service capability and level of services. The Bank carried out marketing programs for e-commerce and mobile banking (WAP) to increase brand awareness of E-banking and to drive continuous growth in customer base and business volume. In 2009, the transaction volume of E-banking amounted to RMB181.31 trillion, representing an increase of 24.8% year-on-year. The number of E-banking transactions accounted for 50.1% of total transactions of the Bank, up 7.0 percentage points.

Proportion of E-banking Business



Note: The proportion of E-banking business refers to the number of E-banking transactions against the total number of transactions of the Bank

◆ *Internet Banking*

The Bank launched the internet large enterprise interbank fund management system aimed at large corporate group customers and the corporate Internet banking online financial software targeted at SME customers, in an effort to enhance the service capability of corporate Internet banking. The Bank took the lead in introducing innovative products such as Internet financial supermarket and remittance to overseas VISA cards, providing more convenient Internet banking services for personal customers.

At the end of 2009, the Bank had 1.89 million corporate Internet banking customers, representing an increase of 450,000 from the end of the previous year, and 75.36 million personal Internet banking customers, representing an increase of 18.64 million. The volume of corporate Internet banking transactions amounted to RMB135.35 trillion, up 22.5%; the volume of personal Internet banking transactions stood at RMB17.81 trillion, up 82.3%. The Bank was awarded the "Best Integrated Corporate Bank Site — Global" and the "Best Consumer Internet Bank in China" by the *Global Finance*.

◆ *Telephone Banking*

The Bank completed restructuring of integrated telephone banking and introduced one-number-link telephone banking payment services and 400 VIP hotline services. The public voice menu of telephone banking was optimized for the convenience of customers. The outsourcing of telephone banking self-service application was completed for Shenzhen and Shandong branches to drive integrated operation and standardized telephone banking services.

◆ *Mobile Banking*

The Bank launched the 3G trial version of mobile banking (WAP) to provide customers with more convenient and efficient enquiry, transfer, bill payment and other banking services. The number and transaction volume of mobile banking customers grew remarkably, taking up the top position in the industry.

◆ *Self-service Banking*

The Bank continued to increase the set up of ATMs and BSMs to optimize the layout of the service network of self-service equipments. The Bank also improved the BSM functions and optimized the business processing procedures. Marketing for the BSM service was strengthened to guide customers to transact through BSMs, and increased utilization efficiency of BSMs to accelerate diversion from over-the-counter services. At the end of 2009, the Bank owned 8,726 self-service banking outlets, representing an increase of 23.2% over the end of the previous year, and 34,089 ATMs, up 19.0%. The volume of ATM transactions amounted to RMB2,046.9 billion, up 31.6%.

Brands and Services

The Bank regarded service and brand enhancement as an important development strategy. In 2009, the Bank exerted every effort to enhance the level of services through improving the organizational structure in relation to service management, optimizing service processes, enhancing service standards and strengthening the monitoring of service quality. Following the implementation of the personal banking process optimization program and the transformation of credit and corporate banking process, the Bank focused on deepening the reform of operation management. Back-office resources were integrated and centralized through the reform of the back-office supervision system, remote authorization and centralized business processing, thereby enhancing back-office supports for front-office customer services. To improve the organizational structure in relation to service management, a full-time service management body was established to unify and coordinate the improvement in service quality. Service standardization and formalization was promoted; service standards for each level of distribution channels were developed in line with the refined service plan for personal banking, and customer satisfaction was improved remarkably. Independent third-party investigations were introduced to monitor level of customer satisfaction and to strengthen service quality assessment. The Bank accelerated product innovation, created innovative assessment and incentive mechanism and customer experience mechanism, carried out assessments on product competitiveness and new product risks, and increased the level of standardization in product design. An array of platforms, systems and products were built which aligned with customer needs and are competitive and leading in the industry. The Bank ranked first by "Services and Products" in the report of "Competitiveness Evaluation of Chinese Commercial Banks in 2009" published by *The Chinese Banker*.

The brand building plan was implemented to build the ICBC brands into an internationally influential brand, to form a brand system with distinctive tiers, well-defined priorities, simple structure and featured services, and to increase interaction between brands and sub-brands. The Bank promoted the transformation of products which positioned its brand based upon the principle of customer-orientation and special service features through positioning brands by services and products. ICBC "Cards", "Elite Club", "Banking@home" and "Cash Management" were widely recognized among by customers. Brand communication efficiency was increased and brand connotation was broadened through outlets, websites, public media and other modes. The brand value of the Bank ranked first among financial institutions in 2009 in the "Top 100 Most Powerful Brands" published by Millward Brown Optimor, an international market research institution.

Internationalized and Diversified Operation

The Bank seized the opportunities arising from the reform and reorganization of global financial markets to actively and properly implement the internationalized and diversified operation strategy, which aimed at building a large universal, global financial group. The Bank accelerated the expansion of the overseas institution network through balanced development between emerging and mature markets, establishment and strategic M&As, as well as physical outlets and electronic channels; market expansion and penetration were expedited through the establishment of additional overseas tier-2 branches. The Bank accelerated the promotion of the overseas institutions' comprehensive business processing system (FOVA), created an integrated domestic and overseas business development pattern, made full use of the Group's overall strengths and the advantages of having overseas institution licenses, further developed investment banking, asset management and other businesses through interaction between domestic and overseas institutions, parent and subsidiaries, and supported development of fund management and financial leasing.

During the reporting period, ICBC (Malaysia), Hanoi Branch and Abu Dhabi Branch were granted licenses; London Chinatown Sub-branch, Tokyo Ikebukuro Branch and Dusseldorf Branch in Germany commenced business; Seng Heng Bank and Macau Branch were merged and renamed "Industrial and Commercial Bank of China (Macau) Limited"; ICBC International obtained the full license for investment banking and completed its business transformation; and capital injection in ICBC Leasing was completed successfully. At the end of 2009, the Bank had 23 operational institutions and an aggregate of 162 overseas institutions in 20 countries and regions, and established correspondent bank relationship pattern with 1,403 overseas banks in 125 countries and regions; the network was continuously optimized, and the internationalized and diversified operation platform was further improved.

On 4 June 2009, the Bank and BEA entered into two agreements for the acquisition of shares in The Bank of East Asia (Canada) and the sale of shares in ICEA, respectively. Such transactions were completed on 28 January 2010. On 27 November 2009, the implementation of the voluntary tender offer for all issued ordinary shares and preference shares (if applicable) of ACL BANK Public Company Limited in Thailand ("ACL") was approved on the Second Extraordinary General Meeting for the Year 2009. The Bank has launched the voluntary tender offer to ACL. Details of such transactions are set out in the section headed "Significant Events — Material Asset Acquisition, Sale and Merger".

During the reporting period, pre-tax profit of overseas branches and subsidiaries of the Bank grew by 165.0% from the previous year. All of them posted a profit.

Overseas Subsidiaries

INDUSTRIAL AND COMMERCIAL BANK OF CHINA (ASIA) LIMITED

ICBC (Asia) is a bank registered in Hong Kong and listed on SEHK, and has a share capital of HKD2,636.68 million, with the Bank holding 72.4% of the shares. It renders comprehensive commercial banking services, which covers trade finance, IPO reception and dividend distribution, commercial credit, investment service, credit card, custody, E-banking and so on. At the end of 2009, ICBC (Asia) recorded total assets of USD27,821 million, and net assets of USD2,335 million. It generated net profits of USD326 million during the year.

ICBC INTERNATIONAL HOLDINGS LIMITED

ICBC International, a wholly-owned subsidiary of the Bank, has a registered capital of HKD280 million. During the reporting period, it, through its wholly owned subsidiaries, obtained from the Securities and Futures Commission of Hong Kong a number of licenses, including those in relation to futures trading, advising on securities and advising on asset management, thereby becoming a full-licensed investment bank in Hong Kong. ICBC International renders a variety of investment banking services, including acting as a sponsor for listing and underwriting, equity financing, bond financing, direct investment, securities brokerage and fund management. At the end of 2009, it recorded total assets of USD577 million and net assets of USD49.66 million. It generated net profits of USD7.946 million during the year.

INDUSTRIAL AND COMMERCIAL BANK OF CHINA (MACAU) LIMITED

ICBC (Macau) was established by merging Seng Heng Bank, formerly a subsidiary of the Bank, and Macau Branch of the Bank, becoming the largest local legal banking entity and the second largest commercial bank in Macau. It has a registered capital of MOP282 million, in which the Bank holds a 89.33% stake. ICBC (Macau) mainly engages in comprehensive commercial banking services such as deposit, loan, trade finance and international settlement. At the end of 2009, it recorded total assets of USD6,484 million and net assets of USD455 million. It generated net profits of USD57.40 million during the year.

INDUSTRIAL AND COMMERCIAL BANK OF CHINA (MALAYSIA) BERHAD

ICBC (Malaysia), a wholly-owned subsidiary of the Bank established in Malaysia, obtained the operating license officially issued by Malaysian Central Bank on 20 November 2009.

PT. BANK ICBC INDONESIA

ICBC (Indonesia) is a full-licensed commercial banking subsidiary registered in Indonesia, with a paid-up capital of 460 billion Indonesian rupiahs, in which ICBC holds a 97.83% stake. ICBC (Indonesia) mainly provides commercial banking services such as deposit, loan and trade finance, settlement, agency business, inter-bank borrowing and lending and foreign exchange. At the end of 2009, ICBC (Indonesia) recorded total assets of USD424 million and net assets of USD53 million. It generated a net profit of USD2.2969 million during the year.

INDUSTRIAL AND COMMERCIAL BANK OF CHINA (ALMATY) JOINT STOCK COMPANY

ICBC (Almaty), a wholly-owned subsidiary of the Bank, was incorporated in Kazakhstan with a registered capital of 5,000 million tenge. It principally engages in commercial banking services such as deposit, loan, international settlement, trade finance, foreign currency exchange, guarantee and account management. At the end of 2009, ICBC (Almaty) recorded total assets of USD113 million and net assets of USD34.81 million. It generated net profits of USD1.8593 million during the year.

INDUSTRIAL AND COMMERCIAL BANK OF CHINA (MIDDLE EAST) LIMITED

ICBC (Middle East), a wholly-owned subsidiary of the Bank, was incorporated in United Arab Emirates with a registered capital of USD50 million. Its scope of business covers investment banking and commercial banking businesses. At the end of 2009, ICBC (Middle East) recorded total assets of USD60.24 million and net assets of USD51.65 million. It generated net profits of USD1.51 million during the year.

INDUSTRIAL AND COMMERCIAL BANK OF CHINA, (LONDON) LIMITED

ICBC (London), a wholly-owned subsidiary of the Bank, was incorporated in the United Kingdom with a registered capital of USD200 million. It provides a full spectrum of banking services such as exchange and remittance, loan, trade finance, international settlement, funds clearing, agency and custody. At the end of 2009, ICBC (London) recorded total assets of USD1,209 million and net assets of USD210 million. It generated net profits of USD4.04 million during the year.

INDUSTRIAL AND COMMERCIAL BANK OF CHINA LUXEMBOURG S.A.

ICBC (Luxembourg), a wholly-owned subsidiary of the Bank, was incorporated in Luxembourg with a registered capital of USD18.50 million. The Bank improved its branch network in Europe through local customer resources and regulatory environment. At the end of 2009, ICBC (Luxembourg) recorded total assets of USD20.30 million and net assets of USD19.53 million. It generated a net profit of USD0.166 million during the year.

ZAO INDUSTRIAL AND COMMERCIAL BANK OF CHINA (MOSCOW)

ICBC (Moscow), a wholly-owned subsidiary of the Bank, was incorporated in Russia with a registered capital of 1,000 million rubles. It principally provides a full spectrum of corporate banking services, which mainly include loan, settlement, trade finance, deposit, foreign currency exchange and treasury operations and certain personal banking services. At the end of 2009, ICBC (Moscow) recorded total assets of USD58.91 million and net assets of USD29.58 million. It generated net profits of USD0.20 million during the year.

Domestic Controlled Subsidiaries

ICBC CREDIT SUISSE ASSET MANAGEMENT CO., LTD.

ICBC Credit Suisse Asset Management, a subsidiary of the Bank, has a registered capital of RMB200 million, in which the Bank holds a 55% stake. It mainly engages in fund placement, fund distribution, asset management and such other businesses as approved by CSRC. At the end of 2009, it managed a total of 11 mutual funds, and the size of the assets under management amounted to approximately RMB62,700 million. ICBC Credit Suisse Asset Management recorded total assets of RMB836 million and net assets of RMB675 million, and generated net profits of RMB176 million in the year.

ICBC FINANCIAL LEASING CO., LTD.

ICBC Leasing, a wholly-owned subsidiary of the Bank, was incorporated in Binhai New Area of Tianjin with a registered capital of RMB5,000 million[1]. It is the first financial leasing company established by a commercial bank in China approved by CBRC, mainly engages in financial leasing in the fields of aviation, shipping and large-scale equipment and various leasing products, and provides a variety of financial and industrial services including rental assignment and investment advisory. In 2009, ICBC Leasing was awarded the "Financial Leasing Company of the Year" by *Financial News* and won the "Best Industry Promotion Award" issued by *China Business News*. At the end of 2009, it recorded total assets of RMB33,082 million and net assets of RMB5,388 million, and generated a net profit of RMB182 million in the year.

Major Equity Participating Company

STANDARD BANK GROUP LIMITED

Standard Bank is the largest commercial bank in South Africa as well as in Africa. The Bank holds 312,995,672 ordinary shares of Standard Bank, representing a 20.09% stake. At the end of 2009, it recorded total assets of 1,339.8 billion rand and net assets of 99,369 million rand, generated a net profit of 11,253 million rand. The Bank has initiated more than 80 cooperative projects with Standard Bank in terms of financing, asset custody, settlement and cash management, investment banking and information technology, among which, the total value of the agreements entered between the two banks in relation to financing to Africa amounted to approximately USD4,500 million.

1 During the reporting period, the Bank increased capital injection of an amount equivalent to RMB3,000 million to ICBC Leasing.

Information Technology

Revolving around the goal of reform and development, the Bank comprehensively implemented the "technology-oriented" strategy by actively carrying out the information technology development plan to ensure stable and secure operation of the Bank's information system, vigorously drove the development of the fourth-generation application system (NOVA+) to create an application framework that is more flexible, advanced, efficient and risk resistance, to continuously enhance the Bank's core competitiveness using advanced information technologies. The Bank continued to rank the first in the "Top 500 Enterprise Informatization in China" and received the "Grand Award for the Informatization of Enterprises" and "Best Overall IT Architecture Award"; the Bank was also awarded the "Best IT Bank" by *The Chinese Banker*.

Continuous Innovation of Application Products

In 2009, the Bank accelerated research and development (R&D) and optimization of application products. During the year, 539 new R&D projects were launched to offer a broader banking product line to customers and enhance the Bank's operation and risk management capabilities. "Integration of three cards" was implemented successfully, credit card products met the objective of "one system, one charter". Bank account application was deepened to provide a uniform view of account information across all channels. The Bank was also the first to launch 3G mobile banking (WAP) in China thereby enriching the applications for Internet and telephone banking. System building was driven in the three operational reforms in relation to business such as remote authorization, operational risk management and centralized business processing. R&D of the application systems was accelerated for financial markets, private banking and investment banking. The personal customer Internal Ratings-based (IRB) system was put into production, with significant progress made in system building related to management of market risk and operational risk. The bank-wide centralized statement management platform was created to automate statement data processing, and the promotion of FOVA was extended to and completed in 15 overseas branches. In 2009, 19 patents of the Bank were authorized by the State Intellectual Property Office, increasing the total number of patents owned by the Bank to 91.

Continuous Improvement in Information Technology Management

The information system maintained secure and stable operation throughout 2009, providing strong technical supports for the Bank's "Year of Service Enhancement" program. The Information Technology Management Committee was established to further enhance technology governance. The information technology management system was further improved to form a more complete information technology management framework consisting of operation management, project management and general management, and the technical specification system of the Bank was further improved. The Bank fully completed the reform of the automation of batch operation of the data center's open platform application system, improved the efficiency of production, operation and maintenance and reduced operational risk of the information system. More self-service equipments were installed to strengthen and to expand customer service channels.

Human Resources Management

Human Resources Management and Incentive and Disciplinary Measures

The Bank implemented the unified employee compensation system centered on performance-related pay. The corporate compensation allocation system was basically created, which placed job value as the core attribute and based upon capabilities and performance of employees. In 2009, the Bank further drove and implemented interregional staff mobility, carried out business process reforms including operation system and centralized reporting, and optimized allocation of human resources. The Bank continued to advance on the building of the differentiated compensation and incentive mechanism. Depth and breadth of the human resource management enhancement program were increased to gradually promote the performance management culture featuring strategy orientation, bidirectional commitment and effective execution. The Bank comprehensively implemented the overseas institution expatriate resources enhancement program and created an integrated human resource management system for domestic and overseas institutions. The interface between the supplementary medical insurance system and the regional medical insurance programs was established to further improve the employee benefit and welfare system. The regulations on paid annual leave for employees were earnestly implemented. The Bank safeguarded smooth operation of all its business activities, protected employees' right to leave and rest and promoted harmony and stability of industrial relations in accordance with applicable laws. The Bank became the first financial institution approved for the implementation of special working hours.

Management and Development of Human Resources

The Bank continued to carry out the education and training specialization program and fully completed training and management tasks planned for the year. Multi-tiered, classified, multi-channeled and large-scale employee trainings were continuously carried out, covering 46,000 sessions for 2.1 million man times, with an average of 8.86 days of training per person. Focus was placed on on-the-job training of medium-aged employees by job rotation or transfer, all of whom met the objective of "transfer after training". The ICBC online university and an online examination system for distance learning were completed, and the bank-wide remote real-time online video monitoring system was developed. Training quality was enhanced in terms of systems, channels and resources. In 2009, the Bank became a member of the FRM Committee of the Global Association of Risk Professionals, the only one being admitted as a member in the Asian banking community, and awarded the "Platinum Approved Employer — Trainee Development Stream" and the "Approved Employer — Professional Development Stream" by The Association of Chartered Certified Accountants (ACCA).

Reform of Head Office and Branches

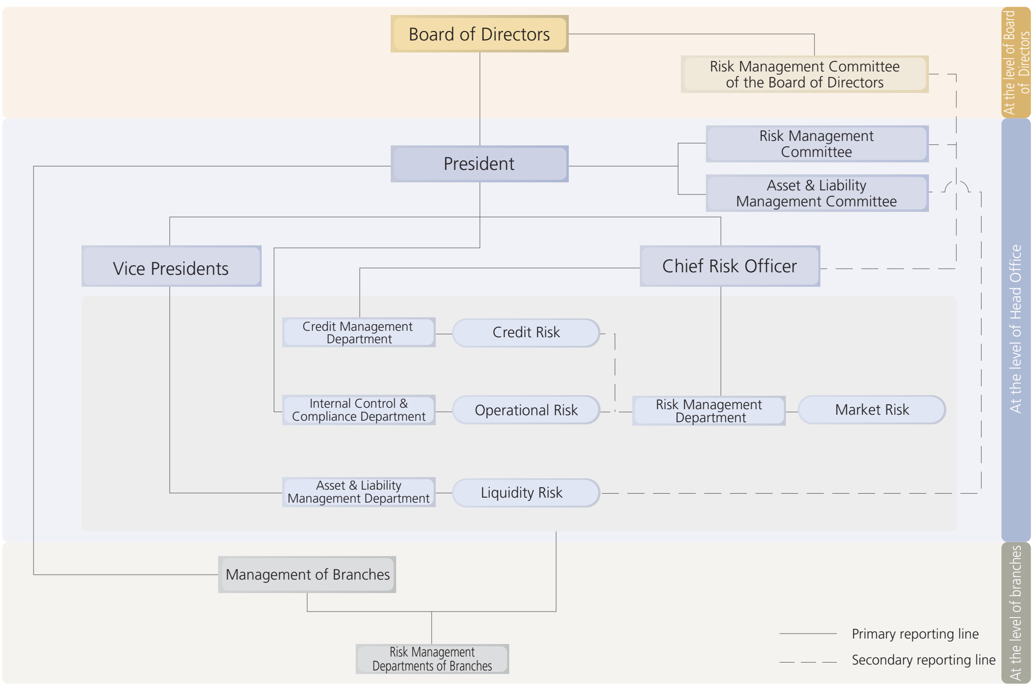
The Financial Markets Department and the Asset Management Department were established at the Head Office to improve management and control of market risk and to achieve healthy and rapid development of the treasury operations. The composition of small enterprise financial services department was improved to enhance specialized operation management of small enterprise financial services and increase the capacity of such small enterprise financial services. The Precious Metal Department was created to promote specialized operation of the precious metal business and to optimize the operation management system of the precious metal business. The data center (Shanghai) and the overseas data center were integrated to further enhance unified management of bank-wide technology production and operation and strengthen technical management of and supports for overseas branches. Business processing centers, remote authorization centers, operational risk monitoring centers and reporting centers were established at branch level to deeply promote the reform of the bank-wide business operation system and centralized reporting management, which aimed at further optimizing allocation of human resources and increasing operational efficiency. Small enterprise financial services department was established at all branch levels to support SME development. The anti-money laundering center was established at branch level to ensure compliance, independence, professionalism and confidentiality in anti-money laundering and anti-terrorism financing related work across the Bank. Pilot reform of key county sub-branches was launched to fully stimulate operational vigor and value creation capability of county sub-branches under the influence of examples.

RISK MANAGEMENT

Comprehensive Risk Management System

Comprehensive risk management system is a process where the Board of Directors, the Senior Management and other employees of the Bank perform their respective duties and responsibilities to take effective control of all the risks at various business levels in order to provide reasonable guarantee to the achievement of objectives of the Bank. The principles of risk management include compatibility of income and risks, internal checking and balance with consideration as to efficiency, risk diversification, combination of quantitative and qualitative analysis, and use of dynamic adaptability adjustments, etc.

The Bank's organizational structure of risk management comprises the Board of Directors and its special committees, the Senior Management and its special committees, the Risk Management Department, the Internal Audit Department, etc. In 2009, the Bank proactively improved its risk management at Group level and accelerated enhancement of the overall risk management capability. The risk management organizational structure is illustrated below:



In 2009, the Bank proactively optimized the comprehensive risk management system, enhanced system innovation and expedited improvement in comprehensive risk management capability. The Bank formulated the three-year plan for risk management, which proposed the overall strategy, main objectives and administrative measures for risk management for 2009-2011; prepared the annual risk limit management program to fully make use of limits in risk control; proactively responded to complicated external environment and conducted dynamic evaluation on risk management of domestic branches; standardized risk reporting of overseas branches and subsidiaries to further improve the risk reporting mechanism at Group level.

During the reporting period, the Bank accelerated the development and application of projects including Internal Rating-based (IRB) Approach on credit risk, Internal Models Approach (IMA) on market risk, Advanced Measurement Approach (AMA) on operational risk and Internal Capital Adequacy Assessment Process (ICAAP) to actively push forward implementation of the New Basel Capital Accord (Basel II). The Bank continuously optimized the corporate customer rating system and the facility rating system, constantly improved the internal rating system, proactively promoted further application of non-retail internal rating results in the entire process of risk management and implemented individual customer IRB system to accomplish the measurement of the level of credit risk of personal loans and credit card business. The Bank also launched the development project of the Internal Models Approach (IMA) system on market risk and became the first domestic bank that has built up a self-designed and self-developed unified full-functional market risk management system for the entire Bank. The Bank has fully activated the study on the second pillar of Basel II, earnestly implemented the ICAAP project and further enhanced the Bank's risk management by enhancing governance structure, improving risk assessment, optimizing capital assessment and planning and better satisfying regulatory inspection on capital adequacy. In addition, the Bank formulated and improved the rules and measures on stress testing management, initiatively developed and applied credit risk stress testing (phase I) system and became a pioneer of domestic banks to formally apply the credit stress testing system to risk management process.

Credit Risk

Credit Risk Management

The Bank is exposed principally to credit risk. Credit risk is the risk that loss is caused when the borrower or counterparty fails to meet its contractual obligations. The Bank's credit risks mainly originate from loans while treasury operation and off-balance-sheet business may also expose the Bank to credit risk.

The Bank's credit risk management has the following characteristics: (1) standardized credit management processes are followed throughout the bank; (2) the principles and processes of risk management focus on the entire process of credit business, covering customer investigation, credit rating, loan evaluation, loan review and approval, loan payment and post-lending monitoring; (3) special organization is set up to supervise the entire process of credit business; (4) the qualification of the employees who are responsible for credit review and approval is strictly reviewed; and (5) a series of information management systems are designed to monitor the risks on a timely basis. The Bank organizes various training programs for credit personnel at different levels to strengthen the credit risk management of the Bank.

In 2009, the Bank fully launched the creation of a centralized and unified credit risk management system at the Group level that covered all areas of business, standardized the classification standards for credit risk exposure of bank accounts and their identification management, drove the implementation of Basel II in credit risk management, proactively optimized the working rules on credit risk reporting, and clearly defined the basic framework of consolidated credit risk management at the Group level. The Bank established the credit risk management system for institutional customers, developed the general rules and regulations on credit risk management of domestic institutional customers and strengthened the construction of domestic and overseas information communication channels to form a credit policy framework covering major overseas institutions.

Actively responding to the changes in macro economic and financial situations, the Bank promptly adjusted and improved credit policies, promoted credit policy development and credit product innovation, enhanced industry risk management and credit restructuring, and optimized regional credit management. The Bank also introduced a more stringent credit operating procedures, enhanced credit rating and pre-lending investigation, strengthened post-lending management, continuously deepened the monitoring and analysis of credit risks, intensified the withdrawal of loans with potential risks and properly collected and disposed of NPLs, thus strengthening credit risk management in every aspect.

◆ *Credit Risk Management of Corporate Loans*

- The Bank continued to advance the development of credit system and reinforced the foundation of credit management. Loan security management requirements were further refined to optimize the loan security system. The corporate customer credit management manual was updated to bring standardized credit operations. The standards for corporate credit asset quality classification were refined, and functions of the 12-tier classification system were optimized and upgraded. Functions of the asset management system were continuously enhanced, the credit rating processes in relation to corporate customers were integrated, and promoted process automation of all credit business process. The Bank reinforced credit business authorization management of domestic and overseas institutions, established the credit risk reporting system of overseas institutions, and intensified centralized operation and management of large-sum syndicated loans of overseas institutions.
- The Bank improved industrial credit policies and enhanced industrial risk management. The entry thresholds for some industries were adjusted in line with national macro-controls and industrial policies, industrial classification management and industrial limit management were strengthened to further expand the coverage of industrial policies. The Bank continued to further promote the development of the "Green Credit" policy, adjusted the environmental risk classification standards for corporate customers, formulated the "Green Credit" project loan classification standards, and actively supported the growth of credit business in areas such as new energy, energy conservation and environmental protection and integrated use of resources. Risk prevention was strengthened, risk reminders were issued on a timely basis, and credit and loans granted to high energy-consuming, highly polluting and over-capacity industries were strictly controlled.
- The Bank enhanced risk management in relation to urban infrastructure construction activities. Credit policies were adjusted to heighten the entry thresholds and to strengthen limit management. The Bank strictly implemented the approved regions list-based management, and focused credit resources on regions with strong financial positions and good credit standings, together with references to their debt service ability.
- The Bank strengthened risk management of the real estate industry. Market surveys and business analysis were carried out and the credit policy for the real estate industry was improved to actively respond to changes in the real estate market. The Bank moderately raised the entry thresholds with respect to loans and introduced industrial limit management. The real estate customer list-based management was maintained and the loan orientation was optimized. Closed management of property loans was strengthened to recover loans strictly in proportion to property sales. The Bank implemented a strict monitoring and regular reporting system for property development loans, strengthened risk analysis of key customers to further enhance risk monitoring.
- The Bank strengthened risk management in relation to trade finance. Trade finance policies were reviewed and improved, trade finance business management was standardized, and risk management requirements on trade finance were clarified. Post-lending management manuals for trade finance were formulated to clarify priorities and specific requirements on post-lending management. Analysis and risk monitoring of the trade finance business were strengthened, and the trade finance management level was further improved.
- The Bank enhanced risk management of SME loans and improved the SME credit policy and management mechanism. In-depth studies were conducted on the impact of macroeconomic environment on SME operation and development and SME-specific credit management approach was actively explored. The customer structure of SME loans was further adjusted, with risk prevention and control tightened. The Bank earnestly implemented SME loan flow management, enhanced collection and disposal of SME NPLs, and maintained healthy development of SME credit business through continuous and optimal restructuring.

◆ *Credit Risk Management of Personal Loans*

- The Bank strengthened risk management of personal loans. Differentiated credit policies were formulated and applied to reflect different risk management levels of branches on personal loans, different regional market conditions and different customer groups, so as to drive tiered development of the personal credit business progressively. Loan classification management was enhanced to adopt differentiated post-lending administrative measures for loans with different risk factors and profiles, thereby effectively controlling credit risk.
- The Bank actively adjusted the structure of personal loan products, tightened risk management of personal housing loans, actively scrutinized the trend of regional housing prices, and closely monitored the quality of personal loans in first-tier cities. The mortgage registration process was improved and strictly followed.
- The Bank launched the pilot application of the retail IRB credit scoring system to gradually introduce customer scoring, application scoring, behavior scoring and collection scoring to personal credit business processes including investigation, review, approval and management, in order to improve credit risk identification, prevention and control.
- The Bank continued to improve the level of IT-based personal credit management, further optimized functions of the asset management system, moved forward the supervisory functions for its personal credit operations in the process, and intensified efforts to monitor and control fraudulent loans.

◆ *Credit Risk Management of Credit Card Business*

The Bank continued to strengthen quality management and risk control of credit card overdrafts. In-depth studies on risk management of credit card business were conducted, business and process management rules were developed and improved, the credit approval strategy was optimized, and proactive lending to and dynamic management of customers were achieved. The credit card overdraft monitoring indicator system was adjusted, the application of rating models expedited, thereby increasing the technical capability of risk management of credit card business. Collaborative debt collection was standardized, channels for collection and conversion were broadened, collection process was optimized, and operating efficiency was continuously improved. The real-time credit card monitoring system was optimized to increase the risk control capability.

◆ *Credit Risk Management of Treasury Operations*

The Bank's treasury business is exposed to credit risk mainly as a result of bonds investment and trading and inter-bank placement. Except for sovereign debts, central bank notes and other government debts, the bonds purchased from any entity by the Bank were capped at the approved credit limit in relation to such entity; except for the central bank and inter-bank lending was capped at the Bank's approved credit limit for the particular lending counterparty. The RMB debt securities investment portfolio mainly included bonds issued by Chinese government and other domestic issuers. The foreign currency debt securities investment portfolio mainly included investment-level bonds.

Credit risk management measures adopted by the Bank in relation to treasury operations mainly comprised defining customers' entrance criteria, controlling credit limit, controlling investment limit (scale), controlling margin proportion, rating management and controlling authorization limit for single transactions. In 2009, the Bank proactively optimized the foreign currency debt securities investment portfolio in alignment with the trend of global financial markets, reduced the investment in foreign currency assets with high risks, increased investment in government debts, and effectively mitigated the credit risk of the foreign currency debt securities investment portfolio.

◆ *Credit Asset Classification Management*

According to the regulatory requirement on loan risk classification, the Bank implemented five-tier classification management in relation to loan quality and classified loans into five categories: pass, special mention, substandard, doubtful and loss, based on the possibility of collecting the principal and interest of loans. In order to implement refined management of credit asset quality and improve risk management, the Bank implemented the twelve-tier internal classification system for corporate loans. In 2009, the Bank revised the standards and management measures for 12-tier classification of corporate credit assets, made full use of IRB-related results and process parameters, enhanced the distinctness of each class in the classification standards and tightened logic constraint control of classification standards. The Bank applied five-tier classification management to personal credit assets and determined loan classes based on the lender's default months, anticipated loss rate, credit rating, collaterals and other quantitative and qualitative factors.

The Bank continued to strengthen collection and disposal of NPLs in 2009. Administrative measures for corporate NPLs, bad debt write-off and suspended assets were revised and optimized to improve disposal of NPLs. Refined management of NPLs and suspended assets were enhanced. A combination of cash recovery, bad debt write-off, repossession of assets and renegotiation was used to reduce disposal cost and increase recovery rate. Communication and cooperation with external institutions were strengthened to continuously broaden the channels and increase the efficiency of disposal.

Credit Risk Analysis

DETAILS OF THE BANK'S MAXIMUM EXPOSURE TO CREDIT RISK WITHOUT TAKING ACCOUNT OF ANY COLLATERAL AND OTHER CREDIT ENHANCEMENTS

In RMB millions

Item	At 31 December 2009	At 31 December 2008
Balances with central banks	1,654,206	1,652,999
Due from banks and other financial institutions	235,301	168,363
Financial assets held for trading	18,847	32,163
Financial assets designated at fair value through profit or loss	1,171	1,459
Derivative financial assets	5,758	15,721
Reverse repurchase agreements	408,826	163,493
Loans and advances to customers	5,583,174	4,436,011
Financial investments		
— Receivables	1,132,379	1,162,769
— Held-to-maturity investments	1,496,738	1,314,320
— Available-for-sale financial assets	945,425	528,829
Others	73,932	70,780
Sub-total	**11,555,757**	**9,546,907**
Credit commitments	**1,239,687**	**936,473**
Maximum credit risk exposure	**12,795,444**	**10,483,380**

DISTRIBUTION OF LOANS BY FIVE-TIER CLASSIFICATION

In RMB millions, except for percentages

Item	At 31 December 2009 Amount	Percentage (%)	At 31 December 2008 Amount	Percentage (%)
Pass	5,411,226	94.46	4,229,609	92.51
Special Mention	228,933	4.00	237,903	5.20
Non-performing Loans	88,467	1.54	104,482	2.29
Substandard	31,842	0.55	37,694	0.83
Doubtful	43,413	0.76	55,641	1.22
Loss	13,212	0.23	11,147	0.24
Total	**5,728,626**	**100.00**	**4,571,994**	**100.00**

Loan quality continued to improve. At the end of 2009, according to the five-tier classification, pass loans amounted to RMB5,411,226 million, representing an increase of RMB1,181,617 million over the end of the previous year and accounting for 94.46% of total loans, up 1.95 percentage points; special mention loans stood at RMB228,933 million, representing a decrease of RMB8,970 million and accounting for 4.00% of total loans, down 1.20 percentage points; outstanding NPLs amounted to RMB88,467 million, down RMB16,015 million, and NPL ratio was 1.54%, down 0.75 percentage points, continuing on the downtrend in both NPL balance and NPL ratio. The results was contributed from the Bank's combined efforts on cash recovery, bad-debt write-off, repossession of assets and renegotiation, further enhanced collection and disposal of NPLs and strengthened monitoring of and the withdrawal of loans with potential risks.

DISTRIBUTION OF LOANS AND NPLS BY BUSINESS LINE

In RMB millions, except for percentages

Item	At 31 December 2009 Loan	Percentage (%)	NPL	NPL ratio (%)	At 31 December 2008 Loan	Percentage (%)	NPL	NPL ratio (%)
Corporate loans	3,957,786	69.1	76,792	1.94	3,232,102	70.7	93,747	2.90
Discounted bills	329,792	5.7	—	—	326,315	7.1	—	—
Personal Loans	1,206,850	21.1	10,029	0.83	829,342	18.2	9,593	1.16
Overseas and others	234,198	4.1	1,646	0.70	184,235	4.0	1,142	0.62
Total	**5,728,626**	**100.0**	**88,467**	**1.54**	**4,571,994**	**100.0**	**104,482**	**2.29**

The balance of non-performing corporate loans stood at RMB76,792 million, down RMB16,955 million over the end of the previous year, and NPL ratio was 1.94%, down 0.96 percentage point. The balance of non-performing personal loans stood at RMB10,029 million, up RMB436 million, and NPL ratio was 0.83%, down 0.33 percentage point. The quality of personal loans maintained at a relatively favorable level.

DISTRIBUTION OF LOANS AND NPLS BY GEOGRAPHIC AREA

In RMB millions, except for percentages

	At 31 December 2009				At 31 December 2008			
Item	Loan	Percentage (%)	NPL	NPL ratio (%)	Loan	Percentage (%)	NPL	NPL ratio (%)
Head Office	104,203	1.8	678	0.65	124,156	2.7	662	0.53
Yangtze River Delta	1,388,853	24.2	13,734	0.99	1,137,693	24.9	15,019	1.32
Pearl River Delta	844,690	14.8	9,976	1.18	667,171	14.6	14,025	2.10
Bohai Rim	1,076,820	18.8	16,848	1.56	838,494	18.3	18,777	2.24
Central China	777,925	13.6	15,482	1.99	606,368	13.3	15,887	2.62
Western China	952,011	16.6	18,557	1.95	732,625	16.0	23,902	3.26
Northeastern China	349,926	6.1	11,546	3.30	281,252	6.2	15,068	5.36
Overseas and others	234,198	4.1	1,646	0.70	184,235	4.0	1,142	0.62
Total	**5,728,626**	**100.0**	**88,467**	**1.54**	**4,571,994**	**100.0**	**104,482**	**2.29**

The Bank continuously optimized the geographic credit mix and promoted a balanced allocation of credit resources for different geographic areas. The Bank continued to support the growth of the credit business in Yangtze River Delta, Pearl River Delta and Bohai Rim, where new loans amounted to RMB667,005 million, accounting for 57.7% of total new loans. The Bank also actively supported regional development of Western China, Central China and Northeastern China. The Bank moderately allocated more credit resources to the three regions and provided financing support for the rebuilding of the earthquake-hit areas. New loans granted in these three regions amounted to RMB459,617 million, up 28.4%, representing a growth rate that is 3.1 percentage points higher than the overall average growth of the Bank. Decline in both NPLs and NPL ratio was seen in all the aforementioned regions. Overseas and other loans increased by RMB49,963 million, up 27.1%, mainly attributable to internationalized and integrated operation that propelled considerable growth in credit scale.

DISTRIBUTION OF CORPORATE LOANS AND NON-PERFORMING CORPORATE LOANS BY INDUSTRY

In RMB millions, except for percentages

	At 31 December 2009				At 31 December 2008			
Item	Loan	Percentage (%)	NPL	NPL ratio (%)	Loan	Percentage (%)	NPL	NPL ratio (%)
Transportation, storage and postal services	800,244	20.2	11,178	1.40	690,809	21.4	9,480	1.37
Manufacturing	793,233	20.0	34,571	4.36	758,764	23.5	44,974	5.93
Chemicals	133,243	3.4	6,132	4.60	124,981	3.9	8,126	6.50
Machinery	106,198	2.7	4,680	4.41	102,747	3.2	6,285	6.12
Metal processing	95,682	2.4	1,887	1.97	79,876	2.5	2,720	3.41
Textiles and apparels	84,590	2.1	5,794	6.85	78,072	2.4	7,343	9.41
Iron and steel	83,816	2.1	489	0.58	87,686	2.7	975	1.11
Transportation equipment	44,522	1.1	994	2.23	46,888	1.4	1,301	2.77
Telecommunications equipment, computer and other electronic equipment	41,067	1.0	2,716	6.61	40,831	1.3	3,201	7.84
Petroleum processing, coking and nuclear fuel	38,226	1.0	346	0.91	41,709	1.3	721	1.73
Non-metallic mineral	35,471	0.9	2,943	8.30	33,591	1.0	3,497	10.41
Others	130,418	3.3	8,590	6.59	122,383	3.8	10,805	8.83
Production and supply of electricity, gas and water	531,562	13.4	6,541	1.23	501,411	15.5	7,672	1.53
Water, environment and public utility management	510,721	12.9	333	0.07	275,469	8.5	1,781	0.65
Real estate	421,804	10.7	6,348	1.50	343,895	10.6	7,600	2.21
Leasing and commercial services	290,410	7.3	1,316	0.45	188,120	5.8	1,887	1.00
Wholesale, retail and lodging	261,261	6.6	12,135	4.64	188,831	5.8	13,720	7.27
Mining	105,575	2.7	357	0.34	85,054	2.6	461	0.54
Science, education, culture and sanitation	66,809	1.7	1,132	1.69	70,148	2.2	1,963	2.80
Construction	62,403	1.6	1,330	2.13	61,006	1.9	1,574	2.58
Others	113,764	2.9	1,551	1.36	68,595	2.2	2,635	3.84
Total	**3,957,786**	**100.0**	**76,792**	**1.94**	**3,232,102**	**100.0**	**93,747**	**2.90**

In 2009, the Bank granted relatively more loans to water, environment and public utility management, transportation, storage and postal services as well as leasing and commercial services. Total new loans to these industries accounted for 61.6% of new corporate loans. Specifically, loans to the water, environment and public utility management industry increased by RMB235,252 million or 85.4%, mainly due to increased lending to urban infrastructure projects that were in conformity with the national policy; loans to transportation, storage and postal services increased by RMB109,435 million or 15.8%, principally due to increased lending to the highway sector in conformity with the Bank's credit policy; loans to leasing and commercial services increased by RMB102,290 million or 54.4%, mainly attributable to expanded lending to investment and asset management.

A relatively larger decline in NPLs occurred in manufacturing; wholesale, retail and lodging; water, environment and public utility management; real estate; and production and supply of electricity, gas and water industries. The balance of NPLs in transportation, storage and postal services industry increased by RMB1,698 million, mainly due to bad debts of several enterprises.

CHANGES IN ALLOWANCE FOR IMPAIRMENT LOSS ON LOANS

In RMB millions

	Individually assessed	Collectively assessed	Total
At the beginning of the year	**54,059**	**81,924**	**135,983**
Charge for the year	3,179	18,503	21,682
Including: Impairment allowances charged	20,056	61,557	81,613
Impairment allowances transferred	242	(242)	–
Reversal of impairment allowances	(17,119)	(42,812)	(59,931)
Accreted interest on impaired loans	(1,021)	–	(1,021)
Write-offs	(11,259)	(607)	(11,866)
Recoveries of loans and advances previously written off	774	142	916
Transfer out[1]	(232)	(10)	(242)
At the end of the year	**45,500**	**99,952**	**145,452**

Note: (1) Transfer out mainly represents impairment losses of loans transferred into repossessed assets.

At the end of 2009, the allowance for impairment losses on loans stood at RMB145,452 million, up RMB9,469 million over the end of the previous year. Provision coverage was 164.41%, up 34.26 percentage points and the risk tolerance was further strengthened; allowance to total loans ratio was 2.54%.

DISTRIBUTION OF LOANS BY COLLATERAL

In RMB millions, except for percentages

	At 31 December 2009		At 31 December 2008	
Item	Amount	Percentage (%)	Amount	Percentage (%)
Loans secured by mortgages	2,191,909	38.3	1,688,435	36.9
Including: Personal housing loans[1]	874,244	15.3	597,374	13.1
Pledged loans	786,739	13.7	676,129	14.8
Including: Discounted bills[1]	329,792	5.8	326,315	7.1
Guaranteed loans	933,853	16.3	866,129	18.9
Unsecured loans	1,816,125	31.7	1,341,301	29.4
Total	**5,728,626**	**100.0**	**4,571,994**	**100.0**

Note: (1) Data of domestic branches.

Loans secured by mortgages stood at RMB2,191,909 million, representing an increase of RMB503,474 million or 29.8% over the end of the previous year. Unsecured loans amounted to RMB1,816,125 million, representing an increase of RMB474,824 million or 35.4%, with its percentage of total loans up 2.3 percentage points, indicating that the Bank granted more loans to high-quality customers and projects.

OVERDUE LOANS

In RMB millions, except for percentages

	At 31 December 2009		At 31 December 2008	
Overdue periods	Amount	% of total	Amount	% of total
3 to 6 months	4,175	0.1	9,231	0.2
6 to 12 months	11,090	0.2	8,487	0.2
Over 12 months	61,823	1.1	70,162	1.5
Total	**77,088**	**1.4**	**87,880**	**1.9**

Note: Loans and advances to customers are deemed overdue when either the principal or interest is overdue. For loans and advances to customers repayable by instalment, the full amount of loans will be deemed overdue if any of the instalments is overdue.

RENEGOTIATED LOANS

Renegotiated loans and advances amounted to RMB15,611 million, representing a decrease of RMB9,635 million or 38.2% as compared to the end of the previous year. Renegotiated loans and advances overdue for over three months amounted to RMB11,106 million, down RMB7,878 million.

BORROWER CONCENTRATION

The total amount of loans granted by the Bank to the single largest customer and the top ten single customers accounted for 2.8% and 20.9% of the Bank's net capital, respectively, both in compliance with the regulatory requirements. The total amount of loans granted to the top ten single customers was RMB152,969 million, accounting for 2.7% of the total loans. The table below shows the details of the top ten single borrowers of the Bank as at the end of 2009.

In RMB millions, except for percentages

Borrower	Industry	Amount	% of total
Borrower A	Transportation, storage and postal services	20,823	0.4
Borrower B	Transportation, storage and postal services	19,243	0.3
Borrower C	Production and supply of electricity, gas and water	18,233	0.3
Borrower D	Transportation, storage and postal services	16,194	0.3
Borrower E	Transportation, storage and postal services	14,600	0.3
Borrower F	Transportation, storage and postal services	14,592	0.3
Borrower G	Information transmission, computer service and software	13,135	0.2
Borrower H	Mining	13,000	0.2
Borrower I	Water, environment and public utility management	12,522	0.2
Borrower J	Transportation, storage and postal services	10,627	0.2
Total		**152,969**	**2.7**

Market Risk

Market risk is the risk of loss, in respect of the bank's on and off-balance sheet activities, arising from adverse movements in market rates (including interest rates, exchange rates, stock price and commodity prices). The Bank is primarily exposed to interest rate risk and exchange rate risk (including gold), which refer to the risks brought about by the adverse changes in interest rate and exchange rate respectively.

The Bank's market risk management is the process of identifying, measuring, monitoring, controlling and reporting market risk for the purposes of setting up and enhancing the market risk management system, specifying responsibilities and process, determining and standardizing the measurement approaches, limit management indicators and market risk reports, controlling and mitigating market risk and improving the level of market risk management. The objective of market risk management is to control market risk exposures within a tolerable level and maximize risk-adjusted return according to the Bank's risk preference.

In 2009, the Bank continued to strengthen the establishment of fundamentals of market risk management, including its framework, policy, mechanism, process, reporting and IT system, and further improved the overall market risk management. The Bank established the middle-office market risk management and product control team that is independent from the front office, further improved the market risk management process, and specified the duties and functions. The Bank further enhanced policies and procedures on market risk measurement, risk reporting, limit management, interest rate risk management and exchange rate risk management. The Bank also strengthened market risk consolidated management to enhance the level of market risk management and control at Group level, and launched the market risk management and IT system development project, continuously pressing ahead with the building of self-developed IT system for market risk management.

Banking Book and Trading Book

In order to take more effective market risk management measures and accurately measure regulatory capital requirements arising from market risk exposures, the Bank categorized all on- and off- balance sheet assets and liabilities into trading book and banking book according to the nature and characteristics of these accounts. The trading book includes tradable financial instruments and commodity positions held by the Bank for the purposes of trading or hedging the risks of other items in the trading book, whereas all other positions are included in the banking book.

Market Risk Management of the Banking Book

- *Interest Rate Risk Management*

Interest rate risk is the risk of loss arising from adverse movements of interest rate, in respect of the Bank's on- and off- balance sheet activities. The Bank is exposed to interest rate risks mainly including re-pricing risk, yield curve risk, benchmark rate risk and option risk, of which, re-pricing risk caused by mismatches of the re-pricing dates of interest-sensitive assets and liabilities is the Bank's primary interest risk.

The Bank's interest rate risk management is aimed at maximizing the net interest income within the tolerable level of interest rate risk according to its risk management and risk preference. The general strategy of interest rate risk management is principally reflected by polices, rules and processes for the identification, measurement, monitoring and reporting of interest rate risk and limit management, such as establishing the interest rate risk management system, assessing the interest rate risk position and effects of interest rate movements, and employing effective measures to mitigate and control risk based on the actual level of interest rate risk.

In 2009, the Bank continued to strengthen and enhance the rules and development of interest rate risk management system on its banking book. With a focus on the transformation of the Bank's business development strategies, the Bank further strengthened risk control, and established the banking book interest rate risk limit management system, under which, limit indicators were monitored and analyzed on a quarterly basis and the measurement results included in the interest rate risk report were submitted to the Management and the Market Risk Management Committee for review. The Bank also developed the interest rate management system (phase II) to further improve the measurement of interest rate risk.

- *Exchange Rate Risk Management*

Exchange rate risk is the risk of adverse movements of exchange rate resulting in losses from the foreign currency exposure arising from the currency structures mismatch between foreign currency assets and liabilities.

The Bank's objective of exchange rate risk management is to control the impact of exchange rate fluctuations on the Bank's financial position and shareholders' equity to a tolerable extent. The Bank mitigates such risk principally by limit management and hedge of risks. The Bank carries out sensitivity analysis and stress testing of exchange rate risk on a quarterly basis, and submits exchange rate risk reports to the Management and the Market Risk Management Committee.

Market Risk Management of the Trading Book

In 2009, the Bank further enhanced market risk management of the trading book, and made new progress in market risk measurement and monitoring as well as the development of the IT system. The Bank rationalized and upgraded trading book related management systems by improving risk management functions such as risk measurement, market value appraisal and statistical analysis; measured and analyzed the products on the trading book using Value at Risk (VaR), sensitivity analysis, exposure analysis and other approaches; and gradually carried out stress testing. The Bank also further enhanced market risk limit management system, and used exposure limit, stop-loss limit and sensitivity limit for bank-wide management and control of market risks. Besides, the Bank further strengthened model validation by advancing the development of the validation project, and facilitated overseas subsidiaries to make researches on VaR measurement approaches and to establish relevant systems.

Since the second quarter of 2008, the Bank has applied the Historical Simulation Method (adopting a confidence interval of 99%, holding period of one day and historical data of 250 days) to measure VaR of the Head Office's trading book (including bonds denominated in domestic and foreign currencies, RMB exchange settlement and foreign exchange transactions).

VALUE AT RISK (VaR) OF THE TRADING BOOK

In RMB millions

	From January to December 2009				From April to December 2008			
Item	Period End	Average	Maximum	Minimum	Period End	Average	Maximum	Minimum
Interest rate risk	30	58	141	23	86	58	102	30
Foreign exchange rate risk	58	60	175	17	76	43	83	15
Total portfolio VaR	**60**	**87**	**212**	**31**	**111**	**75**	**123**	**41**

Note: Please refer to "Note 49.(c)(i) to the Financial Statements: VaR".

Market Risk Analysis

◆ *Interest Rate Risk Analysis*

In 2009, the Bank closely monitored changes in monetary policy and domestic and international financial market, actively adopted effective measures, and timely studied and analyzed the interest rate trend. The Bank also strengthened interest rate pricing management and adjusted the interest rate management strategy at proper time, striving to enhance interest rate risk measurement and management, to improve asset and liability structure, to maintain stable development of deposits and loans and to facilitate the achievement of strategic objective.

The Bank's interest rate risk analysis involves assessing the interest rate re-pricing gap between the assets and liabilities that are sensitive to changes in interest rates and sensitivity analysis on potential exposure as a result of changes in interest rates. At the end of 2009, the cumulative interest rate sensitivity negative exposure within one year amounted to RMB97,322 million, representing a significant decrease of RMB1,004,412 million or 91.2% from the end of 2008; the interest rate sensitivity positive exposure within one to five years shrank remarkably, as a result of the maturity of some of the receivables held by the Bank in 2010; and the interest rate sensitivity positive exposure for over five years increased as a result of the increase in medium- and long-term loans and investments. The structure of the Bank's interest rate risk exposure according to the contractual re-pricing date or maturity date (whichever is earlier) is shown in the following table:

INTEREST RATE RISK EXPOSURE

In RMB millions

	Less than 3 months	3 months to 1 year	1 to 5 years	Over 5 years
31 December 2009	(3,396,134)	3,298,812	209,625	514,569
31 December 2008	(2,378,991)	1,277,257	1,294,212	397,746

Note: Please refer to "Note 49.(c)(iii) to the Financial Statements: Interest rate risk".

The following table illustrates the interest rate sensitivity analysis of the Bank on the assumption that the overall interest rate in the market moves in parallel and the Management will not consider taking any risk management actions to mitigate interest rate risk:

INTEREST RATE SENSITIVITY ANALYSIS

In RMB millions

	At 31 December 2009		At 31 December 2008	
Changes of interest rate in basis points	Changes in net interest income	Changes in equity	Changes in net interest income	Changes in equity
Increase by 100 basis points	(17,273)	(16,505)	(16,116)	(9,143)
Decrease by 100 basis points	17,273	17,385	16,116	9,536

Note: Please refer to "Note 49.(c)(iii) to the Financial Statements: Interest rate risk".

◆ *Exchange Rate Risk Analysis*

In 2009, the exchange rate of Renminbi against US dollar maintained stable, and Renminbi appreciated by 0.09% during the year; but the exchange rates of Renminbi against Euro and Japanese Yen fluctuated sharply. In response to changes in external environment, the Bank actively took price leveraging and other combined measures to adjust and optimize the aggregate balance and composition of foreign exchange assets and liabilities, and maintained a stable foreign exchange exposure.

FOREIGN EXCHANGE EXPOSURE

In RMB (USD) millions

	At 31 December 2009		At 31 December 2008	
Item	RMB	USD equivalent	RMB	USD equivalent
Exposure of on-balance sheet foreign exchange items, net	214,195	31,369	208,183	30,460
Exposure of off-balance sheet foreign exchange items, net	(163,399)	(23,930)	(153,796)	(22,503)
Total foreign exchange exposure, net	**50,796**	**7,439**	**54,387**	**7,957**

Please refer to "Note 49.(c)(ii) to the Financial Statements: Currency risk" for the exchange rate sensitivity analysis.

Liquidity Risk

Liquidity risk is the risk that the Bank, despite its solvency, will be unable to raise funds timely or at a reasonable cost to fund the asset growth or to settle liabilities as they fall due. Liquidity risk includes financing liquidity risk and market liquidity risk. Financing liquidity risk refers to the risk that the Bank fails to satisfy the funding needs in a timely and effective manner without affecting daily operation or financial position of the Bank, while market liquidity risk refers to the risk that the Bank is unable to raise funds through the disposal of assets at a reasonable market price as a result of market illiquidity or market volatility.

The liquidity risk for the Bank may arise from the following events or factors: withdrawal of customers' deposits, drawing of loans by customers, overdue payment of debtors, mismatch of asset and liability, difficulties in realization of assets, operating losses, derivatives trading risk and risk associated with its affiliates.

Liquidity Risk Management

The objective of liquidity risk management of the Bank is to meet the liquidity needs of asset, liability and off-balance sheet activities and meet its payment obligation to external parties on a timely basis and to effectively balance fund efficiency and security on the condition of ensuring normal operation and stress status of the Bank and through the development of a scientific and comprehensive liquidity risk management mechanism and the implementation of effective identification, measurement, monitoring and reporting measures on liquidity risk, and on this basis, to strengthen liquidity risk management and monitoring of affiliates and to mitigate the overall liquidity risk of the Group.

The Bank has been continuously improving the liquidity risk management framework, clarified specific regulations concerning the management of fund transfers between the Bank and controlled and equity-invested financial institutions, and established a firewall mechanism for internal fund transfers of the Group. The Bank strengthened the management of the estimate and pre-warning mechanism in relation to large fund flows and enhanced daily liquidity risk management. In accordance with regulatory requirements, the Bank improved the liquidity risk stress testing approach, and intensified monitoring and analysis of cash flows, enhancing liquidity risk management.

Liquidity Risk Analysis

In 2009, PBOC continued to implement moderately loose monetary policy, and RMB liquidity of the Bank was generally sufficient. While ensuring the liquidity, the Bank intensified financing efforts, adjusted internal and external pricing strategies for several times, offered funds through multiple channels, and significantly improved the efficiency of use of fund.

In terms of foreign currencies, the Bank timely adjusted foreign currency liquidity management strategy in response to changes in the market and internal funding positions, reasonably improved asset and liability structure, and properly reduced investment in certain foreign currency denominated bonds. Through scientific estimate of liquidity gap, the Bank effectively balanced foreign currency liquidity and business development, adjusted the internal interest rate of foreign currency and product pricing standard for several times, enhanced product pricing ability, and facilitated coordinated development of deposits and loans.

The Bank assessed liquidity risk through liquidity exposure analysis. At the end of 2009, the changes in liquidity risk exposures were mainly attributable to the increase in the negative liquidity exposure which was overdue or repayable on demand through the Bank's continuous enhancement of the efficiency of the utilization of funds, intensification of its financing efforts and reduction of surplus reserve deposits with central banks, and increase in demand deposits and placements from banks and other financial institutions; the negative liquidity exposure with a remaining maturity of less than one month and within one to three months decreased significantly, which was mainly due to the increase in due from banks and other financial institutions, reverse repurchase agreements and expired loans; the positive liquidity exposure with a remaining maturity of one to five years decreased sharply and the liquidity exposure with a remaining maturity of three months to one year turned to positive as a result of some receivable investments maturing in 2010; the positive liquidity exposure with a remaining maturity of over five years continued to increase, which was driven by significant increase in medium and long-term loans. Analysis of the Bank's liquidity exposure as at the end of 2009 is set out below:

LIQUIDITY EXPOSURE ANALYSIS

In RMB millions

	Overdue/ repayable on demand	Less than 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	Over 5 years	Undated	Total
31 December 2009	(5,844,656)	(64,006)	(66,927)	573,857	1,965,097	2,457,040	1,658,529	678,934
31 December 2008	(4,323,581)	(198,843)	(232,110)	(586,546)	2,679,078	1,757,965	1,510,667	606,630

Note: Please refer to "Note 49.(b) to the Financial Statements: Liquidity risk".

At the end of 2009, indicators reflecting liquidity status of the Bank, such as liquidity ratio and loan-to-deposit ratio, all met regulatory requirements. Please refer to "Financial Highlights — Other Financial Indicators" for details.

Operational Risk

Operational Risk Management

Operational risk is defined as the risk of loss resulting from inadequate or failed internal processes, employees and IT systems or from external events, including legal risk, but excluding strategic and reputational risk. There are seven major types of operational risks faced by the Bank, including internal fraud, external fraud, customers, products and business activities, execution, delivery and process management, employment system and workplace safety, damage to physical assets and IT system events. Among these, the execution, delivery and process management and the customers, products and business activities constitute major sources of operational risk losses of the Bank.

The Bank adopts the mode of "united management and segregation of duties" in operational risk management according to the Guidance to the Operational Risk Management of Commercial Banks issued by CBRC and under the leadership of the Board of Directors and the Senior Management. The Board undertakes the final responsibility for the effectiveness of the operational risk management, and the Senior Management is responsible for implementing the strategy, overall policy and system for operational risk management approved by the Board. The Operational Risk Management Committee under the Senior Management, as the organizer and coordinator of operational risk management of the Bank, is responsible for reviewing significant matters related to operational risk management and working under the Terms of Reference of the Operational Risk Management Committee. The internal control and compliance departments at various levels serve as lead departments and carry out operational risk management in an overall manner. The marketing and product departments, the risk management departments, the comprehensive administration departments and the support departments, based on the work allocation, are responsible for the operational risk management and control in their fields according to general policies and standards of the Bank.

In 2009, the Bank accelerated the optimization of operational risk management system and mechanism, and enhanced the whole-process management of operational risk. The Bank achieved significant results in the operational risk advanced measurement approach (AMA) project, which were reflected by the formulation of the measures for operational risk monitoring management, the measures for operational risk and control self-assessment (RCSA) management and the measures for scenario analysis (SA) management, the revision of the operational risk monitoring indicators, the establishment of a solid foundation for the development of AMA measurement model, and the completion of the AMA system framework. Taking efforts to qualify for use of the Standardised Approach, the Bank worked out the implementation rules for the Standardised Approach of the regulatory capital concerning operational risk, and improved the economic capital measurement standard for the operational risk based on the optimized Standardised Approach. The Bank conducted business operation reform, and separated the agency trading from proprietary trading and the front office from the middle and back offices in treasury operation, and rolled out electronic review and pre-lending approval in the credit business, further optimizing the process control of operational risk. The Bank also continuously expanded the scope of system hard control to reduce the error risk arising from manual operation; and extensively launched various emergency drills, actively advanced the optimization of the application disaster backup system, and reinforced the construction of IT management system to further enhance the security and reliability of the IT system. Besides, the Bank pressed ahead the building of a long-acting mechanism against irregularities and effectively prevented the occurrence of material irregularities.

Anti-money Laundering

In compliance with applicable laws and regulations concerning anti-money laundering, the Bank further optimized the anti-money laundering working mechanism, actively fulfilled various regulatory requirements, fully enhanced the compliance level and performed the obligation of a commercial bank against money laundering.

The Bank has attached great importance to anti-money laundering, and established steering teams for anti-money laundering at the Head Office and the first- and second-tier branches, which are responsible for formulating and organizing the implementation of significant decisions and action plans for anti-money laundering tasks. In 2009, the Bank achieved the following progress in anti-money laundering: (1) strengthened the organizational construction of anti-money laundering by establishing anti-money laundering centers at the first- and second-tier branches to bolster the professional teams; (2) improved the internal anti-money laundering mechanisms by working out the management practices for customer risk classification and the procedural rules with respect to anti-money laundering and embarking on the formulation of three-year plan for anti-money laundering and a number of anti-money laundering management regulations; (3) paid high attention to money laundering risk in key regions, key industries and key areas, strengthened manual identification and reporting of key suspicious transactions, analyzed the latest characteristics of money laundering on a regular basis and prompted the affiliated institutions of the money laundering risk; (4) attached importance to anti-money laundering supervision and inspection, organized domestic and overseas institutions to conduct anti-money laundering assessment, and implemented a comprehensive rectification of defects in anti-money laundering system; (5) intensified the construction of the anti-money laundering related systems, continuously upgraded the function of anti-money laundering monitoring system, steadily advanced customer data maintenance, and smoothly launched the anti-money laundering customer classification system, the personal customer data acquisition and entry project and relevant systems; (6) carried out anti-money laundering trainings and publicity activities at various levels, and actively built a long-acting mechanism for organizing anti-money laundering training and publicity programs; and (7) strengthened the exchange and cooperation with external parties in anti-money laundering. The institutions at all levels have played an active role in identifying and reporting money laundering clues and combating criminal activities of money laundering. During the reporting period, no domestic or overseas institutions or any employees were found to be or were suspected of being involved in money laundering or the financing of terrorism.

Reputational Risk

Reputational risk is the risk of negative assessment or comments on a commercial bank from stakeholders as a result of its operation, management and other behaviors or external events. Reputational risk may arise in any part of the Bank's operation and management, and usually co-exists and co-relates with credit risk, market risk, operational risk and liquidity risk.

Reputational risk management of the Bank refers to the process and method which provide the basis for ensuring the achievement of the overall objective of reputational risk management, including the establishment and improvement of the reputational risk management system based on the reputational risk management objectives and plan, daily reputational risk management and properly handling of reputational events. The Bank adheres to the prevention-oriented principle and pays attention to accurately identifying and assessing existing and potential reputational risk factors, with a view to controlling and mitigating reputational risk based on its source and minimizing the possibility of occurrence of and influence from reputational events.

As the highest decision-making body of the Bank's reputational risk management, the Board of Directors is responsible for formulating strategies and policies concerning reputational risk management that are in line with the strategic objective of the Bank. The Senior Management is responsible for implementing such strategies and policies established by the Board of Directors and leading reputational risk management of the Bank.

In 2009, the Bank established the reputational risk management mechanism covering news dissemination, public opinion and response, social responsibility, complaint handling and other areas. The Bank kept increasing news dissemination efforts within the framework of applicable laws and regulations, and continuously communicated valuable information and the Bank's values and beliefs to the public via media, which properly supported the maintenance and enhancement of the reputation and image of the Bank. At the same time, the overall reputational risk of the Bank was maintained at a controllable level through daily reputational risk management and proper handling of reputational events.

CAPITAL MANAGEMENT

The Bank implements a comprehensive capital management system, including measurement, planning, allocation, monitoring, evaluation, operation and other management activities involving capital, and takes capital as an instrument for capital adequacy ratio management, economic capital management, book capital management, and aggregate capital and structure management. The objective of capital management is to improve the efficiency of capital utilization, restrict the expansion of risks and maximize the capital return for shareholders on a stable and sustainable basis whilst maintaining capital sufficiency.

In order to achieve the objectives above, the Bank carries out the following strategies for capital management: (1) establishing a reasonable capital adequacy objective to restrict the expansion of risk assets under the condition that the capital adequacy ratio meets the regulatory requirements; (2) taking into consideration of risks, income, scale and growth with economic capital as the theme, optimizing resource allocation to meet shareholders' requirements of investment return and capital coverage for risks; and (3) making reasonable use of various capital instruments, optimizing the aggregate amount and structure of capital, and reducing financing costs.

Allocation and Management of Economic Capital

The Bank has used economic capital management instruments since 2005. Economic capital management includes three major procedures: measurement, allocation and evaluation. Economic capital indicators include Economic Capital (EC), Risk-Adjusted Return on Capital (RAROC) and Economic Value-added (EVA). The application areas include credit resource allocation, business plan, expenditure allocation, performance assessment, limit management and product pricing, etc.

In 2009, the Bank formulated the economic capital management plan, and implemented the economic capital allocation system to achieve rational allocation and dynamic adjustment of capital in various risk areas, regions and products, to restrict the expansion of risk assets and to optimize allocation of various resources. The Bank further enhanced the economic capital management system, improved operational risk economic capital measurement standards, and upgraded the economic capital management information system to enhance bank-wide capital management and to further advance and deepen economic capital application.

Capital Adequacy Ratio

The Bank calculates capital adequacy ratio and core capital adequacy ratio in accordance with the "Regulations Governing Capital Adequacy of Commercial Banks" and related regulations promulgated by CBRC, and formulated the three-year capital plan which set out the objective of capital adequacy ratio management based on the development strategy and risk preference of the Bank.

As at the end of 2009, the Bank's capital adequacy ratio and core capital adequacy ratio were 12.36% and 9.90%, respectively, both meeting regulatory requirements. The capital adequacy ratio and core capital adequacy ratio decreased by 0.70 and 0.85 percentage points respectively from the end of 2008, mainly because (1) the Bank's businesses grew rapidly, and risk-weighted assets increased accordingly; (2) in accordance with the requirements set out in the "Notice on Improving the Capital Replenishment Mechanism of Commercial Banks" promulgated by CBRC, the Bank deducted all long-term subordinated bonds held in other banks since 1 July 2009 from the supplementary capital.

CAPITAL ADEQUACY RATIO

In RMB millions, except for percentages

Item	At 31 December 2009	At 31 December 2008
Core capital	**622,121**	**543,642**
Share capital	334,019	334,019
Reserves(2)	283,061	205,668
Minority interests	5,041	3,955
Supplementary capital	**172,994**	**121,998**
General provisions for loan impairment	97,994	82,834
Subordinated bonds	75,000	35,000
Other supplementary capital	—	4,164
Total capital base before deductions	**795,115**	**665,640**
Deductions	**63,159**	**45,607**
Unconsolidated equity investments	19,559	19,499
Goodwill	24,621	20,579
Others	18,979	5,529
Net capital base	**731,956**	**620,033**
Net core capital base	**586,431**	**510,549**
Risk weighted assets and market risk capital adjustment	**5,921,330**	**4,748,893**
Core capital adequacy ratio	**9.90%**	**10.75%**
Capital adequacy ratio	**12.36%**	**13.06%**

Notes: (1) Please refer to “Note 49.(d) to the Financial Statements: Capital management”.

(2) Mainly includes the recordable part of capital reserve, surplus reserves, general reserve and the recordable part of retained profits.

Capital Financing Management

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

The Bank replenished supplementary capital through methods including the issue of subordinated bonds, which enables the Bank to maintain a satisfying return for shareholders while raising capital adequacy ratio. The resolution regarding the “Proposed Issue of Subordinated Bonds” was reviewed and approved at the First Extraordinary General Meeting for the Year 2008 held on 27 October 2008, and the Bank was authorized to issue subordinated bonds of no more than RMB100 billion by installments before the end of 2011 for the purpose of replenishing the supplementary capital of the Bank. After obtaining approval from CBRC and PBOC, the Bank successfully issued subordinated bonds of RMB40 billion in national inter-bank bond market on 16 July 2009 to 20 July 2009, further strengthening the capital basis for business development. For details of the issue of subordinated bonds, please refer to the announcements of the Bank published at the designated websites of HKSE and SSE on 22 July 2009 and 23 July 2009, respectively.

SOCIAL RESPONSIBILITIES

During the reporting period, the Bank was widely recognized by society in terms of its good social responsibility performance, and won more than ten prestigious awards, such as the "People's Award for Social Responsibility", "Best CSR Award", "Best Corporate Citizen in China", "Corporate Social Responsibility Ranking in China: Outstanding Enterprise Award", "Most Harmoniously Competitive Listed Company in China" and "China Green Benchmark Company".

Economic Performance

During the reporting period, the Bank overcame the impact of the global financial crisis and the volatility in the domestic economy and maintained healthy and steady development, achieved good operating results and fully demonstrated its role as a leading bank in supporting the comprehensive, healthy and sustainable economic development. The Bank strengthened the linkage and alignment of its credit policy with the national policy of expanding domestic demand and the industrial policies, advanced economic restructuring through the optimization of the credit structure and seized the effective joint for the synergic interaction of economy and finance to improve the quality of credit in support of economic development. In combination with the national strategic plan on regional development and relevant policies, the Bank actively supported the development of western China, the rise of central China and the rejuvenation of the northeastern old industrial bases by providing comprehensive financial services for a balanced regional development. The Bank adopted multiple channels and modes, including measures such as propelling innovative development of key county sub-branches and establishing village banks, to actively facilitate the development of "agriculture, countryside and farmers". The Bank earnestly advanced the financial services to SMEs by pursuing the operation philosophy of attaching equal importance to development and management, focusing on the support of the development of quality SMEs and optimizing the structure of SME credit assets.

Environmental Performance

The Bank heavily advocated green finance, further improved the long-standing mechanism of green credit policy, clearly defined the overall industrial credit principle of "supporting the good while restricting the bad, encouraging the growth of some sectors while discouraging the expansion of others" within the credit policies, strictly implemented credit review and approval by adopting the environmental protection policy of "vetoing environmentally unqualified projects by a single vote" and promoted the development of low-carbon economy by financial leverage.

The Bank strictly controlled the credit risk of industries with over-capacity or potential over-capacity. For the eight over-capacity industries which was warned by the State for the risk in association with over-capacity, including steel, cement and plate glass, the Bank strictly controlled the overall loan scale and formulated a systematic management system in terms of access of new customers, classification of existing customers and compelled withdrawal of bad-quality customers, etc. At the same time, the Bank continuously strengthened the marketing of green credit projects to actively support renewable energies including hydro power, solar energy and biomass energy as well as key fields including intelligent grid, new-energy automobile and automobile-used new fuels with respect to their credit needs, and fully demonstrated the guiding function of bank credit in supporting development of emerging industries and propelling transformation of the methods of economic growth. At the end of 2009, the loan balance of the Bank granted to key environmental protection projects reached RMB114,929 million, while the loan balance in relation to exploration or application of new energy resources was RMB102,925 million. In addition, the Bank actively supported projects such as key energy conservation projects, clean development mechanism, promotion and application of advanced environmental protection technology and comprehensive utilization of resources.

The Bank actively arranged a variety of promotional and educational activities on energy conservation to enhance awareness of energy conservation and emission reduction of all employees; promoted paperless office works, implemented the "Green Lighting" project, reduced self-operation cost, promoted energy conservation and emission reduction to support and promote ecological environmental protection; continued to optimize the processing of E-banking business to extensively conserve social resources.

Social Performance

The Bank persisted the philosophy of "being rooted in society, contributing to society and serving society", actively participated in public welfare undertakings and was awarded the honorable title of the "60 Models of Care in 60 Years" by China Foundation for Poverty Alleviation.

Substantially supporting post-earthquake reconstruction. For more than a year after the serious earthquake in Wenchuan, the Sichuan Branch of the Bank contributed approximately RMB240 million to rebuild and relocate 59 damaged outlets and further intensified the investment in financial service machines and tools. Therefore, the capacity and level of financial service in the disaster areas have already restored to those before the earthquake, and the demand for financial services in such disaster areas has been guaranteed, which effectively supported the reconstruction and economic development of disaster areas. During the reporting period, additional loans granted by the Sichuan Branch of the Bank amounted to RMB54,381 million, including RMB22,629 million loans were granted for post-earthquake reconstruction.

Making charitable donations. The Bank continued to implement its targeted poverty alleviation efforts in Nanjiang County, Tongjiang County and Wanyuan City in Sichuan Province and constantly explored, innovated and developed a distinctive way for poverty alleviation with the combination of poverty alleviation in project, knowledge, sanitation, science and technology and disaster relief, thus the production and living conditions of the aided people have greatly improved. The Bank made a donation of RMB5 million to Taiwan compatriots who had been stricken by typhoon to help them weather through the hardship and to rebuild their homes. The Bank actively developed the charitable activity of "caring for people's life, providing assistance for Ali" by donating physical examination express vehicles to improve local medical care environment.

Providing aid to cultural, educational and sporting activities. In April 2009, the Bank launched the event of "ICBC Financial Auditorium in Hundred Colleges", through which the Bank popularized modern financial knowledge to university students and provided guidance and assistance with respect to their employment and entrepreneurship. As at the end of 2009, the Bank had visited and held such events in 48 colleges, which attracted more than 13,000 persons to participate on-site and more than 88,000 man times had learnt and joint the event through other methods, such as through the campus network. The Bank continued to support the assessment of and selection for Shanghai Natural Science Peony Awards, focused on the cultivation of young and medium-aged technical talents and promoted the development of science and technology. The Bank promoted the cultural construction of the Chinese banking industry through the bank museum and persisted on the implementation of preferential or free-ticket systems as a return to the society for its care and support of the bank museum. As the exclusive official banking partner of Guangzhou Asian Games in 2010, the Bank provided financial support and services and spread the concept of "Thrilling Games, Harmonious Asia" of Guangzhou Asian Games both domestically and internationally through its extensive business outlets.

Serving the community and volunteer activities. The Bank continuously intensified the provision of financial services to communities and actively conducted many activities including promotion of financial knowledge and training on investment and wealth management, becoming a "bank by your side". The Bank actively promoted the branding and standardization of youth volunteer activities across the Bank and launched a series of youth volunteer activities uniformly named as "Love Action of ICBC Youth". During the reporting period, the Bank conducted 1,842 times of various love actions with employee participation of 57,000 man times and donation amounted to RMB3,824,900.

Caring for the employees. The Bank adhered to the "people-oriented" belief and focused on employees' career development, and strived to ensure that its employees grow at the same time when its business prospers. The Bank strengthened the training of the employees by holding 46,000 training sessions of various levels and types for 2.1 million man times at an average of 8.86 training days per person throughout the year. The Bank highly recognized the protection of employee rights and benefits, paid attention to their health, promptly formulated the measures for the prevention and control of H1N1 and timely arranged for the H1N1 vaccination for all employees. The Bank cared for female employees and retired employees and continued to implement the assistance mechanism for employees in financial difficulties. The Bank also advocated fair employment and focused on employees' diversity.

Focusing on customers and improving service quality. The Bank has always adhered to its service philosophy of "focusing on and creating value for customers", and has made every effort to build a world-class banking service platform. The Bank took the improvement of services as an important channel to promote development, to accelerate scientific and technological innovation, to advance outlet optimization, to enable channel upgrade and service transformation, with emphasis on financial product innovation and customer feedbacks to further enhance service levels for customers. As at the end of 2009, the Bank boasted a total of 2,366 financial products of a wide variety. According to the report on "Competitiveness Evaluation of Chinese Commercial Banks in 2009" published by *The Chinese Banker*, the indicator of "Products and Services" of the Bank raised to the first place in 2009.

Please refer to the "2009 Corporate Social Responsibility Report of Industrial and Commercial Bank of China Limited" for more information on social responsibilities of the Bank.

COOPERATION WITH STRATEGIC INVESTORS

In 2009, the Bank maintained close cooperation with Goldman Sachs, and gained remarkable achievements in areas including risk management, financial market, staff training and social responsibility. In respect of risk management, Goldman Sachs and the Bank jointly engaged an internationally renowned consulting company in implementing the projects of internal capital adequacy assessment process (ICAAP), credit risk management, market risk management and operational risk management. In respect of financial market, the internationally renowned consulting company engaged by Goldman Sachs worked together with the Bank in preliminarily completing the advisory project on internal trading across financial products and initiated the derivatives pricing software model applications project. In respect of staff training, the Bank and Goldman Sachs jointly launched and developed programs such as the "Pine Street" leadership program and the investment banking professionals training program. Goldman Sachs has held a number of themed workshops for employees of the Bank, such as in-depth analysis of the global financial crisis, M&A financing, valuation model, leveraged buyout, and macro-economic and industrial analysis. In respect of social responsibility, the Bank and Goldman Sachs cooperated to organize charitable activities from time to time, and jointly provided care to students in the primary school for migrant workers' children in Beijing.

The Bank and American Express have deepened cooperation in the fields of joint card issuance, marketing, risk management and customer service. Both parties cooperated to launch Express Brand-China Southern Pearl Peony Credit Card, the first aviation co-branded commercial card in China. As at the end of 2009, over 710,000 Peony Express cards had been issued, with an annual consumption of RMB20.3 billion.

The Bank and Allianz China Life Insurance Co., Ltd. ("Allianz China"), a subsidiary of Allianz, actively cooperated in bank insurance agency services, asset custody and other areas. Since 2006, the cumulative premium income from distribution of the insurance products of Allianz China has exceeded RMB3.6 billion. As at the end of 2009, the net value of Allianz China's assets held under the management of the Bank exceeded RMB2.8 billion.

OUTLOOK

In 2010, it is anticipated that overall development of the domestic and global economy will be more favorable as compared to 2009, creating a good external environment for the Bank to expand market, accelerate innovation and promote transformation. Based on the circumstances, the Bank will face major opportunities as follows: firstly, the State will continue to implement proactive fiscal policy and moderately loose monetary policy in 2010 which creates a favorable policy environment for the reasonable development of the Bank's credit business; secondly, a series of national policies and measures including promoting economic restructuring, lifting consumption and developing low-carbon footprint will provide a significant drive for the Bank in profoundly adjusting its credit structure, vigorously developing and expanding new operations, accelerating financial innovation and optimizing profit structure; and thirdly, in the post-crisis era, domestic and international financial markets will undergo faster reform and adjustment, providing the Bank with rare opportunities for promoting the global strategy of the Bank and accelerating the implementation of the internationalized and diversified strategy.

In 2010, the Bank will also face a series of operational challenges mainly in: firstly, relatively narrow interest margin will impose certain pressure on the Bank for ensuring sound and fast profit growth, secondly, the in-depth promotion of economic restructuring and deepened transformation of the development model by the State will put forth a higher requirement on the Bank for innovating and expanding various operations and improving the risk management system; and thirdly, all-dimensional, multi-tiered and fierce competition within the industry will pose a challenge to the Bank for consolidating and increasing its market share.

In 2010, the Bank will actively grasp the national macro-control policy, fully implement the bank-wide development strategic plan, and further emphasize the advancement of business transformation by adjusting development method and restructuring, compete for customers and increase market share by accelerating innovation and optimizing services and cope with the challenges arising from different types of uncertain factors and risks by strengthening corporate governance and improving internal control management. In general, the Bank will perform works mainly in relation to the following aspects:

Firstly, while controlling total credit extension on a reasonable basis, the Bank will strengthen the adjustment of the distribution of credit by regions, industries and product types based on the State's regional development plan and the orientation of industrial policies, as well as extend the support to SMEs, projects for people's well being, infrastructure and ecological environment construction in order to improve sustainable development of its credit business and to raise efficiency and reduce risks. Secondly, the Bank will strengthen financial innovation and vigorously promote the development of emerging businesses to further increase profit contribution of investment banking, private banking, precious metals, cash management and financial market businesses. Thirdly, the Bank will strive to enhance service quality and fully explore value creation capability with respect to its services. In 2010, the "Service Value Year" of the Bank, the Bank will improve the building of the financial services platform in terms of customer marketing, global cash management and cross-border settlement and payment, push forward the development of "corporate-private linkage" and "big personal banking" and advance the establishment of service channels, accelerate the formation of an internationally competitive marketing services network with stronger functions, comprehensively improve customer service level and further optimize customer experience. Fourthly, the Bank will continue to actively and steadily propel internationalized development and promote comprehensive business pilot program. On the one hand, the Bank will promote sound global strategic distribution, innovate the management mechanism of overseas institutions, optimize business processes of overseas operations and accelerate the extension of domestic business platform to and its coordination with overseas institutions. On the other hand, the Bank will regulate and promote comprehensive business pilot program within the regulatory policy framework and continue to deepen the exploration of the mechanism and management of the coordinated development of diversified businesses including funds, leasing, investment banking and insurance. Fifthly, the Bank will continuously reinforce risk management and ensure sound operation and healthy development across the Bank. In addition to the implementation of up-to-standard Basel II related work, the Bank will accelerate the establishment of an inter-market, continuous and uniform comprehensive risk management system covering various types of domestic and overseas institution, and effectively strengthen risk control and management of the Group. Lastly, the Bank will enhance brand building by adhering to independent innovation, promoting honest culture and improving service quality in an effort to build ICBC into a global financial brand with high recognition and reputation.

According to the business plan of the Bank for 2010, total assets and total liabilities shall increase by approximately RMB1,420.0 billion and RMB1,400.0 billion, respectively; and the NPL ratio as at the end of 2010 shall be maintained below 1.40%.

Details of Changes in Share Capital and Shareholding of Substantial Shareholders

Changes in Share Capital

DETAILS OF CHANGES IN SHARE CAPITAL

Unit: Share

	At 31 December 2008		Increase/decrease during the reporting period (+, -)	At 31 December 2009	
	Number of shares	Percentage (%)	Expiration of the lock-up period	Number of shares	Percentage (%)
I. Shares subject to restrictions on sales	274,299,235,026	82.1	–261,118,423,702	13,180,811,324	3.9
1. State-owned shares	236,012,348,064	70.7	–236,012,348,064	0	0.0
2. Shares held by other domestic investors	14,102,149,559	4.2	–14,102,149,559	0	0.0
3. Shares held by foreign investors	24,184,737,403	7.2	–11,003,926,079	13,180,811,324	3.9
II. Shares not subject to restrictions on sales	59,719,615,000	17.9	261,118,423,702	320,838,038,702	96.1
1. RMB-denominated ordinary shares	14,950,000,000	4.5	236,012,348,064	250,962,348,064	75.2
2. Foreign shares listed overseas	44,769,615,000	13.4	25,106,075,638	69,875,690,638	20.9
III. Total number of shares	334,018,850,026	100.0	0	334,018,850,026	100.0

Notes: (1) For the purpose of this table, "state-owned shares" specifically refers to the shares held by MOF and Huijin. "Shares held by other domestic investors" refers to the shares held by SSF. "Shares held by foreign investors" refers to the shares held by foreign strategic investors, including Goldman Sachs, Allianz and American Express. "Foreign shares listed overseas", namely H shares, are within the same meaning as defined in the "No. 5 Standards on the Content and Format of Information Disclosure of Companies with Public Offerings — Content and Format of the Report of Change in Corporate Shareholding" (Revision 2007) of CSRC.

(2) Shares subject to restrictions on sales refer to shares held by shareholders who are subject to restrictions on sales in accordance with applicable laws and regulations or undertakings.

DETAILS OF CHANGES IN THE SHARES SUBJECT TO RESTRICTIONS ON SALES

Unit: Share

Name of shareholder	Number of shares subject to restrictions on sales at the beginning of the period	Number of shares released from restrictions on sales during the period	Increase in the number of shares subject to restrictions on sales during the period	Number of shares subject to restrictions on sales at the end of the period	Reason for restrictions on sales	Date on which shares become tradable
MOF	118,006,174,032	118,006,174,032	0	0	Restrictions upon issuance	27 October 2009
Huijin	118,006,174,032	118,006,174,032	0	0	Restrictions upon issuance	27 October 2009
Goldman Sachs(1)	16,476,014,155	3,295,202,831	0	13,180,811,324	Restrictions upon issuance	28 April 2009
SSF(2)	14,102,149,559	14,102,149,559	0	0	Restrictions upon issuance	29 June 2009 20 October 2009
Allianz(2)	6,432,601,015	6,432,601,015	0	0	Restrictions upon issuance	28 April 2009 20 October 2009
American Express(2)	1,276,122,233	1,276,122,233	0	0	Restrictions upon issuance	28 April 2009 20 October 2009
Total	**274,299,235,026**	**261,118,423,702**	**0**	**13,180,811,324**	—	—

Notes: (1) For details of the changes in the dates on which shares subject to restrictions on sales held by Goldman Sachs become tradable during the reporting period, please refer to the Bank's Announcement on the Commitment of Goldman Sachs to a New Lock-up Arrangement released on the designated websites of SEHK and SSE on 25 March 2009 and 26 March 2009, respectively.

(2) The shares subject to restrictions on sales held by Allianz and American Express were released in equal proportion on 28 April 2009 and 20 October 2009, respectively. The shares subject to restrictions on sales held by SSF were released in equal proportion on 29 June 2009 and 20 October 2009, respectively.

DATES ON WHICH SHARES SUBJECT TO RESTRICTIONS ON SALES BECOME TRADABLE

Unit: Share

Date	Number of shares tradable at the expiration of the lock-up period	Number of outstanding shares subject to restrictions on sales	Number of outstanding shares not subject to restrictions on sales	Remarks	Restrictions
28 April 2010	13,180,811,324	0	320,838,038,702	H shares of Goldman Sachs	Voluntary lock-up

Details of Share and Bond Issuance and Initial Public Offering

In July 2009, the Bank issued subordinated bonds in an amount of RMB40 billion in the inter-bank bond market to replenish the supplementary capital of the Bank. As at the end of 2009, the balance of the subordinated bonds issued by the Bank stood at RMB75 billion. For information on the issuance of subordinated bonds by the Bank, please refer to "Note 37 to Financial Statements: Subordinated bonds".

The Bank did not have any employee shares.

Particulars of Shareholders

Number of Shareholders and Particulars of Shareholding

As at the end of the reporting period, the Bank had a total number of 1,239,824 shareholders, including 164,195 holders of H shares and 1,075,629 holders of A shares.

PARTICULARS OF SHAREHOLDING OF THE TOP 10 SHAREHOLDERS OF THE BANK (PARTICULARS OF SHAREHOLDING OF HOLDERS OF H SHARES WERE BASED ON THE NUMBER OF SHARES SET OUT IN THE BANK'S REGISTER OF SHAREHOLDERS MAINTAINED AT THE H SHARE REGISTRAR)

Unit: Share

Total number of shareholders	1,239,824 (number of holders of A shares and H shares on the register of shareholders as at 31 December 2009)

Particulars of shareholding of the top 10 shareholders (The following data are based on the register of shareholders as at 31 December 2009)

Name of shareholder	Nature of shareholder	Type of shares	Shareholding percentage (%)	Total number of shares held	Number of shares subject to restriction on sales	Number of pledged or locked-up shares
Huijin[1]	State-owned	A shares	35.4	118,316,816,139	0	None
MOF	State-owned	A shares	35.3	118,006,174,032	0	None
HKSCC Nominees Limited	Foreign legal person	H shares	16.3	54,489,300,096	0	Unknown
SSF	Other domestic entities	H shares	4.2	14,102,149,559	0	None
Goldman Sachs	Foreign legal person	H shares	3.9	13,180,811,324	13,180,811,324	None
American Express	Foreign legal person	H shares	0.2	638,061,117	0	None
China Huarong Asset Management Corporation	Other domestic entities	A shares	0.1	480,769,000	0	None
China Life Insurance Company Limited — Traditional — Ordinary insurance products — 005L — CT001 Hu	Other domestic entities	A shares	0.1	379,673,016	0	None
China Life Insurance Company Limited — Dividend distribution — Personal dividend — 005L — FH002 Hu	Other domestic entities	A shares	0.1	327,144,103	0	None
E-Fund 50 Index Securities Investment Fund	Other domestic entities	A shares	0.1	254,918,659	0	None

Note: (1) Since 23 September 2008, Huijin has increased its shareholding in the Bank by acquiring shares through the SSE Trading System, and as at 31 December 2009, Huijin increased its holding of the Bank's A shares by a total of 310,642,107 shares, accounting for approximately 0.093% of the total issued share capital of the Bank.

PARTICULARS OF SHAREHOLDING OF THE TOP 10 SHAREHOLDERS NOT SUBJECT TO RESTRICTIONS ON SALES (THE FOLLOWING DATA ARE BASED ON THE REGISTER OF SHAREHOLDERS AS AT 31 DECEMBER 2009)

Unit: Share

Name of shareholder	Number of shares not subject to restrictions on sales	Type of shares
Central Huijin Investment Ltd.	118,316,816,139	A shares
The Ministry of Finance of the People's Republic of China	118,006,174,032	A shares
HKSCC Nominees Limited	54,489,300,096	H shares
National Council for Social Security Fund	14,102,149,559	H shares
American Express Company	638,061,117	H shares
China Huarong Asset Management Corporation	480,769,000	A shares
China Life Insurance Company Limited — Traditional — Ordinary insurance products — 005L — CT001 Hu	379,673,016	A shares
China Life Insurance Company Limited — Dividend distribution — Personal dividend — 005L — FH002 Hu	327,144,103	A shares
E-Fund 50 Index Securities Investment Fund	254,918,659	A shares
Fortune SGAM Selected Sectors Fund	252,080,472	A shares

Particulars of Substantial Shareholders

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

◆ *Substantial Shareholders*

The largest single shareholder of the Bank is Huijin, which holds approximately 35.4% of the shares of the Bank. Since 23 September 2008, Huijin has increased its shareholding in the Bank through on-market purchase at the SSE[1]. In 2009, Huijin increased its shareholding in the Bank by a total of 53,999,426 A shares, representing approximately 0.016% of the Bank's total issued share capital.

Huijin is a wholly state-owned company incorporated on 16 December 2003 under the Company Law of the People's Republic of China. Huijin had a registered capital of RMB552.117 billion, and its legal representative is Mr. Lou Jiwei. Huijin, which is the wholly-owned subsidiary of China Investment Corporation, makes equity investment in state-owned key financial institutions as authorized by the State Council, and exercises the contributor's rights and obligations in such financial institutions up to its contribution on behalf of the state to achieve preservation and appreciation of state-owned financial assets. Huijin does not engage in any other commercial activities nor does it intervene daily operation of those financial institutions.

The second largest single shareholder of the Bank is MOF, which holds approximately 35.3% of the shares of the Bank. MOF is a constituent part of the State Council, and is responsible for overseeing the state's fiscal revenue and expenditure, formulating the financial and taxation policies, and supervising state finance at a macro level.

1 Please refer to the Bank's announcement published on the websites designated by SEHK and SSE on 23, 24 September 2008 and 11, 12 October 2009, respectively, for particulars of the increase in shares of the Bank held by Huijin.

◆ *Particulars of other Corporate Shareholders Holding 10% Shares or More (excluding HKSCC Nominees Limited)*

None.

◆ *Particulars of the De Facto Controller*

None.

Interests and Short Positions Held by Substantial Shareholders and other Persons

Substantial Shareholders and Persons Having Notifiable Interests or Short Positions Pursuant to Divisions 2 and 3 of Part XV of the Securities and Futures Ordinance of Hong Kong

As at 31 December 2009, the Bank had received notices from the following persons stating that they had interests or short positions in the shares or underlying shares of the Bank as recorded in the register required to be kept pursuant to Section 336 of the Securities and Futures Ordinance of Hong Kong:

HOLDERS OF A SHARES

Name of substantial shareholder	Capacity	Number of A shares held (share)	Nature of interests	Approximate percentage of issued A shares (%)	Approximate percentage of total issued shares (%)
MOF	Beneficial owner	118,006,174,032	Long position	47.02	35.33
Huijin[1]	Beneficial owner	118,006,174,032	Long position	47.02	35.33

Note: (1) According to the register of shareholders as at 31 December 2009, Huijin held 118,316,816,139 shares in the Bank.

HOLDERS OF H SHARES

Name of substantial shareholder	Capacity	Number of H shares held (share)	Nature of interests	Approximate percentage of issued H shares (%)	Approximate percentage of total issued shares (%)
SSF[1]	Beneficial owner	16,597,455,559	Long position	19.98	4.97
Goldman Sachs[2]	Beneficial owner	13,443,462,033	Long position		
	Interest of controlled corporations	167,235,240	Long position		
	Total	13,610,697,273		16.39	4.07

Notes: (1) According to the register of shareholders as at 31 December 2009, SSF held 14,102,149,559 shares in the Bank.

(2) According to the register of shareholders as at 31 December 2009, Goldman Sachs held 13,180,811,324 shares in the Bank.

Basic Information on Directors, Supervisors and Senior Management[1]

Name	Position	Gender	Age	Tenure[2]	Number of shares held at the beginning of the year	Number of shares held at the end of the year	Reasons for changes
Jiang Jianqing	Chairman of the Board of Directors, Executive Director	Male	56	October 2008–October 2011	0	0	—
Yang Kaisheng	Vice Chairman of the Board of Directors, Executive Director, President	Male	60	October 2008–October 2011	0	0	—
Zhao Lin	Chairman of the Board of Supervisors	Male	55	June 2008–June 2011	0	0	—
Zhang Furong	Executive Director, Vice President	Male	57	October 2008–October 2011	0	0	—
Huan Huiwu	Non-executive Director	Male	56	February 2009–February 2012	0	0	—
Gao Jianhong	Non-executive Director	Male	45	December 2008–December 2011	0	0	—
Li Chunxiang	Non-executive Director	Female	54	February 2009–February 2012	0	0	—
Li Jun	Non-executive Director	Male	50	December 2008–December 2011	0	0	—
Li Xiwen	Non-executive director	Male	61	December 2008–December 2011	0	0	—
Wei Fusheng	Non-executive Director	Male	54	February 2009–February 2012	0	0	—
Leung Kam Chung, Antony	Independent Non-executive Director	Male	57	October 2008–October 2011	0	0	—
Qian Yingyi	Independent Non-executive Director	Male	53	October 2008–October 2011	0	0	—
Xu Shanda	Independent Non-executive Director	Male	62	September 2007–September 2010	0	0	—
Wong Kwong Shing, Frank	Independent Non-executive Director	Male	61	January 2009–January 2012	0	0	—
Malcolm Christopher McCarthy	Independent Non-executive Director	Male	65	December 2009–December 2012	0	0	—
Kenneth Patrick Chung	Independent Non-executive Director	Male	52	December 2009–December 2012	0	0	—
Wang Chixi	Shareholder Supervisor	Female	54	October 2008–October 2011	0	0	—
Dong Juan	External Supervisor	Female	57	May 2009–May 2012	0	0	—
Meng Yan	External Supervisor	Male	54	May 2009–May 2012	0	0	—
Zhang Wei	Employee Supervisor	Male	47	August 2009–August 2012	0	0	—
Chang Ruiming	Employee Supervisor	Male	58	August 2009–August 2012	0	0	—
Wang Lili	Vice President	Female	58	October 2005–	0	0	—
Li Xiaopeng	Vice President	Male	50	October 2005–	0	0	—
Luo Xi	Vice President	Male	49	December 2009–	0	0	—
Liu Lixian	Secretary of Party Discipline Committee	Male	55	October 2005–	0	0	—
Yi Huiman	Vice President	Male	45	July 2008–	0	0	—
Wei Guoxiong	Chief Risk Officer	Male	54	August 2006–	0	0	—
Gu Shu	Board Secretary	Male	42	July 2008–	0	0	—

Notes: (1) Please refer to the section headed "Directors, Supervisors, Senior Management, Employees and Institutions — Appointment and Removal".

(2) The terms of Mr. Jiang Jianqing, Mr. Yang Kaisheng and Mr. Zhang Furong as Directors of the Bank are set out in the above table and their terms as Senior Management members of the Bank started from October 2005.

As at the end of the reporting period, the Bank did not implement share incentives. Directors, Supervisors and Senior Management members of the Bank did not hold any share option nor were they granted any restricted shares.

Biographies of Directors, Supervisors and Senior Management

Jiang Jianqing, Chairman of the Board of Directors, Executive Director

Mr. Jiang has served as Chairman of the Board of Directors and Executive Director of Industrial and Commercial Bank of China Limited since October 2005. He joined ICBC in 1984, and was appointed as President in February 2000. Mr. Jiang previously served in several positions including Vice President of ICBC Shanghai Branch, President of Shanghai Urban Cooperation Commercial Bank (now known as Bank of Shanghai), President of ICBC Shanghai Branch and Vice President of ICBC. At present, he is concurrently Chairman of the board of directors of Industrial and Commercial Bank of China (Asia) Limited, Chairman of China Banking Association, Vice Chairman of China Society for Finance and Banking, and a tutor to PhD students of Shanghai Jiao Tong University. He graduated from Shanghai University of Finance and Economics and Shanghai Jiao Tong University, and received a Master's degree in Engineering and a Doctorate degree in Management from Shanghai Jiao Tong University.

Yang Kaisheng, Vice Chairman, Executive Director, President

Mr. Yang has served as Vice Chairman of the Board of Directors, Executive Director and President of Industrial and Commercial Bank of China Limited since October 2005. He joined ICBC in 1985, and served in several positions including Deputy General Manager of ICBC Discipline Enforcement Office, General Manager of ICBC Planning and Information Department, President of ICBC Shenzhen Branch, Vice President of ICBC, President of China Huarong Asset Management Corporation. He concurrently serves as Chairman of the board of ICBC Credit Suisse Asset Management Co., Ltd., Vice Chairman of Standard Bank Group Limited and Consultant of the 17th Committee of China International Economic and Trade Arbitration Commission. He graduated from Wuhan University with a Doctorate degree in Economics.

Zhao Lin, Chairman of the Board of Supervisors

Mr. Zhao has served as Chairman of the Board of Supervisors of Industrial and Commercial Bank of China Limited since June 2008. He was appointed as Executive Director and Vice President of China Construction Bank ("CCB") in September 2004, and previously was Vice President of Hubei Branch, Deputy General Manager and General Manager of the Administrative Office of the Head Office, Chief Auditor, and Vice President of CCB. He graduated from Zhongnan University of Economics and Law, and is a senior economist.

Zhang Furong, Executive Director, Vice President

Mr. Zhang has served as Executive Director and Vice President of Industrial and Commercial Bank of China Limited since October 2005. He joined the People's Bank of China ("PBOC") in 1971 and joined ICBC in 1984. From 1986 he worked successively as Chief of the Accounting Division and Vice President of ICBC Liaoning Branch. In 1994, Mr. Zhang concurrently served as Vice President of ICBC Liaoning Branch and President of ICBC Dalian Branch. He became Assistant to President of ICBC and General Manager of the Human Resources Department in 1997 and Vice President of ICBC in 2000. He is also Vice Chairman of the Banking Accounting Society of China, Vice Chairman of Financial Planning Standards Council of China, Chairman and Non-Executive Director of The Bank of East Asia (Canada). Mr. Zhang graduated from Liaoning Finance and Economics College and received a Master's degree in Economics and a Doctorate degree in Finance from Dongbei University of Finance and Economics.

Huan Huiwu, Non-executive Director

Mr. Huan has served as Non-executive Director of Industrial and Commercial Bank of China Limited since February 2009. He joined the Ministry of Finance ("MOF") in 1982, and served as Chief of the Cadre Deployment Division of the Department of Human Resources, Chief of the Cadre Deployment Division of the Department of Human Resources and Education, Deputy Director-General of the Department of Human Resources and Education, and Executive Deputy Secretary of the Party Committee (at the rank of Director-General). He graduated from the Party School of the Central Committee of the Communist Party of China as a postgraduate in Economics and Administration.

Gao Jianhong, Non-executive Director

Mr. Gao has served as Non-executive Director of Industrial and Commercial Bank of China Limited since December 2008. He joined Central Huijin Investment Ltd. in 2005 and previously served as Deputy Chief of the Finance Division of Macro-economic Control Department of the State Commission for Restructuring Economy, Deputy Chief of the Investment Business Department of China Development Bank, Deputy General Manager of the International Business Department of Everbright Securities Co., Ltd., and Senior Manager and research fellow of the Securities Offering Division of the Investment Banking Department of China Galaxy Securities Co., Ltd.. He graduated from Peking University, and subsequently pursued advanced studies in the Graduate School of the People's Bank of China and University of Reading in England, and he received a Master's degree in Economics and a degree of Master of Science in International Securities and Investment Banking.

Li Chunxiang (Female), Non-executive Director

Ms. Li has served as Non-executive Director of Industrial and Commercial Bank of China Limited since February 2009. She joined the MOF in 1982, and served in several positions including Chief of the Township Finance Division of the Local Department and Chief of the Office of the Foreign Exchange and Foreign Affairs Department. Beginning in 1999, she joined the State Agricultural Comprehensive Development Office, and served as Chief of the Finance Planning Division and Assistant Inspector (at the rank of Deputy Director-General) of the State Agricultural Comprehensive Development Office. She graduated from Dongbei University of Finance and Economics with a Bachelor's degree.

Li Jun, Non-executive Director

Mr. Li has served as Non-executive Director of Industrial and Commercial Bank of China Limited since December 2008. He previously served as Assistant Representative of Beijing Representative Office of the Bank of Credit and Commerce International, Deputy Representative of BNP Paribus China Representative Office, Consultant of the International Banking Department of Banco Bilbao Vizcaya Argentaria, Deputy General Manager of the Research Centre of China Technology Trust and Investment Company, General Manager of the Research Department of China Sci-Tech Securities, and Professor of the Finance Department of the School of Economics and Management of the University of Science and Technology Beijing. At present, he serves in Central Huijin Investment Ltd., and is concurrently Independent Director of Beijing Capital Tourism Co., Ltd. He graduated from University of Madrid in Spain and received a Doctorate degree in Business Management.

Li Xiwen, Non-executive Director

Mr. Li has served as Non-executive Director of Industrial and Commercial Bank of China Limited since December 2008. He previously served as Chief of the Finance and Investment Division of the Planning Department, Deputy General Manager of the Fund Planning Department, General Manager of the Credit Card Department, Vice President of Shandong Branch, General Manager of the Credit Risk Management Department of the Head Office, Vice Chairman of the Risk and Internal Control Management Committee of the Head Office, Vice President of Gansu Branch, and General Manager of the Compliance Department of the Head Office of China Construction Bank. At present, he serves in Central Huijin Investment Ltd., and concurrently as Deputy Secretary-General of China Society for Finance and Banking and Executive Director of China Investment Society. He graduated from Hubei Finance and Economics College and received a Bachelor's degree in Economics.

Wei Fusheng, Non-executive Director

Mr. Wei has served as Non-executive Director of Industrial and Commercial Bank of China Limited since February 2009. He joined Xinhua News Agency in 1994, and served as Chief of the Economics Department of Macau Branch. He was transferred to the MOF in 1996, and served as Chief of the Education Division and Chief of the Policy and Legislation Division in the Cultural and Educational Department, Chief of the Policy and Legislation Division of the Public Expenditure Department, and Assistant Inspector (at the rank of Deputy Director-General). He graduated from Tianjin Finance and Economics College with a Bachelor's degree.

Leung Kam Chung, Antony, Independent Non-executive Director

Mr. Leung has served as Independent Non-executive Director of Industrial and Commercial Bank of China Limited since October 2005. He is currently Chairman of the Greater China operations of Blackstone Group (China). He was Financial Secretary of Hong Kong from 2001 to 2003. He was also the Chairman of the Asia-Pacific Region of JPMorgan Chase Bank and worked for Citicorp. He had been Regional Chief of the Treasury Department, Corporate Banking Department, Investment Banking Department and Private Banking Department of Citibank in Hong Kong, Singapore, Manila and New York. He graduated from The University of Hong Kong.

Qian Yingyi, Independent Non-Executive Director

Mr. Qian has served as Independent Non-executive Director of Industrial and Commercial Bank of China Limited since October 2005. He had taught at the Department of Economics at Stanford University and University of Maryland, and served as Independent Non-executive Director of China Netcom Group Corporation (Hong Kong) Limited. He is a Professor in Department of Economics at the University of California, Berkeley and Dean of the School of Economics and Management of Tsinghua University. Concurrently, he is the Chairman of the Board of Supervisors of Vtion Wireless Technology AG. He graduated from Tsinghua University and received a Doctorate degree in Economics from Harvard University.

Xu Shanda, Independent Non-executive Director

Mr. Xu has served as Independent Non-executive Director of Industrial and Commercial Bank of China Limited since September 2007. From January 2000 to 2007, he was appointed as Deputy Commissioner of the State Administration of Taxation ("SAT"). He worked as Deputy Director-General of the Tax System Reformation Department of SAT, Deputy Director-General and Director-General of the Policy and Legislation Department of SAT, Director-General of Local Taxes Department of SAT, and Director-General of Supervisory Bureau of SAT. He is currently member of the CPC National Committee, Chairman of the Chinese Certified Tax Agent Association, member of the Auditing

Standards Commission of the Chinese Institute of Certified Public Accountants, member of the Accounting Standards Commission of the MOF, member of the Advisory Committee for State Informatization, Vice Chairman of China Public Finance Society, member of the Chinese Economist 50 Forum and member of the Academic Committee. He is the Independent Director of China Pacific Insurance (Group) Co., Ltd., part-time professor and invited researcher of Tsinghua University, Peking University, National School of Administration, Xi'an Jiaotong University, University of Science & Technology of China, Nankai University, Central University of Finance and Economics and Zhejiang Engineering University. He received his Bachelor's degree from Department of Automation, Tsinghua University, Master's degree in Agricultural Economics & Management from the Chinese Academy of Agricultural Sciences, and Master's degree in Finance from the University of Bath in UK.

Wong Kwong Shing, Frank, Independent Non-executive Director

Mr. Wong has served as Independent Non-executive Director of Industrial and Commercial Bank of China Limited since January 2009. He previously held a number of senior positions with regional responsibility at financial institutions including Citibank, JPMorgan and NatWest, and took positions as Chairman of Hong Kong Futures Exchange Limited, Chairman of the Leveraged Foreign Exchange Trading Ordinance Arbitration Panel and member of the Foreign Exchange and Money Market Practices Committee of Hong Kong Association of Banks. He joined DBS Bank in 1999, and served as Vice Chairman of DBS Bank Ltd., Director and Chief Operating Officer of DBS Bank Ltd. and DBS Group Holdings, and Chairman of DBS Bank (Hong Kong) and Chairman of DBS Bank (China). He also served as the Independent Non-executive Director of the National Healthcare Group Pte Ltd under the Ministry of Health of Singapore, Non-executive Director of Mapletree Investments Pte Ltd and Chairman of Galleon Asia Pte Ltd. At present, he is concurrently a Director of PSA International Pte Ltd and China Mobile Limited, and a member of the University Court of The University of Hong Kong.

Malcolm Christopher McCarthy, Independent Non-executive Director

Sir M.C. McCarthy has served as Independent Non-executive Director of Industrial and Commercial Bank of China Limited since December 2009. He worked as an economist for ICI before joining the UK Department of Trade and Industry where he held various posts from economic adviser to undersecretary between 1972 and 1985. He subsequently worked as an investment banker for Kleinwort Benson and Barclays Bank, acting as the senior executive for the latter in first Japan and then North America. He served as Chairman and Chief Executive of Ofgem from November 1998 to September 2003, and Chairman of the Financial Services Authority (FSA) from September 2003 to September 2008. Currently Sir M.C. McCarthy serves as a non-executive director of HM Treasury, and also Chairman of the board of directors of J.C. Flowers & Co. UK Ltd, a non-executive director of Intercontinental Exchange, Trustee of Said Business School and Governor of University of Greenwich. And he is also an Honorary Fellow of Merton College, an Honorary Doctor of the University of Stirling and City University, and the Freeman of the City of London. Sir M.C. McCarthy was a MA History at Merton College of Oxford University, PhD Economics of Stirling University, and MS Business at Graduate School of Business of Stanford University.

Kenneth Patrick Chung, Independent Non-executive Director

Mr. Chung has served as Independent Non-executive Director of Industrial and Commercial Bank of China Limited since December 2009. He joined Deloitte Haskins and Sells London Office in 1980. Mr. Chung became a partner of PricewaterhouseCoopers in 1992, and was a financial service specialist of PricewaterhouseCoopers (Hong Kong and Mainland China) since 1996. He was the human resources partner of PricewaterhouseCoopers (Hong Kong), the responsible partner of the audit department of PricewaterhouseCoopers (Hong Kong and Mainland China), the global responsible partner of the audit engagement team for Bank of China Limited, the honorary treasurer of Community Chest of Hong Kong, and was a member of the Ethics Committee, Limitation of Professional Liability Committee and Communications Committee, and the Investigation Panel of the Hong Kong Society of Accountants. Mr. Chung has also served as the audit partner for the restructurings and initial public offerings of Bank of China Limited, Bank of China (Hong Kong) Limited and Bank of Communications Co., Ltd.. Currently, Mr. Chung serves as a member of the Executive Council of The World Wide Fund For Nature Hong Kong and the honorary treasurer of International Social Service Hong Kong Branch. He is a member of the Institute of Chartered Accountants in England and Wales, a practising member of the Hong Kong Society of Accountants and a member of the Macau Society of Certified Practising Accountants. He received his bachelor's degree in economics from the University of Durham.

Wang Chixi (Female), Shareholder Supervisor

Ms. Wang has served as Supervisor of Industrial and Commercial Bank of China Limited since October 2005. In 2003, she was appointed as full-time Supervisor (at the rank of Director-General) and General Manager of the Board of Supervisors' Office of ICBC as designated by the State Council. She joined ICBC in 2005. She had taken several positions including Deputy Director-General of the Financial Audit Department of the National Audit Office, Deputy Director-General of the Agricultural, Forestry and Sea Products Audit Bureau and was appointed as full-time Supervisor (at the rank of Director-General) and General Manager of the Board of Supervisors' Office of Agricultural Bank of China as designated by the State Council. She graduated from Shenyang Agricultural College, and is a PRC Certified Public Accountant (as a non-practising member).

Dong Juan (Female), External Supervisor

Ms. Dong has served as External Supervisor of Industrial and Commercial Bank of China Limited since May 2009. She is currently Chairperson of the Board of Directors of Grandchina International Consulting Co., Ltd. She previously served as Deputy Chief and Chief of the Foreign Trade Division of Commerce and Trade Department of the MOF, as Director-General of the Enterprise Affairs Department of the State Administration of State-owned Assets, as Director-General of the Evaluation Department of the MOF, and as the independent director of The Ming An (Holdings) Company Limited and Sinotex Investment & Development Co., Ltd.. At present, Ms. Dong concurrently serves as a independent director of Shanghai Qiangsheng Holding Co., Ltd. and Huda Technology & Education Development Co., Ltd.. Ms. Dong graduated from Shanxi Finance and Economics Institute and from Dongbei University of Finance and Economics with a Master's degree in economics. Ms. Dong is also a PRC Certified Public Accountant (as a non-practising member).

Meng Yan, External Supervisor

Mr. Meng has served as External Supervisor of Industrial and Commercial Bank of China Limited since May 2009. Currently, he is the Dean, Professor and Tutor to doctoral students in the School of Accountancy of Central University of Finance and Economics ("CUFE"). He is also an Executive Council Member of the Accounting Society of China, a Council Member of the China Audit Society, an Executive Council Member of the Banking Accounting Society of China, a member of the Steering Committee on Teaching and Learning of Business Administration Disciplines of Higher Education Institutions under the Ministry of Education, and a member of the National Accounting Master Education Steering Committee. Mr. Meng served as Head of the Department of Accountancy of CUFE. He was also the Expert Consultant of the Accounting Standards Committee of the MOF for accounting standards, the Expert Consultant of the MOF for independent auditing standards, and an Expert Consultant of the MOF for enterprise performance evaluation and an independent director of Beijing North Star Company Limited. At present, he concurrently serves as an independent director of China Merchants Property Development Company, Yantai Wanhua Polyurethane Co., Ltd, Beijing Bashi Media Co., Ltd. and Jolimark Holdings Limited. Mr. Meng obtained his Doctorate degree in economics from the Research Institute for Fiscal Science of the MOF.

Zhang Wei, Employee Supervisor

Mr. Zhang has served as Employee Supervisor of Industrial and Commercial Bank of China Limited since August 2006. He joined ICBC in 1994, and has served as General Manager of ICBC Legal Affairs Department since 2004. Currently, he is also Vice Chairman and Arbitrator of the Finance Committee of China International Economic and Trade Arbitration Commission, Vice Chairman of the Banking Law Research Institute and an executive council member of the Securities Law Research Institute of China Law Society, a council member of China Society for Finance and Banking and a professor of China University of Political Science and Law. He graduated from Peking University with a Doctorate degree in Law and is a research fellow.

Chang Ruiming, Employee Supervisor

Mr. Chang Ruiming has served as Employee Supervisor of ICBC since August 2009. He joined ICBC in 1984, and has served as Executive Deputy General Manager of the Working Committee of the Bank's Trade Union since 2007. He previously served in several positions including President of ICBC Hebei Province Baoding Branch, Vice President and President of ICBC Hebei Branch and President of ICBC Shanxi Branch. He graduated from Hubei College of Finance and Economy and the Party School of the CPC Central Committee with a major in economic management. Mr. Chang holds a qualification certificate of senior economist.

Wang Lili (Female), Vice President

Ms. Wang has served as Vice President of Industrial and Commercial Bank of China Limited since October 2005. She was appointed as Vice President upon joining ICBC in November 2000. She previously served in several positions including General Manager of the Credit Management Department, General Manager of the Risk Management Department, and Assistant to President of Bank of China. She once also served as Chairperson of Bank of China (Canada) and Yien Yieh Commercial Bank Ltd. (Hong Kong), respectively. Currently she is China's representative of APEC Business Advisory Council, a member of APEC Women Leaders' Network, a board member of International Swaps and Derivatives Association, Vice Chairperson of China Chamber of International Commerce, Vice Chairperson of the Board of Directors of Industrial and Commercial Bank of China (Asia) Limited, Chairperson of the Board of Directors of ICBC (London) Limited, Vice Chairperson of China Society of International Finance, Vice Chairperson of National Debt Association of China, and Non-executive Director of Hong Kong Mercantile Exchange. She graduated from Nankai University and received an MBA degree from University of Birmingham, UK.

Li Xiaopeng, Vice President

Mr. Li has served as Vice President of Industrial and Commercial Bank of China Limited since October 2005. He joined ICBC in 1984, and was appointed as Vice President of ICBC in September 2004. He previously served in several positions including Vice President of ICBC Henan Branch, General Manager of the Banking Department of ICBC Head Office, President of ICBC Sichuan Branch, Vice President of China Huarong Asset Management Corporation, and Assistant to President of ICBC and President of ICBC Beijing Branch. He has served concurrently as Chairman of Industrial and Commercial Bank of China (Almaty) Joint Stock Company and Chairman of ICBC Financial Leasing Co., Ltd. since 2007, as Chairman of Industrial and Commercial Bank of China (Middle East) Limited since 2008, and as Chairman of ICBC International Holdings Limited since 2009. He graduated from Zhengzhou University and received a Doctorate degree in Economics from Wuhan University.

Luo Xi, Vice President

Mr. Luo has served as Vice President of Industrial and Commercial Bank of China Limited since December 2009. He joined Agricultural Bank of China ("ABC") in December 1987, and was appointed as Assistant to President and General Manager of the International Department in January 2002, Vice President of ABC in March 2004, and Executive Director and Vice President of Agricultural Bank of China Limited in January 2009. He previously served several positions including Assistant to President of ABC Hainan Branch and General Manager of Agricultural Bank of China Hainan Trust Investment Company, Vice President of ABC Hainan Branch, Vice President of ABC Fujian Branch, General Manager of ABC Assets Preservation Department, General Manager of ABC Asset Risk Supervision Department, General Manager of ABC International Department and Chairman of the Board of Directors of China Agricultural International Finance Co., Ltd. in Hong Kong and Chairman of Hainan International Finance Co., Ltd.. He is concurrently an Executive Director of China Society of Agricultural Finance and Vice Chairman of China Society of International Finance. He graduated from the Graduate School of the People's Bank of China and received a Master's degree in economics.

Liu Lixian, Secretary of Party Discipline Committee

Mr. Liu has served as Secretary of Party Discipline Committee of Industrial and Commercial Bank of China Limited since October 2005. He was appointed as Vice President of China Huarong Asset Management Corporation in September 2003, and joined ICBC in 2005. He previously served in several positions including Deputy Director General of the Bribery and Corruption Inspection Department, Deputy Director General of the General Bureau of Anti-bribery and Corruption, Director General of the Inspection Technology Bureau, and Director General of the Inspection Theory Research Institute of the Supreme People's Procuratorate. He graduated from Jilin University.

Yi Huiman, Vice President

Mr. Yi has served as Vice President of Industrial and Commercial Bank of China Limited since July 2008. He joined ICBC in 1985, and was appointed as member of the Senior Management in October 2005. He served in several positions at ICBC including Vice President of Zhejiang Branch, Vice President and President of Jiangsu Branch, and President of Beijing Branch. He obtained a Master's degree in Executive Business Administration from Guanghua School of Management of Peking University.

Wei Guoxiong, Chief Risk Officer

Mr. Wei has served as Chief Risk Officer of Industrial and Commercial Bank of China Limited since August 2006. He joined ICBC in 1987, and was appointed as General Manager of the Credit Management Department in 2001. He previously served in several positions at ICBC including Acting President of Wenzhou Branch, Vice President of Zhejiang Branch and General Manager of the Industrial and Commercial Credit Department of the Head Office. He graduated from Tianjin University of Finance and Economics, and received a Master's degree in Economics.

Gu Shu, Board Secretary

Mr. Gu has served as Board Secretary and General Manager of Corporate Strategy and Investor Relations Department (concurrently) of Industrial and Commercial Bank of China Limited since July 2008. He joined ICBC in 1998, and served as Deputy General Manager of the Accounting and Settlement Department, Deputy General Manager of the Planning and Finance Department and General Manager of the Finance and Accounting Department. At present, he is a council member of China Society for Accounting and Vice Chairman of the Finance and Accounting Committee, and a committee member of the Asset Valuation Committee under the MOF. He is a PRC Certified Public Accountant (as a non-practising member). He graduated from Shanghai Jiao Tong University with a Bachelor's degree in Engineering, and received a Master's degree in Management from Dongbei University of Finance and Economics and a Doctorate degree in Management from Shanghai University of Finance and Economics. He was a visiting scholar at Pennsylvania State University from September 2002 to September 2003.

Mr. Huan Huiwu, Ms. Li Chunxiang and Mr. Wei Fusheng were nominated by the MOF to serve as Non-executive Directors of the Bank. Mr. Gao Jianhong, Mr. Li Jun and Mr. Li Xiwen were nominated by Huijin to serve as Non-executive Directors of the Bank. MOF and Huijin hold interests in shares of the Bank. Please refer to the section headed "Details of Changes in Share Capital and Shareholding of Substantial Shareholders — Interests and Short Positions Held by Substantial Shareholders and other Persons" for further details.

Appointment and Removal

The appointment of Mr. Wong Kwong Shing, Frank as Independent Non-executive Director of the Bank, was approved by CBRC on 9 January 2009. The appointment of the other three Non-executive Directors, namely Mr. Huan Huiwu, Ms. Li Chunxiang and Mr. Wei Fusheng, were approved by CBRC on 17 February 2009.

At the Second Extraordinary General Meeting for the Year 2009 held on 27 November 2009, Sir Malcolm Christopher McCarthy and Mr. Kenneth Patrick Chung were appointed as Independent Non-executive Directors of the Bank. The appointment of Sir Malcolm Christopher McCarthy and Mr. Kenneth Patrick Chung were approved by CBRC on 14 December 2009.

At the meeting of the Board of Directors of the Bank held on 29 December 2009, Ms. Wang Lili was nominated as a candidate for the post of Executive Director of the Bank, subject to the approvals by the Shareholders' General Meeting of the Bank and CBRC.

Mr. Fu Zhongjun, Mr. Kang Xuejun and Mr. Song Zhigang ceased to act as Directors of the Bank with effect from 17 February 2009 upon completion of their tenure; Mr. Christopher A. Cole ceased to act as Director of the Bank with effect from 1 June 2009 upon completion of his tenure; Mr. Niu Ximing ceased to act as Executive Director and Vice President of the Bank with effect from 29 December 2009 due to change of job assignment.

At the Annual General Meeting for the Year 2008 of the Bank held on 25 May 2009, Ms. Dong Juan and Mr. Meng Yan were elected as Supervisors of the Bank with effect from the date of approval at that Annual General Meeting.

At the enlarged meeting of the Trade Union Working Committee of the Bank held on 4 August 2009, Mr. Zhang Wei and Mr. Chang Ruiming were elected as Employee Supervisors of the Bank, and their appointment took effect from the date of election. Mr. Zhang Wei was re-elected and re-appointed.

According to relevant requirements, Mr. Wang Daocheng and Mr. Miao Gengshu ceased to act as Supervisors of the Bank with effect from 25 May 2009 upon completion of their tenures, and ceased to hold the position as chief member and member of the Supervision Committee of the Board of Supervisors of the Bank, respectively.

At the meeting of the Board of Directors of the Bank held on 29 December 2009, Mr. Luo Xi was appointed as Vice President of the Bank and his appointment has been approved by CBRC.

Annual Remuneration

Unit: RMB'0000

Name	Remuneration paid (before tax) (1)	Contribution by the employer to social insurance, housing allowance, annuities, and additional medical insurances (2)	Part-time fee (3)	Total remuneration before tax[Note 1] (4) = (1) + (2) + (3)	Whether or not the remuneration is paid by the shareholder entities or other connected entities
Jiang Jianqing	81.0	10.1	—	91.1	No
Yang Kaisheng	77.0	10.1	—	87.1	No
Zhao Lin	72.5	10.1	—	82.6	No
Zhang Furong	66.6	9.6	—	76.2	No
Huan Huiwu	—	—	—	—	Yes
Gao Jianhong	—	—	—	—	Yes
Li Chunxiang	—	—	—	—	Yes
Li Jun	—	—	—	—	Yes
Li Xiwen	—	—	—	—	Yes
Wei Fusheng	—	—	—	—	Yes
Leung Kam Chung, Antony	—	—	49.8	49.8	No
Qian Yingyi	—	—	48.5	48.5	No
Xu Shanda	—	—	—	—	No
Wong Kwong Shing, Frank	—	—	42.8	42.8	No
Malcolm Christopher McCarthy	—	—	2.5	2.5	No
Kenneth Patrick Chung	—	—	2.5	2.5	No
Wang Chixi	68.0	8.9	—	76.9	No
Dong Juan	—	—	17.5	17.5	No
Meng Yan	—	—	16.5	16.5	No
Zhang Wei	—	—	5.0	5.0	No
Chang Ruiming	—	—	1.7	1.7	No
Wang Lili	66.8	9.6	—	76.4	No
Li Xiaopeng	66.6	9.5	—	76.1	No
Luo Xi[Note 2]	—	—	—	—	No
Liu Lixian	66.6	9.6	—	76.2	No
Yi Huiman	66.7	9.3	—	76.0	No
Wei Guoxiong	59.2	8.6	—	67.8	No
Gu Shu	56.4	8.6	—	65.0	No

Notes: 1. According to the latest requirements of relevant government authorities, the total final remuneration payable to the Chairman of the Board of Directors, the President, the Chairman of the Board of Supervisors, Executive Directors, Supervisors and other Senior Management members is still subject to final confirmation. Additional details of remuneration will be disclosed when it has been determined.

2. Mr. Luo Xi did not receive any remuneration from the Bank in 2009.

3. Mr. Niu Ximing resigned from his positions as an Executive Director and Vice President of the Bank on 29 December 2009 and his total remuneration before tax for the year 2009 was RMB768,000.

Basic Information on Employees and Institutions

As at the end of 2009, the Bank had 389,827 employees[1], representing an increase of 4,218 persons compared with the end of previous year, of whom 313 are employees in major domestic subsidiaries and 2,791 are local employees in overseas institutions. Among the employees in domestic institutions, 44,586 are engaged in the corporate banking segment, 159,688 in personal banking segment[2], 2,028 in treasury operations segment, 77,055 in financial and accounting matters[2], and 103,679 in other specializations, in terms of academic achievements, 9,060 employees have received master's degree or above, accounting for 2.3% of all employees; 145,179 employees have received bachelor's degree, accounting for 37.5%; 153,313 employees have received associate degree, accounting for 39.6% of all employees, and 79,484 employees have qualifications below associate degree, accounting for 20.6%.

The Bank had 16,232 domestic operation and 162 overseas institutions, totaling 16,394, representing an increase of eight compared with the end of the previous year.

GEOGRAPHIC DISTRIBUTION OF ASSETS, INSTITUTIONS AND EMPLOYEES

	At 31 December 2009					
Item	Assets (in RMB millions)	Percentage (%)	Institutions	Percentage (%)	Employees	Percentage (%)
Head Office	5,823,910	34.4	34	0.2	9,986	2.6
Yangtze River Delta	2,427,925	14.4	2,446	14.9	49,717	12.7
Pearl River Delta	1,461,854	8.6	1,994	12.2	43,784	11.2
Bohai Rim	2,965,139	17.5	2,748	16.8	62,017	15.9
Central China	1,491,357	8.8	3,460	21.1	84,480	21.7
Western China	1,636,235	9.7	3,791	23.1	87,328	22.4
Northeastern China	719,400	4.3	1,755	10.7	49,411	12.7
Overseas and others	385,725	2.3	166	1.0	3,104	0.8
Total	**16,911,545**	**100.0**	**16,394**	**100.0**	**389,827**	**100.0**

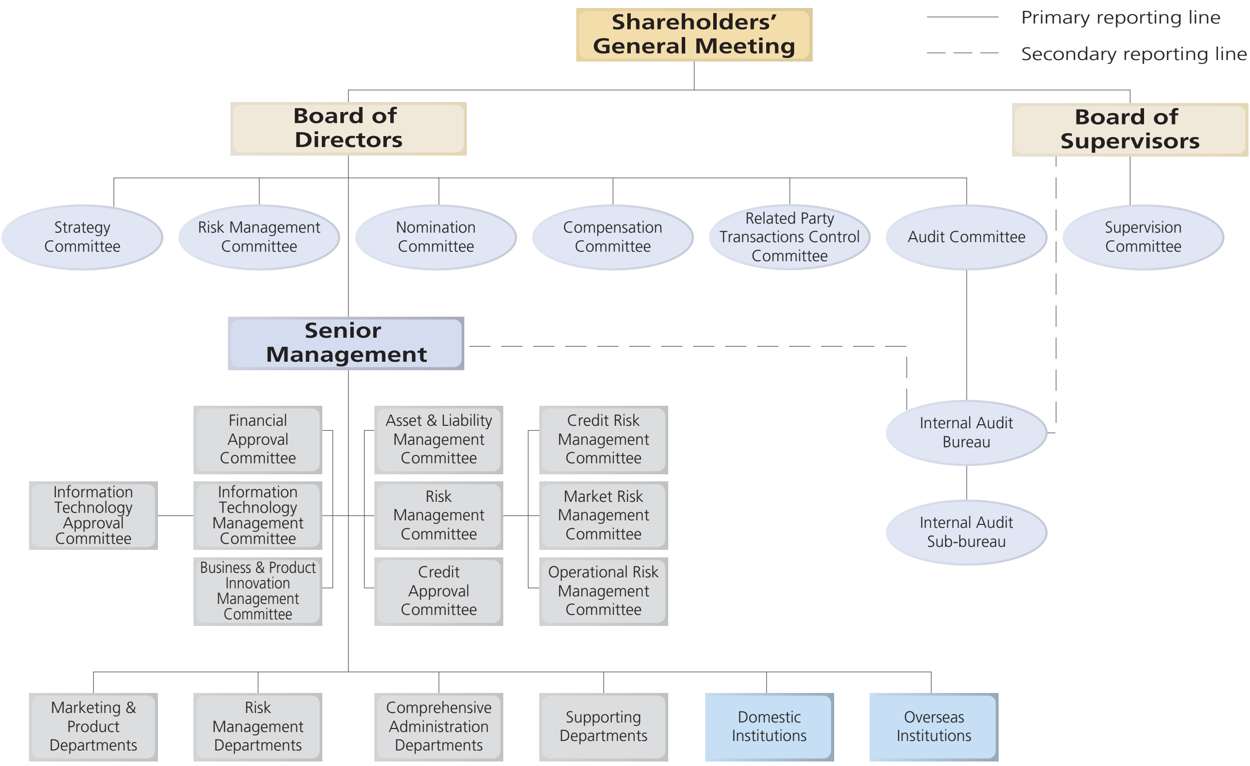
Notes: (1) Overseas and others include investments in associates and a jointly controlled entity.

(2) Total excludes offset or undistributed assets.

1 Does not include labor dispatched for services totaling 36,457 employees.

2 Inclusive of bank tellers in branches and sub-branches.

Corporate Governance Framework



Note: The chart above presents the corporate governance structure of the Bank as at the end of 2009.

During the reporting period, the Bank strictly followed the laws and regulations of the business places and regulatory rules of the places of listing. According to the Strategic Development Plan for 2009–2011, the Bank responded to various uncertainties and risks under the new situation through enhancement of corporate governance and improvement of risk management. The Bank adjusted and optimized the setup and composition of special committees of the Board of Directors, co-opted independent non-executive directors and employee supervisors, amended and improved corporate governance rules and regulations including the Articles of Association of the Bank, optimized the corporate governance mechanism of "scientific decision-making, effective supervision and sound operation", improved the quality of information disclosure and investor relations services, and effectively performed its social responsibility, thereby laying a solid foundation for the Bank to attain the vision of becoming the most profitable, most excellent and most respectable and internationally leading financial enterprise in the world.

- The Bank adjusted and optimized the setup and composition of the special committees of the Board of Directors, separated the Related Party Transactions Control Committee from the Risk Management Committee and split the Nomination and Compensation Committee into Nomination Committee and Compensation Committee based on the composition of the original Strategy Committee, Audit Committee, Risk Management Committee, Nomination and Compensation Committee of the Board of Directors, thereby further clarifying the responsibilities of each special committee of the Board of Directors and rationalizing their structures.

- The Bank amended corporate governance rules and regulations including the Articles of Association of the Bank, the rules of procedures for the Shareholders' General Meeting, the Board of Directors and the Board of Supervisors, the working rules of each special committee of the Board of Directors, the Working Rules of the President, and the administrative measures for the holding and transfer of shares of the Bank by directors, supervisors and Senior Management members.
- The Bank actively pushed forward the comprehensive risk management system, and further improved its overall risk management capability and independence. The Bank conducted preliminary assessment for implementation of the New Basel Capital Accord according to the standards of the New Basel Capital Accord, and accelerated the construction and development of risk measurement techniques such as the Internal Ratings-based (IRB) Approach, the Market Risk Internal Model Approach (IMA) and the Operational Risk Advanced Measurement Approach (AMA) as well as the construction of the information system. The risk quantification achievements have played an important part in the risk management process.
- The Bank continued to deepen the internal audit functions, and paid significant attention to the risk control for the principal businesses, important systems and key areas of the Bank, the efficiency and effect of the Group's strategy implementation and operation target fulfillment, and the influence of changes in business environment on the competitiveness and sustainability, thereby effectively contributing to the supporting and facilitating of the Bank's implementation of development strategy and fulfillment of operation targets. The Bank established the audit risk assessment system and the IT application platform, remarkably improved off-site analysis and monitoring, further optimized the quality control and self-improvement mechanism, and further enhanced innovation capability and audit effect.
- Aiming at advancing the construction of internal control system, the Bank enhanced compliance risk identification and assessment capability, improved the level of off-site work, and diligently conducted key compliance inspections and audit projects, standardized its internal transaction management, improved anti-money laundering management and strengthened the management of internal control compliance system and the construction of internal control compliance culture.
- The Bank continuously optimized staffing, established an integrated human resources management system at home and abroad, increased the incentives for front office marketing personnel, improved the staff welfare security system and made great efforts to provide trainings for employees.
- The Bank strived to establish a compatible, efficient and individualized equity management platform to monitor share transfers in time, to properly deal with the matters in relation to the share transfers by institutional investors and dividend distribution, and to continuously improve the investor relations services.
- The Bank formulated the Rules for Annual Report Work of the Audit Committee and the Rules on Insider Information and Insider Management, and revised the Administrative Measures on Internal Reporting of Significant Information (Trial); established the accountability mechanism for substantial errors in annual report information disclosure to ensure information disclosure is in compliance with laws and regulations. In light of investors' needs, the Bank properly enhanced voluntary information disclosure, published the Corporate Social Responsibility Report and the Internal Control Self-Assessment Report and endeavored to improve transparency of the Bank.
- The Bank won 26 corporate governance awards at home and abroad, including the "Best Corporate Governance", the "Best Investor Relations" and the "Best CSR Award" awarded by the *FinanceAsia*, and the "Best Corporate Governance Disclosure Awards 2009: H-share Category Platinum Award" awarded by the Hong Kong Institute of Certified Public Accountants.

Compliance with the Code on Corporate Governance Practices

During the reporting period, the Bank fully complied with the principles and code provisions stipulated in the Code on Corporate Governance Practices (the "Code") (Appendix 14 to the Hong Kong Listing Rules), and essentially complied with the recommended best practices of the Code.

Board of Directors and Special Committees

Composition of the Board of Directors

At the end of the reporting period, the Board of Directors of the Bank consisted of 15 directors, including three Executive Directors, six Non-executive Directors and six Independent Non-executive directors. All the Executive Directors have worked in the areas of banking and management for a long time and possess extensive professional expertise in those areas. Most Executive Directors specialize in economic management and have rich management experience. All the Non-executive Directors are prestigious experts in the areas of finance, accounting and taxation, and most of them once worked at international institutions and are familiar with corporate finance and management. The number of Independent Non-executive Directors of the Bank accounted for more than one third of the total members of the Board of Directors, meeting relevant regulatory requirements.

Responsibilities and Operation of the Board of Directors

The Board of Directors of the Bank is responsible to the Shareholders' General Meeting. The powers of the Board of Directors include, among others:

- Convene and report to the Shareholders' General Meeting;
- Implement resolutions of the Shareholders' General Meeting;
- Decide on business plans, investment plans and development strategies of the Bank;
- Formulate annual budgets and final accounts of the Bank;
- Formulate plans on profit distribution and recovery of loss;
- Formulate plans for increase or decrease of registered capital of the Bank;
- Formulate fundamental management rules for risk management, internal control, connected transactions, and supervise the implementation of these rules;
- Appoint or remove, based on the President's nomination, Vice Presidents and other Senior Management members (except the Board Secretary) who shall be appointed or removed by the Board of Directors according to applicable laws, and decide on their remuneration, rewards and sanctions;
- Decide or authorize the President to set up tier-1 departments and sections of the Head Office, domestic tier-1 branches, branches or institutions directly controlled by the Head Office, and overseas institutions; and
- Other powers delegated by the Shareholders' General Meeting or set out in the Articles of Association of the Bank.

Meetings of the Board of Directors

The table below illustrates the attendance of directors in meetings of the Board of Directors and special committees in 2009.

Director	Actual attendances/Number of meetings requiring attendance						
		Under the Board of Directors					
	Board of Directors	Strategy Committee	Audit Committee	Risk Management Committee	Nomination Committee	Compensation Committee	Related Party Transactions Control Committee
Executive Directors							
Jiang Jianqing	15/15	8/8					
Yang Kaisheng	15/15	8/8			3/3	1/1	
Zhang Furong	15/15						5/5
Non-executive Directors							
Huan Huiwu	15/15	8/8				1/1	
Gao Jianhong	15/15	8/8				1/1	
Li Chunxiang	15/15			2/2	3/3		
Li Jun	15/15		6/6	2/2			
Li Xiwen	15/15			2/2	3/3		
Wei Fusheng	15/15	8/8	6/6	2/2			
Independent Non-executive Directors							
Leung Kam Chung, Antony	15/15	8/8	6/6	2/2	3/3	1/1	5/5
Qian Yingyi	15/15	8/8	6/6	2/2	3/3	1/1	
Xu Shanda	15/15	8/8	6/6		3/3	1/1	5/5
Wong Kwong Shing, Frank	15/15		6/6	2/2	3/3	1/1	5/5
Malcolm Christopher McCarthy	2/2						
Kenneth Patrick Chung	2/2						
Leaving Directors							
Niu Ximing	14/14			2/2			
Christopher A. Cole	6/6	3/3		1/1			

Note: For the change of directors, please refer to the section headed "Directors, Supervisors, Senior Management, Employees and Institutions — Appointment and Removal".

During the reporting period, the Board of Directors of the Bank held 15 meetings on 15 January, 13 February, 20 March, 23 to 25 March, 27 April, 20 May, 2 July, 20 August, 15 September, 29 September, 10 October, 29 October, 23 November, 24 December and 29 December, including 12 onsite meetings and three meetings held in the form of circulation of written proposals. The Board of Directors reviewed 72 proposals, including the 2008 Annual Report, the 2008 Annual Internal Control Self-Evaluation Report, the 2008 Annual Corporate Social Responsibility Report, the nomination of the candidates for directors, the appointment of Senior Management members and the revisions to the Articles of Association of the Bank, the Rules of Procedures for the Shareholders' General Meeting and the Rules of Procedures for the Board of Directors.

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

The Board of Directors of the Bank has completed the implementation of the "Proposal on 2008 Final Accounts", the "Proposal on 2008 Profit Distribution Plan" and the "Proposal on 2009 Fixed Assets Investment Budget" reviewed and approved at the Annual General Meeting for the Year 2008.

In accordance with the "Proposal on the Engagement of Accounting Firms for 2009" reviewed and approved at the Annual General Meeting for the Year 2008, the Board of Directors of the Bank has re-engaged Ernst & Young Hua Ming and Ernst & Young as auditors of the Bank to provide audit services.

The "Proposal on the Revision of the Articles of Association of Industrial and Commercial Bank of China Limited" was considered and approved at the Annual General Meeting for the Year 2008. The revised Articles of Association of the Bank has become effective on 28 August 2009 upon approval of CBRC.

The "Proposal on the Revision of the Rules of Procedures of the Shareholders' General Meeting of Industrial and Commercial Bank of China Limited, the "Proposal on the Revision of the Rules of Procedures of the Board of Directors of Industrial and Commercial Bank of China Limited" and the "Proposal on the Revision of the Board of Supervisors of Industrial and Commercial Bank of China Limited" were considered and approved at the Annual General Meeting for the Year 2008. The above rules have become effective on 25 May 2009.

In accordance with the "Proposal on the Appointment of Ms. Dong Juan as an External Supervisor of Industrial and Commercial Bank of China Limited" and the "Proposal on the Appointment of Mr. Meng Yan as an External Supervisor of Industrial and Commercial Bank of China Limited" reviewed and approved at the Annual General Meeting for the Year 2008, the appointment of Ms. Dong Juan and Mr. Meng Yan has taken effect since 25 May 2009.

In accordance with the "Proposal on the Remuneration Settlement Plan for 2008 for the Directors and Supervisors" reviewed and approved at the Annual General Meeting for the Year 2008, the Bank has paid remuneration for 2008 to the directors and supervisors.

In accordance with the "Proposal on the Increase of Capital to ICBC Financial Leasing Co., Ltd." reviewed and approved at the First Extraordinary General Meeting for the Year 2009 on 2 September 2009, the Bank has completed the increase of capital to ICBC Financial Leasing Co., Ltd.

The "Proposal on the Acquisition of the Equity of ACL BANK Public Company Limited" was considered and approved at the Second Extraordinary General Meeting for the Year 2009 on 27 November 2009, and the implementation of the voluntary tender offer for all common and preference shares (if applicable) of ACL BANK Public Company Limited and the possible delisting offer was also approved. As at 2 March 2010, all necessary regulatory approvals required for making the voluntary tender offer as contemplated under the acquisition have been obtained. The Bank has launched the voluntary tender offer to ACL BANK Public Company Limited. The offer period has not closed and the acquisition is still in progress.

The "Proposal on the Election of Sir Malcolm Christopher McCarthy as an Independent Non-executive Director of Industrial and Commercial Bank of China Limited" and the "Proposal on the Election of Mr. Kenneth Patrick Chung as an Independent Non-executive Director of Industrial and Commercial Bank of China Limited" were considered and approved at the Second Extraordinary General Meeting for the Year 2009 on 27 November 2009. The appointment of Sir Malcolm Christopher McCarthy and Mr. Kenneth Patrick Chung was approved by CBRC on 14 December 2009.

Implementation of Matters Authorized by the Shareholders' General Meeting

The Board of Directors of the Bank was in strict compliance with the Articles of Association of the Bank and the "Proposal for Granting Authorization to the Board of Directors by the Shareholders", earnestly performed its duties, made decisions in a scientific and prudent manner, and exercised powers pursuant to the defined scope of authority. During the reporting period, no matter was beyond the scope of the approval authority of the Board.

Responsibilities of Directors in respect of Financial Statements

The Directors of the Bank acknowledged that they are responsible for the preparation of the financial statements of the Bank. The Bank has published its annual results within four months after the end of the reporting period.

Independence and Performance of Duties of Independent Non-executive Directors

The qualifications, number and proportion of the Bank's Independent Non-executive Directors fully comply with the regulatory rules. The Bank's Independent Non-executive Directors do not have any business or financial interests in the Bank or its subsidiaries, and they have not assumed any managerial post in the Bank, hence their independence is assured. The Bank has received the annual confirmation on independence from all Independent Non-executive Directors and considered that they were independent.

During the reporting period, the Bank's Independent Non-executive Directors earnestly attended the meetings of the Board of Directors and special committees, with an attendance rate of 100%. The chairmen of five of the six special committees of the Board of Directors of the Bank (namely the Audit Committee, the Risk Management Committee, the Nomination Committee, the Compensation Committee and the Related Party Transactions Control Committee) were Independent Non-executive Directors. The Bank's Independent Non-executive Directors came to understand the financial market business, risk management, internal control, connected transactions and employees' compensation system, among others, by means of onsite investigation and informal discussion, and exchanged opinions with the Management. At the meetings of the Board of Directors, the Independent Non-executive Directors of the Bank gave their opinions actively, and provided valuable suggestions on the business development and significant decision-making of the Bank. They also issued independent opinions concerning the continuing connected transactions, external guarantee, nomination of the directors and engagement of Senior Management members of the Bank during the reporting period, which reflected the fulfillment of their obligations to remain honest and diligent, and promoted the scientific decision-making of the Board. During the reporting period, the Bank's Independent Non-executive Directors raised no objection as to the matters resolved by the Bank's Board of Directors or special committees.

Construction and Improvement of Working Rules of Independent Non-executive Directors

The Bank has formulated the "Working Rules of Independent Directors" and the "Regulations for Annual Report Work of Independent Directors", further defining the powers and functions of Independent Non-executive Directors and providing a system guarantee for their diligent performance of duties.

Special Committees of the Board of Directors

With the approval of the Board of Directors on 20 March 2009, the setup and composition of the special committees of the Board were adjusted as follows: the Related Party Transactions Control Committee was separated from the Risk Management Committee and formed a new special committee; the Nomination and Compensation Committee was divided into the Nomination Committee and the Compensation Committee; the Strategy Committee was downsized from 15 members to nine members[1]. Following the adjustment above, the Board of Directors had six special committees, namely the Strategy Committee, the Audit Committee, the Risk Management Committee, the Nomination Committee, the Compensation Committee, and the Related Party Transactions Control Committee. Here follows particulars about the performance of duties by each special committee[2]:

- *Strategy Committee*

The Strategy Committee of the Board of Directors consists of eight directors, including Mr. Jiang Jianqing (Chairman of the Board of Directors of the Bank), Mr. Yang Kaisheng (Vice Chairman of the Board of Directors of the Bank), Independent Non-executive Directors Mr. Leung Kam Chung, Antony, Mr. Qian Yingyi and Mr. Xu Shanda, and Non-executive Directors Mr. Huan Huiwu, Mr. Gao Jianhong and Mr. Wei Fusheng. Mr. Jiang Jianqing assumes Chairman of the committee. The committee is mainly responsible for considering the Bank's strategic development plan, business and institutional development plan, major investment and financing plan and other major matters critical to the Bank's development, and making recommendations to the Board.

During the reporting period, the Strategy Committee of the Board held eight meetings, analyzed domestic and overseas economic and financial situations and regulatory requirements, and studied and determined the Strategic Development Plan for 2009–2011. The committee considered and approved ten proposals including the increase of capital to ICBC Financial Leasing Co., Ltd. and establishment of overseas subsidiaries, and heard three reports including the overseas institutions development plan. The committee provided great support to the scientific decision-making of the Board in the aspects of the formulation and implementation of the new Three-Year Strategic Development Plan and the steady progression of internationalized and diversified operation.

- *Audit Committee*

The Audit Committee of the Board of Directors consists of six directors, including Independent Non-executive Directors Mr. Xu Shanda, Mr. Leung Kam Chung, Antony, Mr. Qian Yingyi and Mr. Wong Kwong Shing, Frank, and Non-executive Directors Mr. Li Jun and Mr. Wei Fusheng, and Independent Non-executive Director, Mr. Xu Shanda assumes the chairman of the committee. The committee is mainly responsible for supervising, inspecting and evaluating internal control, financial information and internal audit of the Bank.

1 Since Mr. Christopher A. Cole left his post at the expiration of his term of office on 1 June 2009, the Strategy Committee of the Board of Directors only had eight members as at the end of the reporting period.

2 On 5 February 2010, the Board of Directors of the Bank approved the appointment of Sir Malcolm Christopher McCarthy to be vice chairman and member of the Strategy Committee and member of the Nomination Committee and the Risk Management Committee of the Bank, approved the appointment of Mr. Kenneth Patrick Chung to be member of the Audit Committee, the Compensation Committee and the Related Party Transactions Control Committee of the Bank, and approved the appointment of Ms. Wang Lili to be member of the Risk Management Committee of the Bank. The appointment of Ms. Wang Lili became effective on the date when her appointment as an Executive Director was approved by the Shareholders' General Meeting of the Bank and CBRC.

SUMMARY REPORT ON THE PERFORMANCE OF DUTIES BY THE AUDIT COMMITTEE

During the reporting period, the Audit Committee of the Board of Directors held six meetings, reviewed ten proposals including the change of accounting policy, the 2008 Annual Report, the Internal Control Self-Evaluation Report for 2008 and the engagement of accounting firm, and heard five reports including the internal audit work report. The committee reviewed financial statements of the Bank on a regular basis, and reviewed and approved the annual report, interim report and quarterly reports of the Bank; attached importance to the supervision of external auditors and heard several reports of external auditors concerning annual audit results, management proposal and audit plan.

During the preparation and audit of the 2009 financial statements, the Audit Committee set out related matters such as audit schedule and arrangement through negotiation with external auditors, conducted supervisions at appropriate time by means of listening to report and holding informal discussion, and reviewed the unaudited and preliminarily audited annual financial statements respectively. The Audit Committee convened a meeting on 24 March 2010, and considered that the annual financial statements truly and completely reflected the financial status of the Bank. The Audit Committee also reviewed the summary of the audit work performed by external auditors for the Bank during the year, made an overall and objective assessment on the performance of external auditors and their quality of practice, and proposed to the Board of Directors to re-engage Ernst & Young Hua Ming and Ernst & Young to serve as the domestic and international auditors of the Bank in 2010, respectively.

ESTABLISHMENT AND IMPROVEMENT OF RELATED WORKING SYSTEMS OF THE AUDIT COMMITTEE

In 2009, the Bank revised the "Working Rules of the Audit Committee", formulated the "Rules for Annual Report Work of the Audit Committee", and further clarified the functions and powers of the Audit Committee, providing system guarantee for the Bank's supervision, inspection and evaluation of internal control, financial report and internal audit.

- *Risk Management Committee*

At the end of the reporting period, the Risk Management Committee of the Board of Directors consisted of seven directors, including Independent Non-executive Directors Mr. Leung Kam Chung, Antony, Mr. Qian Yingyi and Mr. Wong Kwong Shing, Frank, and Non-executive Directors Ms. Li Chunxiang, Mr. Li Jun, Mr. Li Xiwen and Mr. Wei Fusheng[1]; Independent Non-executive Director, Mr. Leung Kam Chung, Antony assumes the chairman of the committee. The committee is primarily responsible for approving the strategy, policy and procedures of risk management and internal control process, and supervising and evaluating the performance of Senior Management members and risk management department in respect of risk management.

During the reporting period, the Risk Management Committee held two meetings, discussed, reviewed and approved the Bank's risk management plan, and heard the annual and interim risk management reports. By establishing objectives of risk management and reviewing significant risk management regulations, the committee supervised and guided the operation of the risk management system, explored risk management tactics in response to the latest development of the market, thereby promoting the efficient operation of the risk management system.

[1] Mr. Christopher A. Cole and Mr. Niu Ximing ceased to be the member of the Risk Management Committee of the Board of Directors of the Bank from 1 June 2009 and 29 December 2009, respectively.

- *Nomination Committee*

At the end of the reporting period, the Nomination Committee of the Board of Directors consisted of seven directors, including Mr. Yang Kaisheng (Vice Chairman Board of Directors of the Bank), Independent Non-executive Directors Mr. Qian Yingyi, Mr. Leung Kam Chung, Antony, Mr. Xu Shanda and Mr. Wong Kwong Shing, Frank, and Non-executive Directors Ms. Li Chunxiang and Mr. Li Xiwen. Mr. Qian Yingyi assumes the chairman of the committee. The committee is mainly responsible for making recommendations to the Board of Directors on selection of candidates for directors and Senior Management members, reviewing qualifications of candidates for Senior Management members, nominating candidates for chairmen and members of special committees of the Board of Directors, and formulating the standards and procedures for selection and appointment of directors and Senior Management members as well as the development plans for Senior Management members and key reserve talents.

The Nomination Committee nominates candidates for directors based on whether the candidate is eligible for directorship, complies with applicable laws, administrative rules, regulations and the Articles of Association of the Bank, performs the obligation of diligence, has a thorough understanding of business operations management of the Bank, and accepts the supervision of the Board of Supervisors on his/her performance of duties. Apart from the requirements above, candidates for the position of the Bank's Independent Non-executive Directors shall have outstanding professional capabilities and good reputation, independently perform responsibilities, possess basic knowledge of operations of a listed company, be familiar with the operations management of commercial banks, and have not less than eight years of relevant work experience. The nomination of the candidate for directorship made by the Nomination Committee shall be subject to approval of the Board of Directors, presented to the Shareholders' General Meeting for review and approval, and reported to CBRC for approval. The meeting of the Nomination Committee is held only when over one half of all members are present, and a resolution is adopted only when over one half of all members vote for it.

SUMMARY REPORT ON THE PERFORMANCE OF DUTIES BY THE NOMINATION COMMITTEE

During the reporting period, the Nomination Committee held three meetings, reviewed and approved five proposals including the plan on adjustment of chairmen and members of special committees of the Board of Directors, and the nomination of candidates for directorship and Senior Management members.

- *Compensation Committee*

At the end of the reporting period, the Compensation Committee of the Board of Directors consisted of seven directors, including Mr. Yang Kaisheng (Vice Chairman of the Board of Directors of the Bank), Independent Non-executive Directors Mr. Qian Yingyi, Mr. Leung Kam Chung, Antony, Mr. Xu Shanda and Mr. Wong Kwong Shing, Frank, and Non-executive Directors Mr. Huan Huiwu and Mr. Gao Jianhong. Mr. Qian Yingyi assumes the chairman of the committee. The committee is mainly responsible for formulating the duty performance assessment measures of Directors, organizing the duty performance assessment of Directors, putting forth proposal on remuneration distribution of Directors, putting forth proposal on remuneration distribution of Supervisors based on the duty performance assessment on Supervisors made by the Board of Supervisors, formulating and reviewing the assessment measures and compensation plans for Senior Management members of the Bank and evaluating the performance and behaviors of Senior Management members.

SUMMARY REPORT ON THE PERFORMANCE OF DUTIES BY THE COMPENSATION COMMITTEE

During the reporting period, the Compensation Committee of the Board of Directors held one meeting, reviewed and approved two proposals including the remuneration distribution plan of Directors, Supervisors and Senior Management members for 2008.

- *Related Party Transactions Control Committee*

At the end of the reporting period, the Related Party Transactions Control Committee of the Board of Directors consisted of four directors, including Independent Non-executive Directors Mr. Wong Kwong Shing, Frank, Mr. Leung Kam Chung, Antony and Mr. Xu Shanda, and Executive Director Mr. Zhang Furong. Independent Non-executive Director, Mr. Wong Kwong Shing, Frank assumes the chairman of the committee. The committee is mainly responsible for identifying the Bank's related parties, reviewing major connected transactions, and receiving connected transaction statistics and filing information of general connected transactions.

During the reporting period, the Related Party Transactions Control Committee held five meetings, identified the list of related parties of the Bank, reviewed three connected transactions and two agreements on continuing connected transactions, heard the reports on connected transaction management, received connected transaction statistics and filing information on a regular basis, and promoted the development of connected transaction management system.

Board of Supervisors and Special Committee

Composition of the Board of Supervisors

At the end of the reporting period, the Board of Supervisors of the Bank consisted of six members, including two Shareholder Supervisors, namely Mr. Zhao Lin and Ms. Wang Chixi, two External Supervisors, namely Ms. Dong Juan and Mr. Meng Yan, and two Employee Supervisors, namely Mr. Zhang Wei and Mr. Chang Ruiming.

Responsibilities and Operation of the Board of Supervisors

As the supervisory organ of the Bank, the Board of Supervisors is responsible to the Shareholders' General Meeting. The powers of the Board of Supervisors include, among others:

- Supervise the performance of duties and due diligence of Directors and Senior Management members, and make inquiries with Directors and Senior Management members;
- Supervise the performance of duties of the Board of Directors and the Senior Management;
- Request the Directors and Senior Management members to rectify any actions damaging the Bank's interests;
- Propose removal of or initiation of legal proceedings against Directors or Senior Management members who have violated laws, administrative regulations and rules, the Articles of Association of the Bank or resolutions of the Shareholders' General Meeting;
- Conduct audits on retiring or leaving Directors and Senior Management members when necessary;
- Examine and supervise the Bank's financial activities;
- Examine financial information such as financial report, business report and profit distribution plan to be submitted to the Shareholders' General Meeting by the Board of Directors, and may engage certified public accountants and practicing auditors in the Bank's name to re-examine such information should ambiguity arise;

- Examine and supervise business decisions, risk management and internal control when necessary, and provide guidance to the internal audit departments of the Bank;
- Formulate measures for assessment of supervisors, assess and evaluate the performance and conduct of supervisors, and report to the Shareholders' General Meeting;
- Present proposals to the Shareholders' General Meeting;
- Propose to convene extraordinary general meetings, and convene and preside over such meetings in case the Board of Directors fails to perform its duty of convening shareholders' general meeting;
- Propose to convene interim meetings of the Board of Directors; and
- Other functions and powers as may be stipulated by applicable laws, administrative regulations, rules or the Articles of Association of the Bank or authorized by the Shareholders' General Meeting.

The Board of Supervisors discusses official business at the meeting of the Board of Supervisors which includes regular meeting and special meeting. The regular meetings shall be held at least four times a year and such meetings shall, in principle, be held before the disclosure of periodical reports.

As the day-to-day administrative body for the Board of Supervisors, the Board of Supervisors' Office, as entrusted by the Board of Supervisors, is responsible for supervising the corporate governance, financial affairs, risk and internal control, etc. and arranging for the meetings of the Board of Supervisors and its special committee, preparing the documents, and making the minutes of meetings.

Supervision Committee

As the special committee of the Board of Supervisors, the Supervision Committee operates in accordance with the authorization of the Board of Supervisors and reports to the Board of Supervisors. The Supervision Committee consists of four Supervisors, including Ms. Dong Juan, Ms. Wang Chixi, Mr. Meng Yan and Mr. Zhang Wei; and Ms. Dong Juan serves as the head member of the Supervision Committee. The daily operation of the Supervision Committee is conducted by the Board of Supervisors' Office.

The powers of the Supervision Committee include:

- Formulate plans for the inspection and supervision of the financial activities of the Bank;
- Formulate plans for the audits on retiring or leaving Directors, President and other Senior Management members;
- Formulate plans for the audits on business policies, risk management and internal control of the Bank when necessary;
- Issue audit opinions on financial report of the Bank and report to the Board of Supervisors;
- Review the investigation report on significant events in the annual operation and financial status of the Bank submitted by the Supervisory Board Office, and report to the Board of Supervisors;
- Give opinions on the performance assessment of Directors and the senior management members, and report to the Board of Supervisors;
- Issue assessment opinions on risk management and the setup and implementation of internal control system, and report to the Board of Supervisors; and
- Other functions and powers as may be authorized by the Board of Supervisors.

For information of meetings of the Board of Supervisors and the Supervision Committee, please refer to the section headed "Report of the Board of Supervisors — Meetings of the Board of Supervisors and its Special Committee".

Internal Control

The Board of Directors is responsible for formulating the basic regulations for internal control and supervising the implementation of such regulations; and the Audit Committee and the Risk Management Committee of the Board of Directors perform the responsibilities of internal control management and review of the effectiveness of internal control. The Bank has set up the Internal Audit Bureau and Internal Audit Sub-bureau which adopt a hierarchical management system, and are responsible to and report to the Board of Directors. The Head Office and branches have internal control and compliance departments which are responsible for the bank-wide organization, promotion and coordination of internal control, operational risk management, compliance management and regular audits.

During the reporting period, the Board of Directors of the Bank continued to improve internal control in accordance with the "Basic Standard for Enterprise Internal Control". The Bank formulated the "Internal Control System Building Plan for 2009–2011", clarifying the objectives and major tasks of internal control system construction in the next three years. The Board improved corporate governance, revised the Articles of Association of the Bank and related working rules, and conducted corporate governance assessment. The Board implemented organizational and institutional reform, optimized human resources allocation, and established an integrated human resources management system at home and abroad. The Bank implemented corporate culture cultivation plan, compiled the "Corporate Culture Manual", created core value concept, cultivated excellent corporate culture, and continuously optimized internal control environment.

The Bank made new progress in the improvement of comprehensive risk management system. The Bank formulated the "Risk Management Plan for 2009–2011", promoted and applied credit risk internal rating system, further expedited the development of market risk and operational risk quantification technique, initiated the internal capital adequacy assessment process (ICAAP) project, actively assisted CBRC in the preliminary assessment of the implementation of the New Basel Capital Accord, pushed forward the graded management of business operation risk, and further enhanced the Group's risk management capability.

The Bank further reinforced control systems and measures. The Bank initiated the reform of centralized business processing system, supervision system and distance authorization, and strengthened the management of business calculation, operation process and service support. The Bank steadily promoted the reform of fund management mechanism, separated trading on own account from brokering in the financial market, and improved the efficiency and performance of fund operation. The Bank strictly implemented authorization management system and further optimized authorization management mode. The Bank strengthened financial management control, improved economic capital evaluation system, and made full use of the operation-oriented effect. The Bank comprehensively enhanced anti-money laundering, further regulated the management of internal transactions, connected transactions and consolidated financial statements of the Group, and improved substantial risk forewarning mechanism and emergency response procedures. The Bank's internal control capability has been continuously improving.

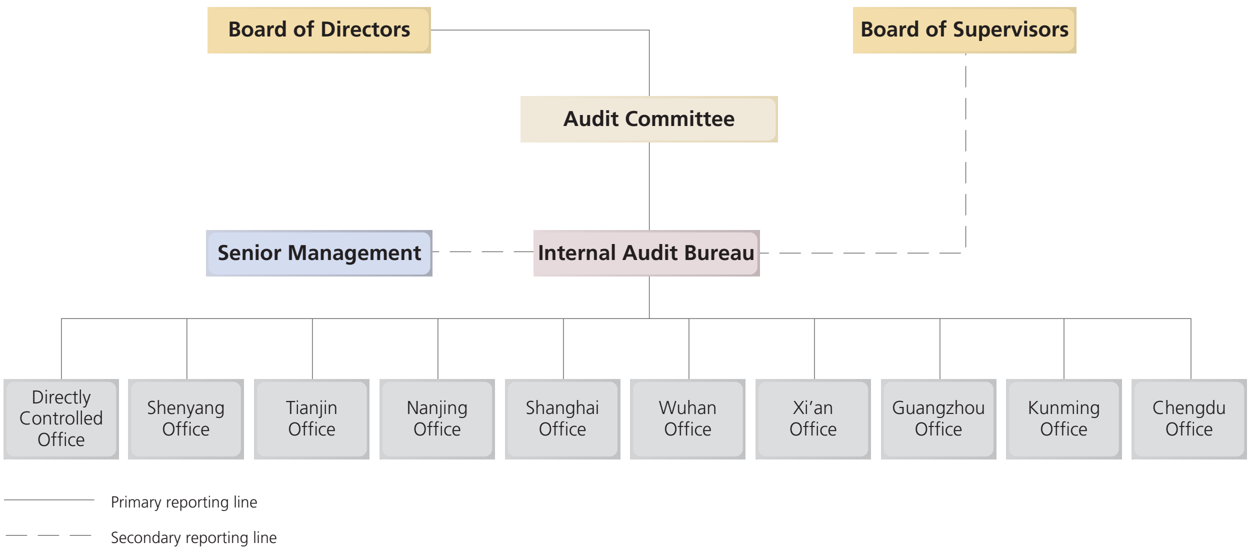
The Bank's internal and external information exchanges were smooth. The Bank clarified information disclosure mechanism and the responsibility and reporting procedures for relevant departments, and continuously improved the quality of information disclosure. The Bank expedited the development of the fourth generation application system (NOVA+), optimized databank application system and system disaster recovery system, and accelerated the promotion of comprehensive business processing system (FOVA) for overseas institutions, therefore the information system has been operating in a safe and stable manner. Following the principle of "placing equal emphasis on punishment and prevention with focus on the latter", the Bank strengthened the management and supervision of management personnel, earnestly carried forward accident prevention work, implemented reporting and complaint system and reporter protection system and improved the anti-fraud mechanism.

The Bank's supervision and inspection functions were brought into full play. In light of the risk-oriented audit concept, the Bank conducted supervision and inspection on key businesses, important systems and material risks, and implemented rectification diligently. In accordance with the regulatory requirements including the "Basic Standard for Enterprise Internal Control" and the "Guide to Internal Control of Listed Companies" issued by SSE, the Bank integrated supervision and inspection resources, organized the internal control self-evaluation in 2009 that covered the Bank's key control areas of operations management, principal business lines and product mixes and various risks, and prepared the Internal Control Self-Evaluation Report on this basis.

Internal Audit

In 2009, the Bank continued to push forward the professionalism process of its internal audit, further intensified integrated management of system, and gradually improved regulatory framework. The initial achievement of audit standardization has been put into practice, and the audit risk assessment system and IT application platform have been established. The Bank has achieved remarkable progress in off-site analysis and monitoring, further optimized audit quality control mechanism and continuously enhanced the capabilities of internal auditors in performance of their duties. The annual audit plan has been fulfilled, effectively contributing to the Bank's implementation of development strategy and attainment of operation targets.

The chart below illustrates the internal audit management and reporting framework of the Bank:



The internal audit activities of the Bank focused on the matters to which the Board of Directors paid attention, the adequacy and effectiveness of risk management and internal control of the Bank as well as the efficiency and effect of the implementation of development strategy and fulfillment of operation targets by the Group on a risk-oriented basis. Focusing on the principal businesses, important systems and key risk areas of the Bank, the internal audit departments conducted special audits or audit investigations concerning loan business, fund business, credit card business, off-balance-sheet business, safe operation of IT, consolidated management of financial statements of the Group, overseas merger and acquisition, and resignation of Senior Management members both in domestic and international institutions. The internal audit activities covered the Bank's risk management, internal control and corporate governance, and therefore the supervision and evaluation functions of the internal audit have been effectively performed.

Chairman and President

Pursuant to code provision A.2.1 of the Code (Appendix 14 to the Hong Kong Listing Rules) and the Articles of Association of the Bank, the roles of Chairman and President should be separate, and Chairman shall not concurrently hold the position of legal representative or chief responsible officer of the controlling shareholder.

Mr. Jiang Jianqing is the Chairman and legal representative of the Bank, who is responsible for leading the Board of Directors in considering and formulating business development strategies, risk management, internal control and other significant matters of the Bank.

Mr. Yang Kaisheng is the President of the Bank, who is responsible for the daily management of the business operations of the Bank. The President is appointed by and reports to the Board of Directors, and performs his responsibilities as stipulated in the Articles of Association of the Bank and as authorized by the Board of Directors.

Powers and Functions of the Senior Management

The powers of the Board of Directors and the Senior Management are segregated in strict compliance with the Articles of Association and other corporate governance documents of the Bank.

According to the Articles of Association of the Bank, the President is entitled to exercise the following powers: take charge of the Bank's operations management, organize the implementation of the Board resolutions; present the Bank's business and investment plans to the Board of Directors and implement such plans upon approval by the Board of Directors; formulate fundamental management regulations of the Bank; and draft plans of annual budget, final accounts, profit distribution, recovery of loss, increase or decrease of registered capital, bond issuance or listing, and make recommendations to the Board of Directors.

During the reporting period, the Bank made an inspection on the implementation of the authority granted to the President by the Board of Directors, and no matter was beyond the approval authority of the President.

Securities Transactions of Directors and Supervisors

The Bank has adopted a set of codes of conduct concerning the securities transactions by Directors and Supervisors which is no less stringent than the standards set out in the Model Code for Securities Transactions by Directors of Listed Issuers, Appendix 10 to the Hong Kong Listing Rules. After making enquiries to all Directors and Supervisors of the Bank, the Bank is satisfied that in the year ended 31 December 2009, all Directors and Supervisors of the Bank have complied with the provisions of the aforesaid code of conduct.

Term of Directors

The Bank has complied with the provisions of the Hong Kong Listing Rules and the Articles of Association of the Bank that Directors are elected by the Shareholders' General Meeting with a term of three years, and the appointment shall take effect from the date of approval by CBRC. Directors may be reappointed at the Shareholders' General Meeting through re-election after expiry of their term.

Auditors' Remuneration

The Annual General Meeting for the Year 2008 adopted the Proposal on the Engagement of Accounting Firms for 2009, and approved the reappointment of Ernst & Young Hua Ming and Ernst & Young as the domestic auditor and international auditor of the Bank for 2009, respectively, and approved the related audit fees. The Bank has engaged the above two accounting firms to provide audit services for four consecutive years since its IPO, and there was no change in auditors during the past four years.

During the reporting period, the Group paid to Ernst & Young and its member institutions a total fee of RMB170 million for the audit of financial statements (including the audit of financial statements of subsidiaries and overseas branches), of which, RMB153 million was paid by the Bank.

During the reporting period, Ernst & Young and its member institutions provided the Group with non-audit services such as assessment on compliance with laws and regulations of anti-money laundering and anti-terrorism financing and due diligence on acquisitions, and were paid RMB12 million for such professional non-audit services.

Shareholders' Rights

The Bank has strictly complied with applicable laws and regulations of its places of listing and the rules and guidelines of relevant regulatory authorities, and has taken various measures and upheld the standards in accordance with the Articles of Association of the Bank and the Rules of Procedures for the Shareholders' General Meeting, with a view to ensuring that all shareholders, especially minority shareholders, are being treated equally and could fully exercise their rights.

The Bank diligently performed its obligation of information disclosure to ensure the shareholders' right of information. Following the principles of authenticity, accuracy, completeness and timeliness, the Bank has complied with regulatory requirements on information disclosure in Hong Kong and Shanghai, strengthened the management of information disclosure, performed the obligation of information disclosure honestly and diligently, and strived to ensure information disclosure was in compliance with laws and regulations. In line with investors' needs and consumers' right protection, the Bank properly enhanced voluntary information disclosure, encouraged the publication of and continuously published the Corporate Social Responsibility Report and the Internal Control Self-evaluation Report, and engaged Ernst & Young Hua Ming to assess the Bank's Internal Control Self-evaluation Report, in an effort to enhance the corporate transparency of the Bank. During the reporting period, the Bank revised the "Administrative Measures on Internal Reporting of Significant Information (Trial)" according to latest regulatory requirements, and formulated the "Rules for Annual Report Work of the Audit Committee" and the "Rules on Insider Information and Insider Management", thereby further improving the information disclosure system. The Bank also established the daily liaison system of information disclosure, and formed a regulated mechanism of information collection and transmission.

The Bank ensured that the shareholders could exercise their rights of participation and voting equally in meetings. During the reporting period, the date, content and delivery method of notice of the Shareholders' General Meeting, the mode of announcement, and procedures for shareholders' proposals complied with relevant provisions of the Company Law and the Articles of Association of the Bank, ensuring that shareholders could exercise their right of participation smoothly. As a company listed in Shanghai and Hong Kong, the Bank held the Annual General Meeting for the Year 2008 in the form of video conference concurrently in Beijing and Hong Kong to ensure that domestic and overseas shareholders have the same right to participate in the Shareholders' General Meeting, which facilitated shareholders to attend the meeting, exercise their voting rights, participate in discussions and present suggestions.

Shareholder Enquiries. If a shareholder wishes to enquire about share transfer, changes in name or address, reporting loss of share certificates and dividend notes or any other information relating to his/her shares, he/she may write to the following address:

A Share: China Securities Depository and Clearing Corporation Limited, Shanghai Branch

36/F, China Insurance Building, 166 East Lujiazui Road, Pudong New Area, Shanghai, PRC

Telephone: 86-21-58708888

Facsimile: 86-21-58899400

H Share: Computershare Hong Kong Investor Services Limited

17M Floor, Hopewell Center, 183 Queen's Road East, Wanchai, Hong Kong

Telephone: 852-28628555

Facsimile: 852-28650990

Investor Relations

Overview of Investor Relations Activities in 2009

The Bank continuously improved investor relations services following the principle of "serving investors in an efficient and proactive manner, safeguarding investors' legitimate rights and interests, meanwhile promoting the continuous improvement of corporate value and return to shareholders through investors and capital market".

The Bank dealt with the expiration of stock lock-up period of strategic investors actively, properly and smoothly, and minimized the possible impact on the market, thus safeguarding market stability and building up an image of a responsible leading bank. The Bank continued to enhance proactive and all rounded communications with investors through various methods, such as domestic and overseas non-listing road shows, results publicity meetings, large group promotions and reverse road shows. The Bank also continued to optimize the investor communication e-platform including investor relations website, investor hotlines and investor email to maintain close connection with global investors in a timely and convenient fashion. The Bank actively facilitated internal transmission of feedbacks from capital markets, and collected and analyzed investors' basic viewpoints on business results of the Bank, significantly focused issues and their opinions concerning operational development of the Bank, with a view to enhancing corporate governance and inherent value of the Bank. The Bank acquired in a timely manner the latest performance of the bank, operation of domestic and international peers, movement of capital markets, viewpoints of analysts and macro-economic data, thereby providing sound data support for enhancing the communication with investors. The Bank also closely monitored and timely analyzed the equity structure changes of the Bank, explored the reasons for fluctuations of share price, strengthened its exchanges with shareholders, and addressed related matters and preparation of dividend distribution to advance sophisticated and individualized equity service.

In 2009, the Bank was award the "Best Investor Relations" by *FinanceAsia*, the "Achievement Award for Commitment to Investors in China" by *The Asian Banker* and the "Platinum Award for All-Round Excellence" for 2009 by *The Asset* of Hong Kong, the highest honor of this kind. In 2010, the Bank will further deepen its communications with investors to enable them to have more knowledge of the Bank and also expect more attention and support from investors.

Investor Enquiries

If an investor wishes to make any related enquiries, please contact:

Telephone: (8610)-66108608

Facsimile: (8610)-66108522

E-mail: ir@icbc.com.cn

Address: Corporate Strategy and Investor Relations Department, Industrial and Commercial Bank of China Limited, 55 Fuxingmennei Avenue, Xicheng District, Beijing, PRC

Postal code: 100140

Other Information

The Chinese and English versions of this Annual Report are available at the website of the Bank (www.icbc-ltd.com) and the "HKExnews" website of SEHK (www.hkexnews.hk).

The organizational charts and a summary of the responsibilities of the Bank's Board of Directors and its special committees, the Board of Supervisors and its special committee and the Senior Management are also available at the Bank's website. If investors have any questions about obtaining this Annual Report or assessing the document on the Bank's website, please call investor hotline 86-10-66108608.

Summary of the Shareholders' General Meeting

During the reporting period, the Bank convened one annual general meeting and two extraordinary general meetings which reviewed and approved a total of 17 proposals. Each meeting was convened in compliance with relevant legal procedures which assured shareholders' participation and exercise of rights. These meetings were held in the presence of lawyers who also issued legal opinions. Details of the meetings are as follows.

Annual General Meeting

The Annual General Meeting for the Year 2008 was held on 25 May 2009 in Beijing and Hong Kong concurrently by video conference. The announcement of the poll results of the annual general meeting was published on the website of SEHK on 25 May 2009, and in the newspaper designated for information disclosure and on the website of SSE on 26 May 2009.

Extraordinary General Meetings

The First Extraordinary General Meeting for the Year 2009 of the Bank was held in Beijing on 2 September 2009. The announcement of the poll results of the above extraordinary general meeting was published on the website of SEHK on 2 September 2009, and in the newspaper designated for information disclosure and on the website of SSE on 3 September 2009.

The Second Extraordinary General Meeting for the Year 2009 of the Bank was held in Beijing on 27 November 2009. The announcement of the poll results of the above extraordinary general meeting was published on the website of SEHK on 27 November 2009, and in the newspaper designated for information disclosure and on the website of SSE on 28 November 2009.

The announcements of the poll results of the Annual General Meeting and Extraordinary General Meetings were also published on the website of the Bank.

Principal Business

The principal business of the Bank and its subsidiaries is the provision of banking and related financial services.

Profits and Dividends Distribution

The profit and financial status of the Group during the reporting period are presented in the independent auditors' report and financial statements of this Annual Report.

Upon the approval at the Annual General Meeting for the Year 2008 on 25 May 2009, the Bank has distributed cash dividends of RMB55,113 million, or RMB1.65 per ten shares (pre-tax), for the period from 1 January 2008 to 31 December 2008 to the shareholders whose names appeared on the share register as at 3 June 2009.

The Board of Directors of the Bank proposed a cash dividend of RMB1.70 per ten shares (pre-tax), totaling RMB56,783 million, for the financial year ended 31 December 2009. Such proposed dividend distribution is subject to the approval at the forthcoming Annual General Meeting for the Year 2009.

The table below sets out the dividends distribution of the Bank for the recent three years.

In RMB millions, except for percentages

Item	2008	2007	2006
Cash dividends (pre-tax)(1)	55,113	44,425	5,344
Percentage of cash dividends(2) (%)	50	54	59

Notes: (1) Figure for 2006 excluded interim dividends and special dividends distributed prior to the IPO.

(2) Calculated by dividing cash dividends (pre-tax) by net profit attributable to equity holders of the parent company for the period. Figure for 2006 is the ratio of cash dividends distributed after the IPO to net profit for the period starting from the date of IPO and ended 31 December 2006 (not restated).

Reserves

Changes in the reserves as at the end of 2009 are set out in the "Financial Statements: Consolidated Statement of Changes in Equity".

Distributable Reserves

Details of the distributable reserves of the Bank as at 31 December 2009 are set out in "Note 40 to the Financial Statements: Reserves".

Financial Summary

The summary of results, assets and liabilities for the five years ended 31 December 2009 is set out in the section headed "Financial Highlights" of this Annual Report.

Donations

During the reporting period, the Bank's domestic institutions made external donations of approximately RMB24.66 million (excluding personal donations of employees).

Property and Equipment

Changes in property and equipment for the year ended 31 December 2009 are set out in "Note 30 to the Financial Statements: Property and equipment" in this Annual Report.

Subsidiaries

Particulars of the Bank's principal subsidiaries as at 31 December 2009 are set out in the section of "Discussion and Analysis — Business Overview — Internationalized and Diversified Operation" and "Note 28 to the Financial Statements: Investments in subsidiaries" in this Annual Report.

Share Capital and Public Float

Changes in the issued share capital of the Bank during this financial year are set out in "Note 39 to the Financial Statements: Share capital".

As at the bulk printing date of this Annual Report, the Board of Directors of the Bank believes that the Bank has maintained the minimum public float of 23.45%, based on the publicly available information and to the best knowledge of the Board of Directors of the Bank.

Purchase, Sale or Redemption of Shares

During the reporting period, neither the Bank nor any of its subsidiaries purchased, sold or redeemed any listed shares of the Bank.

Details of Issue of Shares and Bonds

During the reporting period, neither the Bank nor any of its subsidiaries were involved in any issue, repurchase or grant of convertible securities, options, warrants or other similar rights. Details regarding the issue of bonds by the Bank are set out in the section headed "Details of Changes in Share Capital and Shareholding of Substantial Shareholders — Details of Share and Bond Issuance and Initial Public Offering".

Pre-emptive Rights

The Articles of Association of the Bank do not have any mandatory provision regarding pre-emptive rights. Pursuant to the Articles of Association of the Bank, the Bank may increase its registered capital by issuing shares through public or non-public offering, issuing bonus shares to the existing shareholders, converting capital reserve to share capital or using other methods as allowed by applicable laws and administrative regulations or approved by relevant authorities.

Major Customers

In 2009, the aggregate interest income and other operating income from top five customers of the Bank did not exceed 30% of the interest income and other operating income of the Bank during the year.

Use of Proceeds from the IPO

The funds raised from the Bank's IPO were used for the purposes as disclosed in the prospectus, namely, strengthening the capital base to support the ongoing growth of the Bank.

Material Investment of Funds not Raised from the IPO

During the reporting period, the Bank did not have any material investment of funds not raised from the IPO.

Directors' and Supervisors' Interests in Contracts of Significance

During the reporting period, none of the Directors or Supervisors of the Bank had any material interests, whether directly or indirectly, in any contract of significance regarding the Bank's business to which the Bank or any of its subsidiaries was a party. None of the Directors or Supervisors of the Bank has entered into any service contract with the Bank, which is not determinable by the Bank within one year without payment of compensation (other than statutory compensation).

Directors' Interests in Competing Business

None of the Bank's Directors held any interests in any business competes or competed or is or was likely to compete, either directly or indirectly, with the Group.

Directors' and Supervisors' Rights to Acquire Shares or Debentures

As at 31 December 2009, the Bank did not grant any rights to acquire shares or debentures to any of its Directors or Supervisors, nor were any such rights exercised by any of the Directors or Supervisors. Neither the Bank nor its subsidiaries entered into any agreement or arrangement enabling the Directors or Supervisors to acquire benefits by means of the acquisition of shares in or debentures of the Bank or any other body corporate.

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

As at 31 December 2009, none of the Directors or Supervisors of the Bank had any interests or short positions in the shares, underlying shares or debentures of the Bank or any of its associated corporations (as defined in Part XV of the Securities and Futures Ordinance of Hong Kong) which have to be notified to the Bank and SEHK under Divisions 7 and 8 of Part XV of the Securities and Futures Ordinance of Hong Kong (including interests or short positions therein that they shall be deemed to have pursuant to such provisions of the Securities and Futures Ordinance of Hong Kong), or any interests or short positions which have to be recorded in the register under Section 352 of the Securities and Futures Ordinance of Hong Kong, or any interests or short positions which have to be notified to the Bank and SEHK pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Hong Kong Listing Rules.

For information on interests and short positions held by substantial shareholders and other persons of the Bank, please refer to the section headed "Details of Changes in Share Capital and Shareholding of Substantial Shareholders".

Connected Transactions

Continuing Connected Transactions Defined under the Hong Kong Listing Rules

- *Continuing Connected Transactions with the BEA Group*

Pursuant to the Hong Kong Listing Rules, the Bank of East Asia, Limited ("BEA" and, together with its subsidiaries and associates, the "BEA Group") is a substantial shareholder of a subsidiary of the Bank, therefore, the BEA Group is a connected person of the Bank.

During the reporting period, the Bank engaged in fixed-income securities transactions, foreign exchange transactions, derivatives transactions, money market instruments transactions, custody services and forfaiting transactions with the BEA Group on normal commercial terms. Such transactions constitute continuing connected transactions under Rule 14A.34 of the Hong Kong Listing Rules.

In order to regulate the abovementioned continuing connected transactions, the Bank and BEA entered into an inter-bank transactions master agreement (the "Original BEA Agreement") on 26 September 2006. As the Original BEA Agreement expired on 25 September 2009, the Bank and BEA renewed the inter-bank transactions master agreement (the "Renewed BEA Agreement") on 22 September 2009.

In respect of the continuing connected transactions under the Original BEA Agreement, the Bank, at the time of the IPO, applied to SEHK for a waiver under Rule 14A.42(3) of the Hong Kong Listing Rules:

1. from strict compliance with the announcement (but not reporting) and independent shareholders' approval requirements (if applicable) under the Hong Kong Listing Rules for non-exempt connected transactions, and SEHK has granted such waiver; and

2. from strict compliance with the requirement to set an annual limit for non-exempt connected transactions and SEHK has granted such waiver.

Pursuant to the Renewed BEA Agreement, the BEA Group and the Bank agreed to conduct the inter-bank transactions in accordance with applicable normal market practices and on normal commercial terms. There is no fixed price or rate for each type of transactions governed by the Renewed BEA Agreement, however, the parties agreed to apply the prevailing market prices or rates normally used by independent counterparties to the particular type of transactions concerned when transacting pursuant to the Renewed BEA Agreement. The Renewed BEA Agreement is valid for a period of three years commencing on 26 September 2009 and, with the consent of both parties, may be extended for another three years upon expiration.

The fixed-income securities transactions, foreign exchange transactions, derivatives transactions, money market instruments transactions, custody services and forfaiting transactions entered into between the Bank and the BEA Group (the "BEA Inter-bank Transactions") under the Renewed BEA Agreement constitute continuing connected transactions of the Bank under Rule 14A.34 of the Hong Kong Listing Rules and are only subject to reporting and announcement requirements and are exempt from the independent shareholders' approval requirement under the Hong Kong Listing Rules. For the period from 26 September 2009 to 31 December 2009, the BEA Inter-bank Transactions have not exceeded their respective caps:

1. Each of the realized gains, realized losses, unrealized gains or losses (as the case may be) arising from the BEA Inter-bank Transactions have not exceeded RMB1.9 billion;

2. The fair value of the fixed-income securities, foreign exchange, derivatives, and money market instruments entered into with the BEA Group (whether recorded as assets or liabilities) have not exceeded RMB9.6 billion.

- *Continuing Connected Transactions with the Credit Suisse Group*

Pursuant to the Hong Kong Listing Rules, Credit Suisse ("Credit Suisse", and together with its subsidiaries and associates, the "Credit Suisse Group") is a substantial shareholder of a subsidiary of the Bank, therefore, the Credit Suisse Group is a connected person of the Bank.

During the reporting period, the Bank engaged in fixed-income securities transactions, foreign exchange transactions, money market instruments transactions, equity shares and equity-linked securities transactions, listed or over-the-counter derivatives transactions, custody services, and investment banking services with the Credit Suisse Group on normal commercial terms. Such transactions constitute continuing connected transactions under Rule 14A.34 of the Hong Kong Listing Rules.

In order to regulate the abovementioned continuing connected transactions, the Bank and Credit Suisse entered into a master services agreement (the "Original Credit Suisse Agreement") on 26 September 2006. As the Original Credit Suisse Agreement expired on 25 September 2009, the Bank and Credit Suisse renewed the master services agreement (the "Renewed Credit Suisse Agreement") on 22 September 2009.

In respect of the continuing connected transactions under the Original Credit Suisse Agreement, the Bank, at the time of the IPO, applied to SEHK for a waiver under Rule 14A.42 (3) of the Hong Kong Listing Rules:

1. from strict compliance with the announcement (but not reporting) and independent shareholders' approval requirements (if applicable) under the Hong Kong Listing Rules for non-exempt connected transactions, and SEHK has granted such waiver; and
2. from strict compliance with the requirement to set an annual limit for non-exempt connected transactions and SEHK has granted such waiver.

Pursuant to the Renewed Credit Suisse Agreement, the Credit Suisse Group and the Bank agreed to conduct the inter-bank transactions in accordance with applicable normal market practices and on normal commercial terms. There is no fixed price or rate for each type of transactions governed by the Renewed Credit Suisse Agreement, however, the parties agreed to apply the prevailing market prices or rates normally used by independent counterparties to the particular type of transactions concerned when transacting pursuant to the Renewed Credit Suisse Agreement. The Renewed Credit Suisse Agreement is valid for a period of three years commencing from 26 September 2009 and, with the consent of both parties, may be extended for another three years upon expiration.

The fixed-income securities transactions, foreign exchange transactions, money market instruments transactions, equity shares and equity-linked securities transactions, listed or over-the-counter derivatives transactions, custody services, and investment banking services entered into between the Bank and the Credit Suisse Group (the "Credit Suisse Inter-bank Transactions") under the Renewed Credit Suisse Agreement constitute continuing connected transactions of the Bank under Rule 14A.34 of the Hong Kong Listing Rules, and are only subject to reporting and announcement requirements and are exempt from the independent shareholders' approval requirement under the Hong Kong Listing Rules. For the period from 26 September 2009 to 31 December 2009, the Credit Suisse Inter-bank Transactions have not exceeded their respective caps:

1. Each of the realized gains, realized losses and unrealized gains or losses (as the case may be) arising from the Credit Suisse Inter-bank Transactions have not exceeded RMB1.9 billion;
2. The fair value of the fixed-income securities, foreign exchanges, money market instruments, equity shares and equity-linked securities, listed or over-the-counter derivatives (whether recorded as assets or liabilities) entered into with the Credit Suisse Group have not exceeded RMB9.6 billion.

REVIEW AND CONFIRMATION ON CONTINUING CONNECTED TRANSACTIONS BY INDEPENDENT NON-EXECUTIVE DIRECTORS OF THE BANK

Independent Non-executive Directors of the Bank reviewed the continuing connected transactions which the Bank conducted with the BEA Group and the Credit Suisse Group during the reporting period, and confirmed that:

1. such transactions were entered into in the ordinary and usual course of business of the Bank;
2. such transactions were conducted on normal commercial terms; and
3. such transactions were carried out in accordance with the terms of the relevant agreements, and such terms were fair and reasonable and in the interest of the Bank's shareholders as a whole.

CONFIRMATION BY AUDITORS ON CONTINUING CONNECTED TRANSACTIONS

The auditors of the Bank have examined the abovementioned continuing connected transactions and confirmed that:

1. such transactions were approved by the Board of Directors of the Bank;
2. such transactions were conducted in accordance with the pricing policies of the Bank;
3. such transactions were conducted in accordance with the terms of the relevant agreements governing these transactions; and
4. for the period from 26 September 2009 to 31 December 2009, each of the BEA Inter-bank Transactions and the Credit Suisse Inter-bank Transactions have not exceeded their respective applicable annual caps.

On 4 June 2009, the Bank and BEA entered into two agreements for the acquisition of shares in The Bank of East Asia (Canada) and the sale of shares in ICEA, respectively. Such transactions constitute connected transactions under the Hong Kong Listing Rules. Details of such transactions are set out in the section headed "Significant Events — Material Asset Acquisition, Sale and Merger — Acquisition of Shares in The Bank of East Asia (Canada) and Sale of Shares in ICEA".

Please refer to "Note 47 to the Financial Statements: Related party disclosures" for particulars on the related party transactions defined under PRC laws and regulations.

Remuneration Policy for Directors, Supervisors and Senior Management

The Bank has clearly documented the remuneration policy for Directors, Supervisors and Senior Management members, and has continuously improved performance assessment system and incentive restriction mechanism. In accordance with the principle of combining incentives and restrictions, the Bank's value and shareholders' value as well as individual performance with team contribution, the Bank adopted a system composed of balanced scorecard-based indicators for management and duties allocation based indicators for individuals. The Bank has contributed to statutory retirement programs organized by Chinese governmental organizations at different levels for employees including Executive Directors, Shareholder Supervisors and Senior Management members. Upon obtaining all applicable approvals, the Bank will implement a long-term incentive program. As at 31 December 2009, the Bank had not granted any share appreciation rights to any Director, Supervisor, Senior Management member, or other core business personnel designated by the Board of Directors.

Auditors

The 2009 Financial Statements of the Bank prepared in accordance with PRC GAAP were audited by Ernst & Young Hua Ming, and the financial statements prepared in accordance with the IFRSs were audited by Ernst & Young.

Members of the Board of Directors

Executive Directors: Mr. Jiang Jianqing, Mr. Yang Kaisheng and Mr. Zhang Furong;

Non-executive Directors: Mr. Huan Huiwu, Mr. Gao Jianhong, Ms. Li Chunxiang, Mr. Li Jun, Mr. Li Xiwen, and Mr. Wei Fusheng;

Independent Non-executive Directors: Mr. Leung Kam Chung, Antony, Mr. Qian Yingyi, Mr. Xu Shanda, Mr. Wong Kwong Shing, Frank, Sir Malcolm Christopher McCarthy and Mr. Kenneth Patrick Chung.

By order of the Board of Directors

Jiang Jianqing
Chairman

Meetings of the Board of Supervisors and its Special Committee

Meetings of the Board of Supervisors

During the reporting period, the Board of Supervisors held six meetings, reviewed and approved 15 proposals including the 2008 Annual Report and its abstract, the final accounts, the profit distribution plan, the supervision report of the Board of Supervisors, the 2009 Interim Report and its abstract, and heard 5 reports.

Meetings of the Supervision Committee

During the reporting period, the Supervision Committee held four meetings, reviewed and approved eight proposals including the 2009 Work Report of the Supervision Committee and the Plan on Supervision and Inspection of the Board of Supervisors for 2009, and heard four reports.

The table below sets out the attendance of Supervisors in meetings of the Board of Superiors and the meetings of the Supervision Committee in 2009.

	Actual attendances/Number of meetings requiring attendance	
Supervisor	**Board of Superiors**	**Supervision Committee**
Zhao Lin	6/6	
Wang Chixi	6/6	4/4
Dong Juan	3/3	2/2
Meng Yan	3/3	2/2
Zhang Wei	6/6	2/2
Chang Ruiming	2/2	
Leaving Supervisors		
Wang Daocheng	3/3	2/2
Miao Gengshu	3/3	2/2

Note: For details of changes to supervisors, please refer to the section headed "Directors, Supervisors, Senior Management, Employees and Institutions — Appointment and Removal".

Work of the Board of Supervisors

During the reporting period, pursuant to applicable laws, regulations and the Articles of Association of the Bank, the Board of Supervisors focused on the Bank's financial management, risk management and internal control, performed supervision responsibility and carried out in-depth supervision and inspection with respect to the Bank's key work, playing an important role in further improving corporate governance, strengthening operations management and achieving sustainable and stable development of the Bank.

The Board of Supervisors strengthened financial supervision and standardized accounting items to ensure the truthfulness, accuracy and integrity of financial information. The Board of Supervisors placed emphasis on supervision of such areas as material financial activities and important accounting items which have material influence on its operating results and owners' equity, conducted onsite inspection on four branches and special survey on financial derivatives transactions on behalf of customers and the use and management of technical funds. The Board of Supervisors earnestly reviewed regular reports disclosed to the public with a focus on the classification of loans, accounting treatment of wealth management products, provision charges, fair value assessment of bonds investment and financial derivatives, and inspected the collection of financial data, preparation of financial statements and the scope of audit sampling. Meanwhile, the Board of Supervisor strengthened communications with external auditors and listened to reports concerning annual audit plan and regular report audit, with a focus on the quality of work.

The Board of Supervisors reinforced the supervision over risk management and internal control to promote legal and compliant operations. The Board of Supervisors paid special attention to the impacts of the global financial crisis on the business of the Bank and the Bank's implementation of the national macro-economic policies, monetary policies and development strategy of the Bank, strengthened the supervision over credit risk management and loan compliance, and conducted special inspections on the Group's risk management, construction of consolidated management system, business of several institutional bills and fluctuation of loans at the end of each quarter. The Board of Supervisors placed emphasis on the establishment and refinement of the Bank's internal control systems, conducted special survey and investigation on matters including the implementation of policies concerning information disclosure and connected transactions, as well as the connected transactions between the Bank and its controlled subsidiaries. As to the issues found in supervisory survey that were worth noting, the Board of Directors reminded the Management of the risks and put forth recommendations for rectification.

The Board of Supervisors strengthened the supervision upon performance of duties to enhance the effectiveness of such supervision. The Board of Supervisors reinforced daily supervision with a focus on the compliance with laws, regulations and the Articles of Association of the Bank and the implementation of the rules of procedures, decision-making process and resolutions of the Shareholders' General Meeting by the Board of Directors, the Senior Management and their members. The Directors and members of the Senior Management are aware of and supported the supervision of the Board of Supervisors, and presented their reports on performance of duties to the Board of Supervisors in a timely manner. Pursuant to the Company Law, the Articles of Association of the Bank and the Supervisory Measures of the Board of Supervisors on the Board of Directors, the Senior Management and Their Members, the Board of Supervisors conducted the supervisory assessment upon the performance of duties by the Board of Directors, the Senior Management and their members, and prepared the annual supervisory assessment report. The Board of Supervisors informed the Board of Directors and the Senior Management of the supervision results, and made comments and recommendations on issues identified in terms of corporate governance and operations management.

The Board of Supervisors created working methods to further improve the efficiency and quality of supervision. The Board of Supervisors regularly analyzed major issues in the Bank's strategic development and operational management, and set out the focus of supervision to enhance targeted supervision. They strengthened communications with the Board of Directors and the Senior Management, and advanced the establishment of an operating mechanism with mutual check and balance and coordination. The Board of Supervisors strengthened guidance for internal audit and communication with external auditors, and leveraged on internal and external audit resources to improve the effectiveness of supervision. The Board of Supervisors also reinforced offsite monitoring and analysis to enhance the efficiency of supervision. Besides, the Board of Supervisors organized symposia to extensively solicit opinions and recommendations on corporate governance and operational management of the Bank, and diversified approaches of supervision to enhance the effects of supervision.

The Board of Supervisors strengthened team building and improved work quality. The Board of Supervisors completed the re-election for the new session of the Board of Supervisors and the specialized committees and elected new external supervisors and employee supervisors. The Board of Supervisors revised the Rules of Procedures for the Board of Supervisors and the Working Rules of the Supervisory Committee of the Board of Supervisors. All supervisors performed their duties in due diligence, and conducted in-depth researches by visiting nine branches and listening to reports on relevant work of 13 departments of the Head Office. The Board of Supervisors also strengthened study and theoretical research and communication with other banks, and reinforced the building of supervisory platform to enhance the overall level of supervision.

Independent Opinions of the Board of Supervisors on Relevant Issues

Compliant Operation

During the reporting period, the Bank continued to operate in strict compliance with applicable laws and regulations and improve its internal control system, and the decision-making procedures complied with applicable laws and regulations and the Articles of Association of the Bank. Members of the Board of Directors and the Senior Management earnestly performed their duties. The Board of Supervisors did not find any violation of laws and regulations, or any act that contravened the interests of the Bank in the performance of duties during the reporting period.

Authenticity of Financial Statements

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

Use of Proceeds from the IPO

During the reporting period, the use of proceeds from the IPO was consistent with the purpose stated in the prospectus.

Purchase and Sale of Assets

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

Connected Transactions

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

Implementation of Resolutions Passed at the Shareholders' General Meeting

During the reporting period, the Board of Supervisors had no objection to the reports or proposals presented by the Board of Directors to the Shareholders' General Meeting for consideration. The Board of Directors earnestly implemented the resolutions passed at the Shareholders' General Meeting.

Explanation concerning Internal Control by the Board of Directors

During the reporting period, the Board of Supervisors had no objection to the explanation concerning the internal control system of the Bank by the Board of Directors.

Material Legal Proceedings and Arbitration

The Bank was involved in several legal proceedings in the ordinary course of business. Most of these legal proceedings were initiated by the Bank for recovering non-performing loans. In addition, some legal proceedings arose from customer disputes. As at 31 December 2009, the amount of pending proceedings which the Bank and/or its subsidiaries acted as defendant totaled RMB2,131 million. The Bank does not expect any material adverse effect from the abovementioned legal proceedings on the Bank's business, financial position or operational results.

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

SECURITIES INVESTMENT

S/N	Type	Stock code	Stock name	Initial investment cost (RMB Yuan)	Number of shares held (10,000)	Book value at the end of the period (RMB Yuan)	Percentage of total securities investment at the end of the period (%)	Gain/(loss) during the reporting period (RMB Yuan)
1	Fund	—	Global Total Return Bond Fund	35,219,600	400	35,867,641	27.9	648,041
2	Fund	—	China & Hong Kong Vision Fund	17,609,800	200	19,995,928	15.5	2,386,128
3	Fund	—	Asia Selection Growth Fund	17,609,800	200	19,492,288	15.2	1,882,488
4	Stock	3988 (Hong Kong, China)	BOC	14,514,922	500	18,446,266	14.3	9,697,237
5	Fund	—	Asia Infrastructure & Redevelopment Fund	15,408,575	175	16,490,257	12.8	1,081,682
6	Fund	—	Global Financial Opportunities Fund	15,848,820	180	15,791,764	12.3	(57,056)
7	Stock	2288 (Hong Kong, China)	Sundart International Ltd.	1,733,099	50	1,157,904	0.9	(573,629)
8	Stock	596 (Hong Kong, China)	Inspur International Ltd.	1,582,290	140	1,368,352	1.1	(212,508)
Other securities investment held as at the end of the reporting period					—			
Gain/(loss) from sale of securities investment during the reporting period				—	—	—	—	12,201,347
Total				**119,526,906**	**—**	**128,610,400**	**100.0**	**27,053,730**

Note: The stock investment specified above is recognized as financial assets held for trading. The Bank held shares in Bank of China and shares in funds through its subsidiary, ICBC (Asia), and held shares in Sundart International Ltd. and Inspur International Ltd. through its subsidiary, ICBC International.

SHARES IN OTHER LISTED COMPANIES

Stock code	Stock name	Initial investment cost (RMB Yuan)	Percentage of the investee's total equities (%)	Book value at the end of the period (RMB Yuan)	Gain/(loss) during the period(2) (RMB Yuan)	Change in owner's equity during the reporting period (RMB Yuan)	Accounting item	Source of shares
SBK (South Africa)	Standard Bank Group	33,755,937,605	20.09	36,120,927,595	1,968,336,566	6,293,631,643	Long-term equity investment	Investment with self-owned capital
966 (Hong Kong, China)	CHINA INSURANCE	187,361,377	3.10	1,163,514,520	—	614,571,270	Available-for-sale financial assets	Purchase from market
601998	CNCB	149,999,600	0.07	212,844,260	2,206,029	113,016,940	Available-for-sale financial assets	Purchase from market
1688 (Hong Kong, China)	ALIBABA	131,782,620	0.20	158,931,968	1,765,911	110,204,738	Available-for-sale financial assets	Purchase from market
000430	ST ZTDC	2,000,000	3.33	43,268,400	—	18,421,200	Available-for-sale financial assets	Consolidation with trust investment company
001740 (Korea)	SK Networks	10,063,627	0.10	14,699,521	—	3,770,394	Available-for-sale financial assets	Debt-equity swap
4642 (Malaysia)	YHS	500,091	0.02	66,978	3,167	12,519	Available-for-sale financial assets	Purchase from market
532 (Singapore)	EQUATION CORP LTD	152,816	<0.01	13,380	—	6,257	Available-for-sale financial assets	Purchase from market
Total		**34,237,797,736**	—	**37,714,266,622**	**1,972,311,673**	**7,153,634,961**	—	—

Notes: (1) The shares in CHINA INSURANCE and ALIBABA were held by ICBC (Asia), a controlling subsidiary of the Bank; shares in SK Networks were held by Seoul Branch of the Bank; and shares in YHS and EQUATION CORP LTD were held by Singapore Branch of the Bank.

(2) Refers to dividend income, share of profits and losses of associates.

SHARES IN UNLISTED FINANCIAL INSTITUTIONS

Company	Initial investment cost (RMB Yuan)	Number of shares held (10,000)	Shareholding percentage (%)	Book value at the end of the period (RMB Yuan)	Gain/(loss) during the period [2] (RMB Yuan)	Change in owner's equity during the reporting period (RMB Yuan)	Accounting item	Source of shares
Taiping General Insurance Co., Ltd.	243,550,678	N/A	12.45	—	(133,290,871)	—	Available-for-sale financial assets	Investment of property fund
China UnionPay Co., Ltd	146,250,000	11,250.00	3.84	146,250,000	3,825,000	—	Available-for-sale financial assets	Investment of property fund
Xiamen International Bank	102,301,500	N/A	18.75	102,301,500	—	—	Available-for-sale financial assets	Investment of property fund
Guangdong Development Bank	52,465,475	2,498.18	0.21	52,465,475	580,529	—	Available-for-sale financial assets	Investment of property fund
Joint Electronic Teller Services Limited	10,158,374	0.0024	0.03	9,722,288	2,588,618	—	Available-for-sale financial assets	Investment of property fund
Yueyang City Commercial Bank	3,500,000	353.64	1.59	3,500,000	—	—	Available-for-sale financial assets	Investment of property fund
Luen Fung Hang Insurance Co., Ltd.	1,518,440	2.40	6.00	1,483,071	102,579	—	Available-for-sale financial assets	Investment of property fund
Guilin City Commercial Bank	420,000	113.61	0.19	420,000	136,330	—	Available-for-sale financial assets	Investment of property fund
Bank of Nanchang	300,000	39.00	0.03	390,000	23,400	—	Available-for-sale financial assets	Investment of property fund
Total	**560,464,467**	—	—	**316,532,334**	**(126,034,415)**	—	—	—

Notes: (1) The shares in Taiping General Insurance Co., Ltd. were held by ICBC (Asia), a controlling subsidiary of the Bank; shares in Joint Electronic Teller Services Limited were held by ICBC (Asia) and ICBC (Macau), controlling subsidiaries of the Bank, and shares in Luen Fung Hang Insurance Co., Ltd. were held by ICBC (Macau).

(2) Refers to dividend income and impairment losses.

PURCHASE AND SALE OF SHARES IN OTHER LISTED COMPANIES

	Stock name	Shares held at the beginning of the period	Shares bought/sold during the reporting period	Shares held at the end of the period	Fund utilized (RMB Yuan)	Investment income generated (RMB Yuan)
Buy	—	—	—	—	—	—
Sell	—	124,601,697	71,849,610	52,752,087	—	822,409,632

Material Asset Acquisition, Sale and Merger

Acquisition of Shares in The Bank of East Asia (Canada) and Sale of Shares in ICEA

On 4 June 2009, the Bank and BEA entered into two agreements for the acquisition of equity interests in The Bank of East Asia (Canada) and the disposal of equity interests in ICEA (the "acquisition and disposal"), respectively. Pursuant to the agreements, the Bank would sell to BEA 15,000,000 ordinary shares of ICEA, representing 75% issued share capital of ICEA for a consideration of HKD372,154,045. At the same time, the Bank would purchase 70% issued ordinary shares of The Bank of East Asia (Canada) for a consideration of CAD80,249,120 from BEA. After the first anniversary of the completion of the transactions, the Bank would have an option to acquire 10% of the shares of The Bank of East Asia (Canada) from BEA, and BEA would have an option to sell to the Bank all the remaining shares of The Bank of East Asia (Canada) held by BEA. Completion of the disposal of equity interests in ICEA and completion of the acquisition of equity interests in The Bank of East Asia (Canada) are inter-conditional. Such acquisition and disposal have been completed on 28 January 2010.

Capital Injection in ICBC Leasing

Pursuant to the approval of the First Extraordinary General Meeting for 2009 held on 2 September 2009, the Bank injected capital equivalent to RMB3 billion in ICBC Leasing. The capital injection has now been fully completed.

Acquisition of Shares of ACL BANK Public Company Limited in Thailand

Pursuant to the approval of the Second Extraordinary General Meeting for the Year 2009 held on 27 November 2009, the Bank implemented the voluntary tender offer of all issued ordinary shares and preference shares (if applicable) issued by ACL BANK Public Company Limited in Thailand ("ACL"), and conducted possible delisting tender offer. As at 2 March 2010, the Bank had obtained all regulatory approvals necessary for the voluntary tender offer, and had made the voluntary tender offer to ACL. Since the offer period has not expired, the project is still underway.

Implementation of Share Incentive Plan

The Fourth Extraordinary General Meeting for the Year 2006 of the Bank on 31 July 2006 approved the share appreciation rights plan. As at the end of the reporting period, the Bank did not grant any share appreciation right. Please refer to "Note 39 to the Financial Statements: Share capital" for details.

Material Related Party Transactions

During the reporting period, the Bank had not entered into any material related party transactions. Please refer to "Note 47 to Financial Statements: Related party disclosures" for the details of related party transactions under the accounting rules.

Material Contracts and Performance of Obligations thereunder

Material Trust, Sub-contract and Lease

During the reporting period, the Bank had not held on trust to a material extent or entered into any material sub-contract or lease arrangement in respect of assets of other corporations, and no other corporation had held on trust to a material extent or entered into any material sub-contract or lease arrangement in respect of the Bank's assets.

Material Guarantees

The provision of guarantees is in the ordinary course of business of the Bank. During the reporting period, the Bank did not have any material guarantee that needed to be disclosed except for the financial guarantee services within the business scope as approved by PBOC and CBRC.

Independent Non-executive Directors' Special Explanation and Independent Opinions on External Guarantees of the Bank

In accordance with the "Circular Concerning Several Issues on Regulating Fund Transfers between Listed Companies and Their Related Parties and External Guarantee of Listed Companies" (ZH.J.F [2003] No. 56) issued by China Securities Regulatory Commission and relevant provisions of Shanghai Stock Exchange, we, in the capacity of Independent Non-executive Directors of the Bank, reviewed external guarantees of the Bank on the principle of fairness, impartiality and objectivity, and hereby give our specific explanation and opinions as follows: upon review, external guarantees provided by the Bank mainly focus on issuance of letters of guarantee, which is part of the ordinary banking services within the business scope of the Bank as approved by the People's Bank of China and China Banking Regulatory Commission. As at 31 December 2009, the balance of letters of guarantee offered by the Bank totaled RMB210,243 million.

The Bank has attached great importance to the management of risks arising from such business and formulated strict rules on the credit ratings of the entities to which the guarantee was provided and on the operation process and review procedures of provision of guarantee services. In our opinion, risk control over the business of guarantee provision by the Bank has been effective. The Bank will continue to strengthen risk management on such service to ensure the steady improvement of performance of the Bank.

Independent Non-executive Directors of Industrial and Commercial Bank of China Limited

Leung Kam Chung, Antony, Qian Yingyi, Xu Shanda, Wong Kwong Shing, Frank,

Malcolm Christopher McCarthy, Kenneth Patrick Chung

Material Events Concerning Entrusting Other Persons for Cash Management or Entrusted Loans

No such matters concerning entrusting other persons for cash management or entrusted loan occurred in the Bank during the reporting period.

Occupation of Fund by Controlling Shareholder and Other Related Parties

None of the controlling shareholder or related parties of the Bank occupied any fund of the Bank. The auditors have issued the "Special Explanation on the Occupation of Fund by Controlling Shareholder and Other Related Parties of Industrial and Commercial Bank of China Limited in 2009".

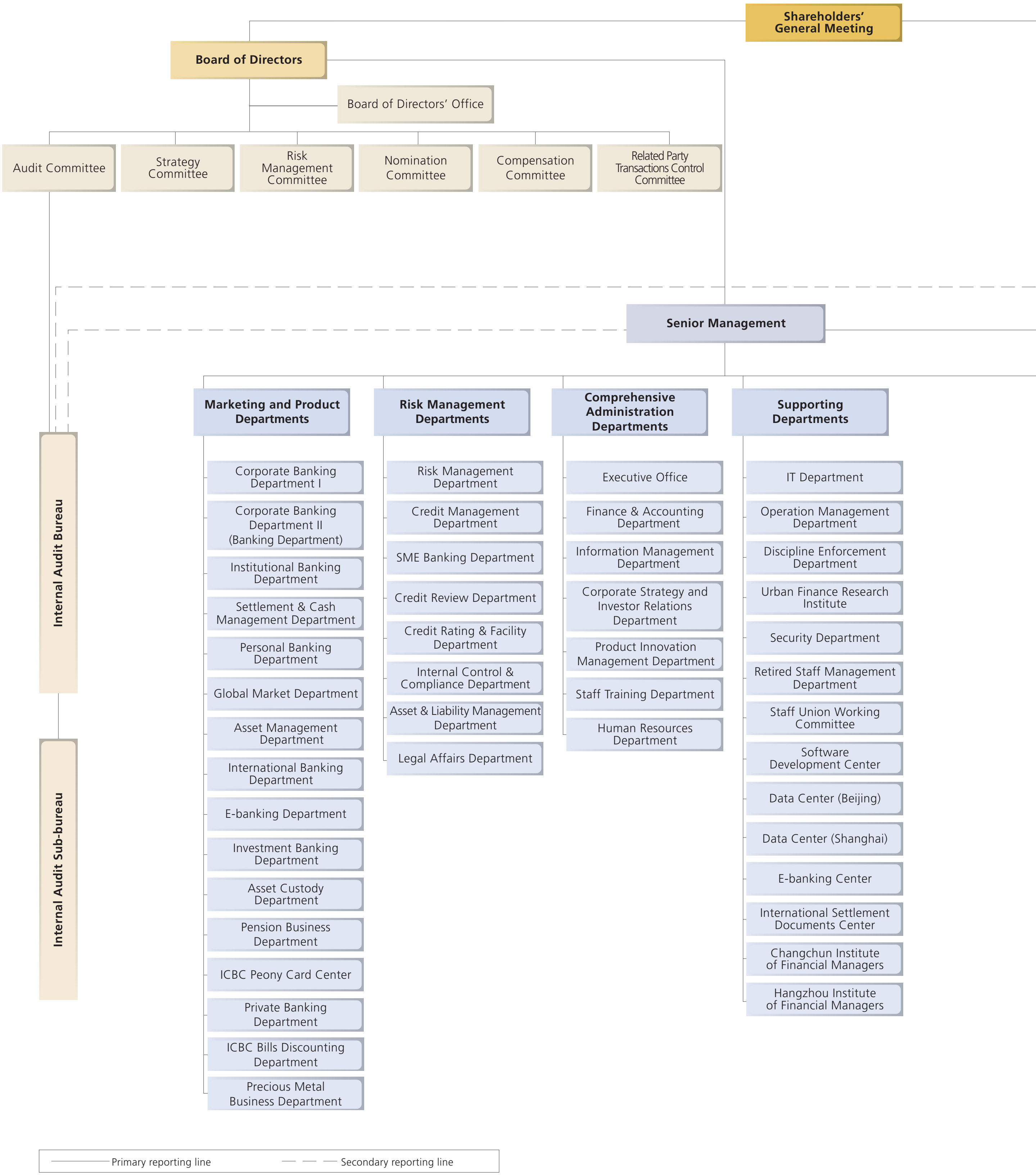
Commitments Made by the Bank or Its Shareholders Holding 5% Shares or Above

During the reporting period, the shareholders holding 5% shares or above did not make any new commitments. The commitments lasting to the reporting period were the same as those disclosed in the 2006 Annual Report. As at 31 December 2009, all of the commitments made by the above shareholders were properly fulfilled.

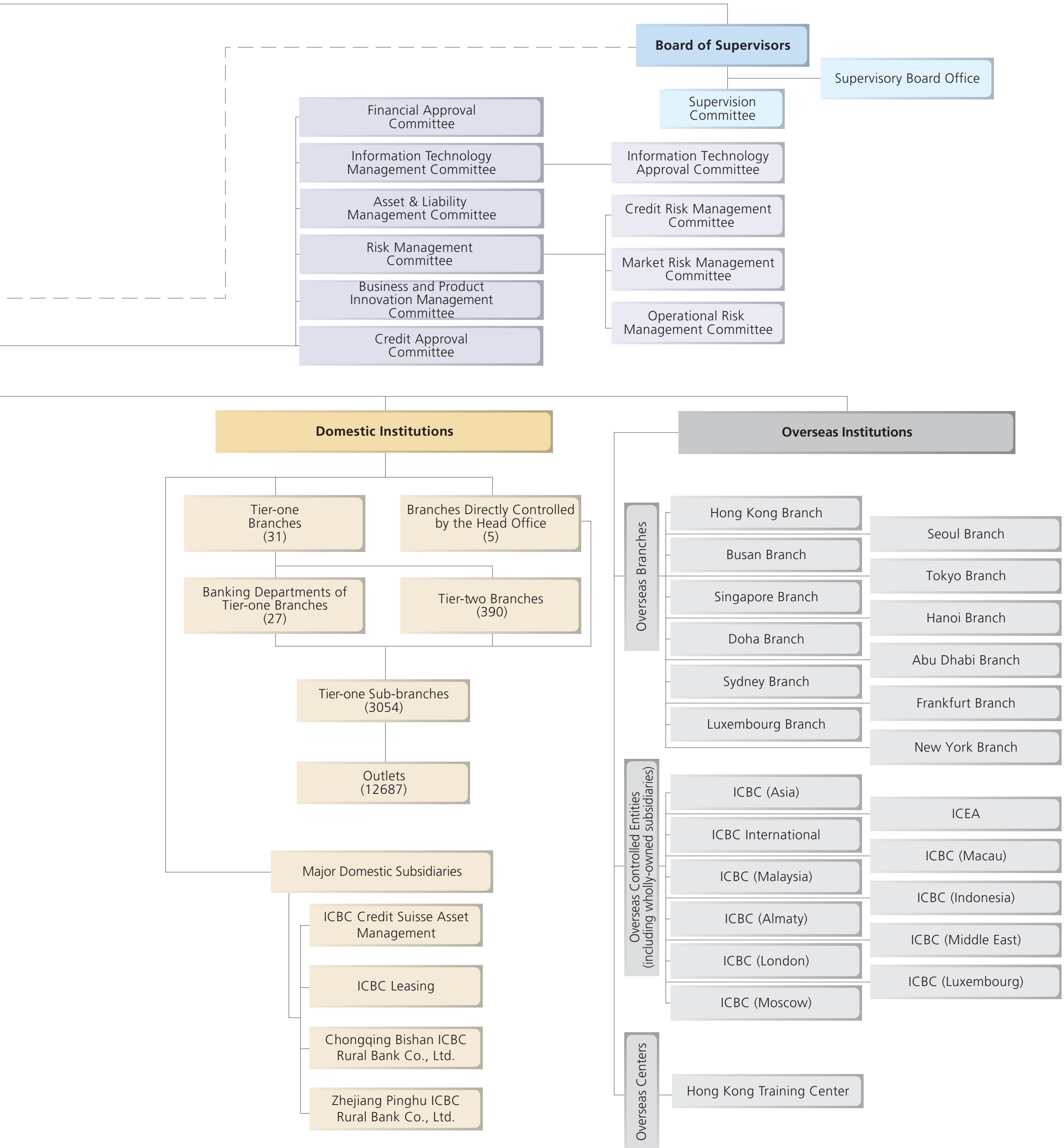
Investigations, Administrative Penalties, Censures by CSRC; Public Reprimand by Stock Exchanges; and Sanctions Imposed by Other Regulatory and Judicial Authorities during the Reporting Period

During the reporting period, neither the Bank nor any of its Directors, Supervisors and members of the Senior Management was subject to any investigation by competent authorities, compulsory enforcement of juridical or discipline departments, transfer to juridical departments or pursuit of criminal responsibilities, investigation, administrative penalty or censure by CSRC, prohibition of securities market access, punishment by other administrative authorities for improper personnel engagement or public reprimand by the stock exchanges.

Organizational Chart



Notes: The above presents the organizational chart of the Bank as at the end of 2009.


Board of Supervisors
Supervisory Board Office
Supervision Committee
Financial Approval Committee
Information Technology Management Committee
Asset & Liability Management Committee
Risk Management Committee
Business and Product Innovation Management Committee
Credit Approval Committee
Information Technology Approval Committee
Credit Risk Management Committee
Market Risk Management Committee
Operational Risk Management Committee
Domestic Institutions
Tier-one Branches (31)
Branches Directly Controlled by the Head Office (5)
Banking Departments of Tier-one Branches (27)
Tier-two Branches (390)
Tier-one Sub-branches (3054)
Outlets (12687)
Major Domestic Subsidiaries
ICBC Credit Suisse Asset Management
ICBC Leasing
Chongqing Bishan ICBC Rural Bank Co., Ltd.
Zhejiang Pinghu ICBC Rural Bank Co., Ltd.
Overseas Institutions
Overseas Branches
Hong Kong Branch
Busan Branch
Singapore Branch
Doha Branch
Sydney Branch
Luxembourg Branch
Seoul Branch
Tokyo Branch
Hanoi Branch
Abu Dhabi Branch
Frankfurt Branch
New York Branch
Overseas Controlled Entities (including wholly-owned subsidiaries)
ICBC (Asia)
ICBC International
ICBC (Malaysia)
ICBC (Almaty)
ICBC (London)
ICBC (Moscow)
ICEA
ICBC (Macau)
ICBC (Indonesia)
ICBC (Middle East)
ICBC (Luxembourg)
Overseas Centers
Hong Kong Training Center

Independent Auditors' Report and Financial Statements

CONTENTS

Independent Auditors' Report

ERNST & YOUNG

18th Floor
Two International Finance Centre
8 Finance Street, Central
Hong Kong

To the shareholders of Industrial and Commercial Bank of China Limited

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

We have audited the financial statements of Industrial and Commercial Bank of China Limited (the "Bank") and its subsidiaries (collectively referred to as the "Group") set out on pages 142 to 263, which comprise the consolidated and company statements of financial position as at 31 December 2009, and the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Directors' responsibility for the financial statements

The directors of the Bank are responsible for the preparation and fair presentation of these 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 fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. Our 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 International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the 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 auditors' 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 auditors consider internal control relevant to the entity's preparation 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 policies 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 financial statements give a true and fair view of the financial position of the Bank and of the Group as at 31 December 2009, and of the Group's financial performance and its 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.

Ernst & Young

Certified Public Accountants

Hong Kong

25 March 2010

Consolidated Income Statement

Year ended 31 December 2009
(In RMB millions, unless otherwise stated)

	Notes	2009	2008
Interest income	6	405,878	440,574
Interest expense	6	(160,057)	(177,537)
NET INTEREST INCOME	6	245,821	263,037
Fee and commission income	7	59,042	46,711
Fee and commission expense	7	(3,895)	(2,709)
NET FEE AND COMMISSION INCOME	7	55,147	44,002
Net trading income/(expense)	8	(75)	1,883
Net loss on financial assets and liabilities designated at fair value through profit or loss	9	(129)	(699)
Net gain/(loss) on financial investments	10	7,339	(367)
Other operating income, net	11	1,308	2,339
OPERATING INCOME		309,411	310,195
Operating expenses	12	(120,819)	(111,335)
Impairment losses on:			
Loans and advances to customers	26	(21,682)	(36,512)
Others	15	(1,603)	(18,950)
OPERATING PROFIT		165,307	143,398
Share of profits and losses of associates and a jointly-controlled entity		1,987	1,978
PROFIT BEFORE TAX		167,294	145,376
Income tax expense	16	(37,898)	(34,150)
PROFIT FOR THE YEAR		129,396	111,226
Attributable to:			
Equity holders of the parent company		128,645	110,841
Non-controlling interests		751	385
		129,396	111,226
EARNINGS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT COMPANY			
— Basic and diluted (RMB yuan)	19	0.39	0.33

Details of the dividends declared and paid or proposed are disclosed in note 18 to the financial statements.

Consolidated Statement of Comprehensive Income

Year ended 31 December 2009
(In RMB millions, unless otherwise stated)

	Note	2009	2008
Profit for the year		129,396	111,226
Other comprehensive income/(loss) (after-tax, net):			
Net gain/(loss) on available-for-sale financial assets	41	(8,890)	9,191
Net loss on cash flow hedges	41	(9)	(4,073)
Share of other comprehensive income/(loss) of associates and a jointly-controlled entity	41	(1,155)	500
Foreign currency translation differences	41	7,531	(8,604)
Subtotal of other comprehensive loss for the year		(2,523)	(2,986)
Total comprehensive income for the year		126,873	108,240
Total comprehensive income attributable to:			
Equity holders of the parent company		125,682	108,729
Non-controlling interests		1,191	(489)
		126,873	108,240

Consolidated Statement of Financial Position

31 December 2009
(In RMB millions, unless otherwise stated)

	Notes	2009	2008
ASSETS			
Cash and balances with central banks	20	1,693,048	1,693,024
Due from banks and other financial institutions	21	235,301	168,363
Financial assets held for trading	22	18,976	32,182
Financial assets designated at fair value through profit or loss	23	1,171	1,459
Derivative financial assets	24	5,758	15,721
Reverse repurchase agreements	25	408,826	163,493
Loans and advances to customers	26	5,583,174	4,436,011
Financial investments	27	3,579,026	3,014,669
Investments in associates and a jointly-controlled entity	29	36,278	28,421
Property and equipment	30	95,684	86,800
Deferred income tax assets	31	18,696	10,746
Other assets	32	109,115	106,257
TOTAL ASSETS		**11,785,053**	**9,757,146**
LIABILITIES			
Financial liabilities held for trading		—	4,268
Financial liabilities designated at fair value through profit or loss	33	15,831	7,566
Derivative financial liabilities	24	7,773	13,612
Due to banks and other financial institutions	34	1,001,634	646,254
Repurchase agreements	35	36,060	4,648
Certificates of deposit and notes payable		1,472	726
Due to customers	36	9,771,277	8,223,446
Income tax payable		22,231	37,862
Deferred income tax liabilities	31	178	16
Subordinated bonds	37	75,000	35,000
Other liabilities	38	174,663	177,118
TOTAL LIABILITIES		**11,106,119**	**9,150,516**
EQUITY			
Equity attributable to equity holders of the parent company			
Issued share capital	39	334,019	334,019
Reserves	40	221,114	195,727
Retained profits	40	118,760	72,929
		673,893	602,675
Non-controlling interests		5,041	3,955
TOTAL EQUITY		**678,934**	**606,630**
TOTAL EQUITY AND LIABILITIES		**11,785,053**	**9,757,146**

Jiang Jianqing
Chairman

Yang Kaisheng
Vice Chairman and President

Shen Rujun
General Manager of Finance and Accounting Department

Consolidated Statement of Changes in Equity

Year ended 31 December 2009
(In RMB millions, unless otherwise stated)

	Attributable to equity holders of the parent company												
		Reserves											
	Issued share capital	Capital reserve	Surplus reserves	General reserve	Investment revaluation reserve	Foreign currency translation reserve	Cash flow hedge reserve	Other reserves	Subtotal	Retained profits	Total	Non-controlling interests	Total equity
Balance as at 1 January 2009	334,019	106,312	24,650	69,355	8,433	(9,448)	(4,075)	500	195,727	72,929	602,675	3,955	606,630
Profit for the year	—	—	—	—	—	—	—	—	—	128,645	128,645	751	129,396
Other comprehensive income/(loss)	—	—	—	—	(9,330)	7,529	(7)	(1,155)	(2,963)	—	(2,963)	440	(2,523)
Total comprehensive income/(loss)	—	—	—	—	(9,330)	7,529	(7)	(1,155)	(2,963)	128,645	125,682	1,191	126,873
Dividend — 2008 final (note 18)	—	—	—	—	—	—	—	—	—	(55,113)	(55,113)	—	(55,113)
Appropriation to surplus reserves (i)	—	—	12,834	—	—	—	—	—	12,834	(12,834)	—	—	—
Appropriation to general reserve (ii)	—	—	—	14,867	—	—	—	—	14,867	(14,867)	—	—	—
Change in shareholdings in subsidiaries	—	99	—	—	—	—	—	—	99	—	99	(99)	—
Capital injection by non-controlling shareholders	—	—	—	—	—	—	—	—	—	—	—	80	80
Dividends to non-controlling shareholders	—	—	—	—	—	—	—	—	—	—	—	(86)	(86)
Others	—	550	—	—	—	—	—	—	550	—	550	—	550
Balance as at 31 December 2009	**334,019**	**106,961**	**37,484**	**84,222**	**(897)**	**(1,919)**	**(4,082)**	**(655)**	**221,114**	**118,760**	**673,893**	**5,041**	**678,934**

(i) Includes the appropriation made by overseas branches and subsidiaries in the amount of RMB29 million and RMB30 million, respectively.
(ii) Includes the appropriation made by subsidiaries in the amount of RMB54 million.

	Attributable to equity holders of the parent company												
		Reserves											
	Issued share capital	Capital reserve	Surplus reserves	General reserve	Investment revaluation reserve	Foreign currency translation reserve	Cash flow hedge reserve	Other reserves	Subtotal	Retained profits	Total	Non-controlling interests	Total equity
Balance as at 1 January 2008	334,019	106,312	13,536	40,834	(1,389)	(1,089)	—	—	158,204	46,148	538,371	5,305	543,676
Profit for the year	—	—	—	—	—	—	—	—	—	110,841	110,841	385	111,226
Other comprehensive income/(loss)	—	—	—	—	9,822	(8,359)	(4,075)	500	(2,112)	—	(2,112)	(874)	(2,986)
Total comprehensive income/(loss)	—	—	—	—	9,822	(8,359)	(4,075)	500	(2,112)	110,841	108,729	(489)	108,240
Dividend — 2007 final (note 18)	—	—	—	—	—	—	—	—	—	(44,425)	(44,425)	—	(44,425)
Appropriation to surplus reserves (i)	—	—	11,114	—	—	—	—	—	11,114	(11,114)	—	—	—
Appropriation to general reserve (ii)	—	—	—	28,521	—	—	—	—	28,521	(28,521)	—	—	—
Acquisition of a subsidiary	—	—	—	—	—	—	—	—	—	—	—	368	368
Change in shareholdings in a subsidiary	—	—	—	—	—	—	—	—	—	—	—	(854)	(854)
Dividends to non-controlling shareholders	—	—	—	—	—	—	—	—	—	—	—	(375)	(375)
Balance as at 31 December 2008	**334,019**	**106,312**	**24,650**	**69,355**	**8,433**	**(9,448)**	**(4,075)**	**500**	**195,727**	**72,929**	**602,675**	**3,955**	**606,630**

(i) Includes the appropriation made by overseas branches and subsidiaries in the amount of RMB9 million and RMB53 million, respectively.
(ii) Includes the appropriation made by subsidiaries in the amount of RMB147 million.

Consolidated Statement of Cash Flows

Year ended 31 December 2009
(In RMB millions, unless otherwise stated)

	Notes	2009	2008
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		167,294	145,376
Adjustments for:			
Share of profits and losses of associates and a jointly-controlled entity		(1,987)	(1,978)
Depreciation	12	9,639	8,190
Amortisation	12	1,361	1,300
Amortisation of financial investments		(3,566)	(4,345)
Impairment losses on loans and advances to customers	26	21,682	36,512
Impairment losses on assets other than loans and advances to customers	15	1,603	18,950
Unrealised foreign exchange difference		4,297	30,390
Interest expense on subordinated bonds	6	1,790	1,241
Accreted interest on impaired loans	6	(1,021)	(1,538)
(Gain)/loss on disposal of available-for-sale financial assets, net	10	(7,238)	449
Net trading (gain)/loss on equity investments	8	(26)	14
Net loss on financial assets and liabilities designated at fair value through profit or loss		129	57
Net gain on disposal of property and equipment and other assets (other than repossessed assets)		(575)	(518)
Dividend income	10	(101)	(82)
		193,281	234,018
Net decrease/(increase) in operating assets:			
Due from central banks		(284,127)	(262,312)
Due from banks and other financial institutions		(72,561)	13,801
Financial assets held for trading		13,005	6,580
Financial assets designated at fair value through profit or loss		396	1,182
Reverse repurchase agreements		(153,500)	(56,115)
Loans and advances to customers		(1,169,891)	(541,025)
Other assets		(1,826)	(7,133)
		(1,668,504)	(845,022)
Net increase/(decrease) in operating liabilities:			
Financial liabilities designated at fair value through profit or loss		4,065	(6,759)
Due to banks and other financial institutions		355,470	(148,259)
Repurchase agreements		31,412	(188,835)
Certificates of deposit		(747)	(252)
Due to customers		1,548,192	1,337,886
Other liabilities		(369)	26,681
		1,938,023	1,020,462
Net cash inflow from operating activities before tax		462,800	409,458
Income tax paid		(58,938)	(38,545)
Net cash inflow from operating activities		403,862	370,913

(In RMB millions, unless otherwise stated)

	Note	2009	2008
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of property and equipment and other assets		(20,285)	(15,554)
Proceeds from disposal of property and equipment and other assets (other than repossessed assets)		1,407	520
Purchases of financial investments		(1,559,376)	(1,086,048)
Proceeds from sale and redemption of investments		992,406	1,127,448
Invest in a jointly-controlled entity		(5)	—
Acquisition of a subsidiary		—	2,261
Acquisition of non-controlling interests		—	(1,783)
Acquisition of an associate		—	(37,420)
Proceeds from disposal of an associate		25	—
Dividends received		544	652
Net cash outflow from investing activities		(585,284)	(9,924)
CASH FLOWS FROM FINANCING ACTIVITIES			
Capital injection by non-controlling shareholders		80	66
Proceeds from debts issued		40,000	—
Interest paid on subordinated bonds		(1,168)	(1,240)
Dividends paid on ordinary shares		(55,113)	(44,425)
Dividends paid to non-controlling shareholders		(86)	(325)
Net cash outflow from financing activities		(16,287)	(45,924)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		(197,709)	315,065
Cash and cash equivalents at beginning of the year		607,291	301,687
Effect of exchange rate changes on cash and cash equivalents		(188)	(9,461)
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	42	409,394	607,291
NET CASH INFLOW/(OUTFLOW) FROM OPERATING ACTIVITIES INCLUDES:			
Interest received		399,115	425,143
Interest paid		(162,920)	(148,789)

Statement of Financial Position

Year ended 31 December 2009
(In RMB millions, unless otherwise stated)

	Notes	2009	2008
ASSETS			
Cash and balances with central banks	20	1,686,074	1,691,466
Due from banks and other financial institutions	21	238,562	154,357
Financial assets held for trading	22	14,241	25,362
Financial assets designated at fair value through profit or loss	23	148	144
Derivative financial assets	24	4,781	13,991
Reverse repurchase agreements	25	408,601	162,192
Loans and advances to customers	26	5,392,525	4,289,955
Financial investments	27	3,551,558	3,002,451
Investments in subsidiaries	28	26,110	19,999
Investments in associates	29	33,576	33,160
Property and equipment	30	93,678	86,220
Deferred income tax assets	31	18,635	10,607
Other assets	32	96,663	96,261
TOTAL ASSETS		**11,565,152**	**9,586,165**
LIABILITIES			
Financial liabilities held for trading		—	4,268
Financial liabilities designated at fair value through profit or loss	33	14,581	2,285
Derivative financial liabilities	24	6,689	11,003
Due to banks and other financial institutions	34	981,762	632,760
Repurchase agreements	35	34,280	4,246
Certificates of deposit and notes payable		1,156	—
Due to customers	36	9,590,769	8,077,732
Income tax payable		20,686	37,894
Subordinated bonds	37	75,000	35,000
Other liabilities	38	171,131	173,494
TOTAL LIABILITIES		**10,896,054**	**8,978,682**
EQUITY			
Issued share capital	39	334,019	334,019
Reserves	40	220,938	203,231
Retained profits	40	114,141	70,233
TOTAL EQUITY		**669,098**	**607,483**
TOTAL EQUITY AND LIABILITIES		**11,565,152**	**9,586,165**

Jiang Jianqing
Chairman

Yang Kaisheng
Vice Chairman and President

Shen Rujun
General Manager of Finance and Accounting Department

1. CORPORATE INFORMATION

Industrial and Commercial Bank of China Limited (the "Bank"), which was previously known as Industrial and Commercial Bank of China ("ICBC"), used to be a wholly-state-owned commercial bank established on 1 January 1984 based on the authorisation of the State Council and the People's Bank of China (the "PBOC") of the People's Republic of China (the "PRC"). On 28 October 2005, with the approval of the State Council, ICBC was restructured and incorporated as a joint-stock limited company. The joint-stock limited company undertook all the assets and liabilities of ICBC upon the restructuring.

The Bank obtained its finance permit No. B0001H111000001 from the China Banking Regulatory Commission (the "CBRC") of the PRC. The Bank obtained its business license No. 100000000003965 from the State Administration for Industry and Commerce of the PRC. The legal representative is Jiang Jianqing and the registered office is located at No. 55 Fuxingmennei Avenue, Xicheng District, Beijing, the PRC.

The Bank's A Shares and H Shares are listed on the Shanghai Stock Exchange and the Stock Exchange of Hong Kong Limited and the stock codes are 601398 and 1398 respectively.

The principal activities of the Bank and its subsidiaries (collectively referred to as the "Group") comprise corporate and personal banking, treasury operations, investment banking, asset management, trust, financial leasing and other financial services. Domestic establishments refer to the Head Office of the Bank, branches and subsidiaries established inside Mainland China. Overseas establishments refer to branches and subsidiaries established under local jurisdictions outside Mainland China.

2.1 BASIS OF PREPARATION AND ACCOUNTING POLICIES

Statement of compliance

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs") and interpretations promulgated by the International Accounting Standards Board ("IASB") and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for derivative financial instruments, financial assets and liabilities held for trading, financial assets and liabilities designated at fair value through profit or loss and available-for-sale financial assets that have been measured at fair value, as further explained in the respective accounting policies below. The carrying values of recognised assets and liabilities, that are hedged in fair value hedges and are otherwise carried at cost, are adjusted to record changes in the fair values attributable to the risks that are being hedged. These financial statements are presented in RMB and all values are rounded to the nearest million except when otherwise indicated.

Basis of consolidation

The consolidated financial statements comprise the financial statements of the Bank and its subsidiaries. The financial statements of subsidiaries, for the purpose of preparation of these consolidated financial statements, are prepared for the same reporting period as the Bank, using consistent accounting policies.

(i) Subsidiaries

Subsidiaries are fully consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. Control is achieved where the Bank has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. Where there is a loss of control in a subsidiary, the consolidated income statement includes the results of that subsidiary for the part of the reporting period during which the Bank has control. All intra-group balances, transactions, income and expenses and profits and losses resulting from intra-group transactions are eliminated in full.

A change in the ownership interest of a subsidiary, without a change of control, is accounted for as an equity transaction.

Non-controlling interests represent the portion of profit or loss and net assets in subsidiaries not held by the Group and are presented separately in the consolidated income statement, and within equity in the consolidated statement of financial position separately from the equity attributable to equity holders of the parent company. An acquisition of non-controlling interests is accounted for as an equity transaction.

(ii) Special purpose entities

Special purpose entities ("SPEs") are consolidated if they are in substance controlled by the Bank. When assessing whether the Bank has a control over the SPEs, the Bank evaluates a range of factors, including whether:

(a) the activities of the SPE are being conducted on behalf of the Bank and according to the Bank's specific business needs so that the Bank obtains benefits from the SPE's operations;

(b) the Bank has the decision-making powers to obtain the majority of the benefits of the activities of the SPE;

(c) the Bank 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

(d) the Bank retains the majority of the residual or ownership risks related to the SPE or its assets in order to obtain benefits from its activities.

(In RMB millions, unless otherwise stated)

2.2 NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS THAT ARE EFFECTIVE OR EARLY ADOPTED IN 2009 AND RELEVANT TO THE GROUP

The IASB has issued the following new and revised IFRSs (including International Accounting Standards ("IASs")) and IFRIC interpretations that are effective or early adopted in 2009 and relevant to the Group's operation.

IFRS 1 and IAS 27 Amendments	Amendments to IFRS 1 First-time Adoption of IFRSs and IAS 27 Consolidated and Separate Financial Statements — Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate
IFRS 3 (Revised)	Business Combinations
IAS 27 (Revised)	Consolidated and Separate Financial Statements
IFRS 7 Amendments	Amendments to IFRS 7 Financial Instruments: Disclosures — Improving Disclosures about Financial Instruments
IFRS 8	Operating Segments
IAS 1 (Revised)	Presentation of Financial Statements
IAS 32 and IAS 1 Amendments	Amendments to IAS 32 Financial Instruments: Presentation and IAS 1 Presentation of Financial Statements — Puttable Financial Instruments and Obligations Arising on Liquidation
IFRIC 9 and IAS 39 Amendments	Amendments to IFRIC 9 Reassessment of Embedded Derivatives and IAS 39 Financial Instruments: Recognition and Measurement — Embedded Derivatives
IFRIC 16	Hedges of a Net Investment in a Foreign Operation

The principal effects of adopting these new and revised IFRSs and IFRIC interpretations are as follows:

The amendment to IAS 27 *Consolidated and Separate Financial Statements — Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate* requires all dividends from subsidiaries, associates or jointly-controlled entities to be recognised in the income statement in the parent's separate financial statements. The distinction between pre and post acquisition profits is no longer required. However, the payment of such dividends requires the Company to consider whether there is an indicator of impairment. The amendment is applied prospectively. The adoption of the amendments has had no significant impact on the financial position or results of operations of the Group. As the Group is not a first-time adopter of IFRSs, the IFRS 1 Amendment is not applicable to the Group.

The Group has early adopted IFRS 3 *Business Combination (Revised)* and IAS 27 *Consolidated and Separate Financial Statements (Revised)* as of 1 January 2009. IFRS 3 (Revised) introduces a number of changes in the accounting for business combinations that impacts the amount of goodwill recognised, the reported result in the period that an acquisition occurs and future reported results. IAS 27 (Revised) requires that a change in the ownership interest of a subsidiary is accounted for as an equity transaction. The Group amended its accounting policy accordingly and did not result in any effect on the financial position and operating results of these financial statements.

The amendments to IFRS 7 *Financial Instruments: Disclosures — Improving Disclosures about Financial Instruments* require additional disclosures about fair value measurement and liquidity risk. Fair value measurements related to items recorded at fair value are to be disclosed by source of inputs using a three level fair value hierarchy, by class, for all financial instruments recognised at fair value. In addition, a reconciliation between the beginning and ending balance for level 3 fair value measurements is now required, as well as significant transfers between levels in the fair value hierarchy. The amendments also clarify the requirements for liquidity risk disclosures with respect to derivative transactions and assets used for liquidity management. The fair value measurement disclosures are presented in Note 50. The liquidity risk disclosures are not significantly impacted by the amendments and are presented in Note 49(b).

IFRS 8 *Operating Segments* requires disclosure of information about the Group's operating segments and replaces the requirement to determine primary (business) and secondary (geographical) reporting segments of the Group. Adoption of this standard did not have any effect on the financial position of the Group. The Group determined that the operating segments were the same as the business segments previously identified under IAS 14 Segment Reporting. Additional disclosures about each of these segments are shown in note 48, including revised comparative information.

IAS 1 *Presentation of Financial Statements (Revised)* separates owner and non-owner changes in equity. The statement of changes in equity includes only details of transactions with owners, with non-owner changes in equity presented as a single line. In addition, it introduces the statement of comprehensive income: it presents all items of recognised income and expense, either in one single statement or in two linked statements. The Group has elected to present two statements.

The amendments to IAS 32 *Financial Instruments: Presentation* provide a limited scope exception for puttable financial instruments and instruments that impose specified obligations arising on liquidation to be classified as equity if they fulfill a number of specified features. Amendments to IAS 1 *Presentation of Financial Statements–Puttable Financial Instruments and Obligations Arising on Liquidation* require disclosure of certain information relating to these puttable financial instruments and obligations classified as equity. As the Group currently has no such financial instruments or obligations, the amendments have had no impact on the financial position or results of operations of the Group.

The amendment to IFRIC 9 *Reassessment of Embedded Derivatives r*equires an entity to assess whether an embedded derivative must be separated from a host contract when the entity reclassifies a hybrid financial asset out of the fair value through profit or loss category. This assessment is to be made based on circumstances that existed on the later of the date the entity first became a party to the contract and the date of any contract amendments that significantly change the cash flows of the contract. IAS 39 has been revised to state that if an embedded derivative cannot be separately measured, the entire hybrid instrument must remain classified as fair value through profit or loss in its entirety. The adoption of the amendments has had no significant impact on the financial position or results of operations of the Group.

IFRIC 16 *Hedges of a Net Investment in a Foreign Operation* provides guidance on the accounting for a hedge of a net investment in a foreign operation. This includes clarification that (i) hedge accounting may be applied only to the foreign exchange differences arising between the functional currencies of the foreign operation and the parent entity; (ii) a hedging instrument may be held by any entities within a group; and (iii) on disposal of a foreign operation, the cumulative gain or loss relating to both the net investment and the hedging instrument that was determined to be an effective hedge should be reclassified to the income statement as a reclassification adjustment. The adoption of the interpretation has had no significant impact on the financial position or results of operations of the Group.

Apart from the above, in May 2008 the IASB has issued *Improvements to IFRSs** which set out amendments to a number of IFRSs primarily with a view to removing inconsistencies and clarifying wording. Except for the amendments to IFRS 5 which is effective for annual periods on or after 1 July 2009, other amendments are effective for annual periods beginning on or after 1 January 2009 although there are separate transitional provisions for each standard. As a consequence of the early adoption of IFRS 3 (Revised) and IAS 27 (Revised), the Group also early adopted the amendments to IFRS 2, IAS 38, IFRIC 9 and IFRIC 16 of *Improvements to IFRSs* issued in April 2009 by the IASB. While the adoption of some of the amendments results in changes in accounting policies, none of these amendments has had a significant financial impact to the Group.

* Improvements to *IFRSs (2008)* contain amendments to IFRS 5, IFRS 7, IAS 1, IAS 8, IAS 10, IAS 16, IAS 18, IAS 19, IAS 20, IAS 23, IAS 27, IAS 28, IAS 29, IAS 31, IAS 34, IAS 36, IAS 38, IAS 39, IAS 40 and IAS 41.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(1) Subsidiaries

A subsidiary is an entity whose financial and operating policies the Bank controls, directly and indirectly, so as to obtain benefits from its activities.

The results of subsidiaries are included in the Bank's income statement to the extent of dividends received and receivable. The Bank's investments in subsidiaries are stated at cost less any impairment losses.

(2) Jointly-controlled entities

A jointly-controlled entity is a joint venture, not being a subsidiary or an associate, that is subject to joint control, resulting in none of the participating parties having unilateral control over the economic activity of the jointly-controlled entity.

The Group's investments in jointly-controlled entities are accounted for under the equity method of accounting. Under the equity method, an investment in a jointly-controlled entity is carried in the consolidated statement of financial position at cost plus post-acquisition changes in the Group's share of the net assets of the jointly-controlled entity, less any impairment losses. Goodwill relating to a jointly-controlled entity is included in the carrying amount of the investment and is not amortised. After application of the equity method, the Group determines whether it is necessary to recognise any additional impairment loss with respect to the Group's net investment in the jointly-controlled entity. The consolidated income statement reflects the share of the results of operations of the jointly-controlled entity. Where there has been a change recognised directly in the equity of the jointly-controlled entity, the Group recognises its share of any changes and discloses this, when applicable, in the consolidated statement of changes in equity. Profits and losses resulting from transactions between the Group and the jointly-controlled entities are eliminated to the extent of the Group's interests in the jointly-controlled entities.

The results of the jointly-controlled entities are included in the Bank's income statement to the extent of dividends received and receivable. The Bank's investments in jointly-controlled entities are stated at cost less any impairment losses.

The reporting periods of the jointly-controlled entities and the Group are identical and the jointly-controlled entities' accounting policies conform to those used by the Group for like transactions and events in similar circumstances.

(3) Associates

An associate is an entity, not being a subsidiary or a jointly-controlled entity, in which the Group has a long term interest of generally not less than 20% of the equity voting rights and over which it is in a position to exercise significant influence.

The Group's investments in associates are accounted for under the equity method of accounting. Under the equity method, an investment in an associate is carried in the consolidated statement of financial position at cost plus post-acquisition changes in the Group's share of the net assets of the associate, less any impairment losses. Goodwill relating to an associate is included in the carrying amount of the investment and is not amortised. After application of the equity method, the Group determines whether it is necessary to recognise any additional impairment loss with respect to the Group's net investment in the associate. The consolidated income statement reflects the share of the results of operations of the associate. Where there has been a change recognised directly in the equity of the associate, the Group recognises its share of any changes and discloses this, when applicable, in the consolidated statement of changes in equity. Profits and losses resulting from transactions between the Group and the associates are eliminated to the extent of the Group's interests in the associates.

The results of the associates are included in the Bank's income statement to the extent of dividends received and receivable. The Bank's investments in associates are stated at cost less any impairment losses.

The reporting periods of the associates and the Group are identical and the associates' accounting policies conform to those used by the Group for like transactions and events in similar circumstances.

(4) Foreign currency translation

The consolidated financial statements are presented in RMB, being the functional and presentation currency of the Bank's operations in Mainland China. Each entity in the Group determines its own functional currency and the financial statements of each entity are presented using that functional currency.

Foreign currency transactions are translated into the functional currency using the exchange rates ruling at the dates of transactions. Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the applicable exchange rates ruling at the end of the reporting period. Exchange differences arising on the settlement of monetary items or on translating monetary items at period end rates are recognised in the income statement, with the exception of all monetary items that provide an effective hedge against a net investment in a foreign entity which are taken directly to other comprehensive income until the disposal of the net investment, at which time they are recognised in the income statement. Tax charges and credits attributable to exchange differences on those monetary items are also recorded in other comprehensive income.

Non-monetary items that are measured at historical cost in a foreign currency are translated using the exchange rates ruling at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates ruling at the date when the fair value was determined. Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition are treated as assets and liabilities of the foreign operation and translated at the rates ruling at the end of the reporting period.

As at the end of the reporting period, the assets and liabilities of foreign operations are translated into the presentation currency of the Bank at the exchange rates ruling at the end of the reporting period. All items within equity except for retained profits are translated at the exchange rates ruling at the dates of the initial transactions. Their income statements are translated at the weighted average exchange rates for the year. The exchange differences arising on the above translation are taken directly to other comprehensive income. On disposal of a foreign operation, the deferred cumulative amount recognised in other comprehensive income relating to that particular foreign operation is recognised in the income statement.

Cash flows arising from transactions in foreign currencies and cash flows of overseas subsidiaries are translated using the weighted average exchange rates for the year. The effect of exchange rate movements on cash is presented separately in statement of cash flows as a reconciling item.

(5) Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Initial recognition of financial instruments

At initial recognition, financial assets are classified into four categories: financial assets at fair value through profit or loss, held-to-maturity financial investments, loans and receivables and available-for-sale financial assets.

At initial recognition, financial liabilities are classified into two categories: financial liabilities at fair value through profit or loss and other financial liabilities.

A financial asset or financial liability is measured initially at its fair value plus, in the case of a financial asset or financial liability not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

Measurement of fair value

The fair value of a financial asset or financial liability traded in active markets is based on its quoted market price.

For all other financial instruments not listed in an active market, the fair value is determined by using appropriate valuation techniques. Valuation techniques include making reference to the prices from recent arm's length market transactions between knowledgeable and willing parties, if available, current fair value of another instrument that is substantially the same, discounted cash flow analysis and option pricing models.

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

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

Financial assets or financial liabilities held for trading

A financial asset or financial liability is classified as held for trading if:

(i) it is acquired or incurred principally for the purpose of selling or repurchasing it in the near term;

(ii) on initial recognition it is 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) it is a derivative.

Financial assets held for trading mainly includes debt securities, equity investments and derivatives that are not designated as effective hedging instruments. Financial liabilities held for trading mainly includes short positions in securities.

Financial assets or financial liabilities held for trading are measured at fair value after initial recognition. Realised or unrealised incomes or expenses are recognised in the income statement. Derivatives are separately presented and disclosed in the financial statements, and accounting policies of derivatives are shown in note 3(9).

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

A financial instrument may be designated as a financial asset or financial liability at fair value through profit or loss upon initial recognition, if it meets any of the criteria set out below, and is so designated by management.

(i) It eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise from measuring the financial asset or financial liability or from recognising the gains and losses on them on different bases;

(ii) It applies to a group of financial assets, financial liabilities or both which is managed and its performance evaluated on a fair value basis, in accordance with a documented risk management or investment strategy, and where information about that group of financial instruments is provided internally on that basis to key management personnel; or

(iii) The financial instrument contains an embedded derivative, unless the embedded derivative does not significantly modify the cash flows or it is clear, with little or no analysis, that it would not be separately recorded.

In the case of an equity investment, if neither a quoted market price in an active market exists nor its fair value can be reliably measured, it cannot be designated as a financial asset at fair value through profit or loss.

Financial assets designated at fair value through profit or loss mainly include debt securities. Financial liabilities designated at fair value through profit or loss mainly include structured deposits, notes payable and certificates of deposits. These assets and liabilities are measured at fair value after initial recognition. Realised or unrealised income or expenses are recognised in the income statement.

Held-to-maturity financial investments

Held-to-maturity financial investments are non-derivative financial assets with fixed or determinable payments and a fixed maturity and which the Group has the positive intention and ability to hold to maturity. After initial measurement, held-to-maturity financial investments are subsequently measured at amortised cost using the effective interest method, less any allowance for impairment. Gains and losses are recognised in the income statement when the held-to-maturity financial investments are derecognised or impaired, as well as through the amortisation process. All the held-to-maturity financial investments are bond investments.

The Group shall reclassify any remaining held-to-maturity investments as available for sale and shall not classify any financial assets as held-to-maturity during the current financial year or during the two preceding financial years, if the Group has sold or reclassified more than an insignificant amount of held-to-maturity investments before maturity (more than insignificant in relation to the total amount of held-to-maturity investments) except for sale or reclassification that:

(i) is so close to maturity or the financial asset's call date (for example, less than three months before maturity) that changes in the market rate of interest would not have a significant effect on the financial asset's fair value;

(ii) occurs after the entity has collected substantially all of the financial asset's original principal through scheduled payments or prepayments; or

(iii) is attributable to an isolated event that is beyond the entity's control, is non-recurring and could not have been reasonably anticipated by the entity.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and the Group has no intention of trading the assets immediately or in the near term. After initial measurement, such assets are subsequently carried at amortised cost using the effective interest method, less any allowance for impairment losses. Gains and losses are recognised in the income statement when such assets are derecognised or impaired, as well as through the amortisation process. Loans and receivables mainly include loans and advances to customers, receivables and discounted bills.

Discounted bills are granted by the Group to its customers based on the bank acceptance held which has not matured. Discounted bills are carried at face value less unrealised interest income and the interest income of the discounted bills is recognised using the effective interest method.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets which are designated as such or are not classified in any of the three preceding categories. After initial recognition, available-for-sale financial assets are subsequently measured at fair value. Premiums and discounts on available-for-sale financial assets are amortised using the effective interest method and are taken to the income statement as interest income or expense. Changes in fair value of available-for-sale financial assets are recognised as a separate component of other comprehensive income until the financial asset is derecognised or determined to be impaired at which time the cumulative gains or losses previously recorded in other comprehensive income are transferred to the income statement. Dividend and interest income on available-for-sale financial assets are recorded in the income statement.

In the case of an equity investment classified as available-for-sale, if neither a quoted market price in an active market exists nor its fair value can be reliably measured, it will be measured at cost less any impairment loss.

Other financial liabilities

Other financial liabilities are carried at amortised costs using the effective interest method.

(6) Impairment of financial assets

An assessment on carrying amount of financial assets is made at the end of each reporting period. Impairment is recognised if there is objective evidence of impairment of financial assets, i.e., one or more events that occur after the initial recognition of those assets and have an impact on the estimated future cash flows of the financial assets or group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the borrower or a group of borrowers is experiencing significant financial difficulty, default or delinquency in interest or principal payments, they would probably enter into bankruptcy or other financial reorganisation and where observable data indicate that there is a measurable decrease in the estimated future cash flows.

Financial assets carried at amortised cost

If there is objective evidence that an impairment loss on loans and receivables or held-to-maturity investments has been incurred, 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 (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate and shall include the value of any relevant collaterals. The original effective interest rate is the rate used to determine the values of financial assets at initial recognition. With respect to floating-rate loans, receivables and held-to-maturity investments, the discount rate could be the current effective interest rate determined under the contract. The carrying amount of the asset is reduced through the use of an impairment provision account and the amount of the loss is recognised in the income statement.

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

Future cash flows of a group of financial assets that are collectively evaluated for impairment are estimated on the basis of historical loss experience for assets with credit risk characteristics similar to those in the group. Historical loss experience is adjusted on the basis of current observable data to reflect the impact of current conditions that did not affect the period on which the historical loss experience is based and to eliminate the impact of historical conditions that do not exist currently. The methodology and assumptions used for estimating future cash flows are reviewed regularly by the Group.

If, in a subsequent period, the amount of an impairment loss decreases and the decrease can be attributed objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed. Any subsequent reversal of an impairment loss is recognised in the income statement, to the extent that the carrying value of the assets does not exceed its amortised cost at the reversal date.

When an item of loans and receivables is uncollectible, it is written off against the related allowance for impairment losses. Such loans and receivables are written off after all the necessary procedures have been completed and the amount of the loss has been determined. Subsequent recoveries of the amounts previously written off decrease the amount of the provision for loan impairment in the income statement.

Financial assets carried at cost

If there is objective evidence that an impairment loss has been incurred on the financial asset, the amount of impairment loss, measured as the difference between the carrying amount of that financial asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset, is recognised in the income statement. Impairment losses on these assets are not reversed.

Available-for-sale financial assets

If there is objective evidence that the asset is impaired, the cumulative loss, measured as the difference between the acquisition cost (net of any principal repayment and amortisation) and the current fair value, less any impairment loss on that financial asset previously recognised in the income statement, is removed from other comprehensive income and recognised in the income statement.

In the case of equity investments classified as available-for-sale, objective evidence would include a significant or prolonged decline in the fair value of the investment below its cost. Impairment losses on equity investments are not reversed through the income statement; increases in their fair value after impairment are recognised as other comprehensive income.

In the case of debt instruments classified as available-for-sale, if, in a subsequent period, the fair value of a debt instrument increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in the income statement, the impaired loss is reversed through the income statement.

(7) Renegotiated loans

Where possible, the Group seeks to restructure loans rather than to take possession of collateral. This may involve extending the payment arrangements and the agreement of new loan conditions. Once the terms have been renegotiated, the loan is no longer considered past due. Management continuously reviews renegotiated loans to ensure that all criteria are met and that future payments are likely to occur. The loans continue to be subject to individual or collective impairment assessment, calculated using the loan's original effective interest rate.

(8) Derecognition of financial assets and liabilities

Financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- The rights to receive cash flows from the assets have expired; or
- The Group has transferred its rights to receive cash flows from the assets; or has retained its rights to receive cash flows from the assets but has assumed an obligation to pay them in full without material delay to a third party under a "pass-through" arrangement; and
- The Group has transferred substantially all the risks and rewards of ownership of the financial asset; or the Group has neither transferred nor retained substantially all the risks and rewards of ownership of the financial asset, but has transferred control of the asset.

Where the Group has transferred its rights to receive cash flows from an asset or has retained its rights to receive cash flows from the assets but has entered into a pass-through arrangement, and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Group's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Securitisation

As part of its operational activities, the Group securitises financial assets, generally through the sale of these assets to SPEs which issue securities to investors. The transferred assets may qualify for derecognition in full or in part. Further details on prerequisites for derecognition of financial assets are set out above. Interests in the securitised financial assets may be partially retained by the Group and are primarily classified as available-for-sale financial assets. The book value of the transferred asset should be recognised between the derecognised portion and the retained portion based on their respective relative fair values, and the difference between the book value of the derecognised portion and the total consideration paid for the derecognised portion shall be recorded in the profit or loss.

Financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expires. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the income statement.

(9) Derivatives and hedge accounting

Derivatives

The Group uses derivative financial instruments such as forward currency contracts and interest rate swaps to hedge its risks associated with foreign currency and interest rate fluctuations. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

Certain derivatives embedded in other financial instruments are treated as separate derivatives when their economic characteristics and risks are not closely related to those of the host contract and the hybrid instrument is not carried at fair value through profit or loss. These embedded derivatives are measured at fair value with the changes in fair value recognised in the income statement.

Any gains or losses arising from changes in fair value on derivatives that do not qualify for hedge accounting are taken directly to the income statement.

For less complex derivative products, the fair values are principally determined by valuation models which are commonly used by market participants. Inputs to valuation models are determined from observable market data wherever possible, including foreign exchange spot and forward rates and interest rate yield curves. For more complex derivative products, the fair values are mainly determined by quoted prices from dealers.

Hedge accounting

At the inception of a hedge relationship, the Group formally designates and documents the hedge relationship to which the Group wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge. The documentation includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the entity will assess the hedging instrument's effectiveness in offsetting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedged risk. Such hedges are expected to be highly effective in achieving offsetting changes in fair value or cash flows and are assessed on an ongoing basis to determine that they have actually been highly effective throughout the financial reporting periods for which they were designated.

Certain derivative transactions, while providing effective economic hedges under the Group's risk management positions, do not qualify for hedge accounting under IAS 39 and are therefore treated as derivatives held for trading with fair value gains or losses recognised in the income statement. Hedges which meet the strict criteria for hedge accounting are accounted for in accordance with the Group's accounting policy as set out below.

Fair value hedges

Fair value hedges are hedges of the Group's exposure to changes in the fair value of a recognised asset or liability or an unrecognised firm commitment, or an identified portion of such an asset, liability or unrecognised firm commitment, that is attributable to a particular risk and could affect the profit or loss. For fair value hedges, the carrying amount of the hedged item is adjusted for gains and losses attributable to the risk being hedged, the derivative is remeasured at fair value and the gains and losses from both are taken to the income statement.

For hedged items recorded at amortised cost, the difference between the carrying value of the hedged item and the face value is amortised over the remaining term of the original hedge using the effective interest method.

When an unrecognised firm commitment is designated as a hedged item, the subsequent cumulative change in the fair value of the firm commitment attributable to the hedged risk is recognised as an asset or liability with a corresponding gain or loss recognised in the income statement. The changes in the fair value of the hedging instrument are also recognised in the income statement.

The Group discontinues fair value hedge accounting if the hedging instrument expires or is sold, terminated or exercised, the hedge no longer meets the criteria for hedge accounting or the Group revokes the designation.

Cash flow hedges

Cash flow hedges are hedges of the Group's exposure to variability in cash flows that is attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction and could affect profit or loss. For designated and qualifying cash flow hedges, the effective portion of the gain or loss on the hedging instrument is initially recognised directly in other comprehensive income. The ineffective portion of the gain or loss on the hedging instrument is recognised immediately in the income statement.

When the hedged cash flow affects the income statement, the gain or loss on the hedging instrument recognised directly in other comprehensive income is recycled in the corresponding income or expense line of the income statement. When a hedging instrument expires, or is sold, terminated, exercised, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in other comprehensive income at that time remains in other comprehensive income until the hedged forecast transaction ultimately occurs. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in other comprehensive income is immediately transferred to the income statement.

(10) Trade date accounting

All regular way purchases and sales of financial assets are recognised at the trade date, which is the date that the Group commits to purchase or sell the assets. A regular way purchase or sale is the purchase or sale of financial assets that requires delivery of assets within the time frame generally established by regulation or convention in the marketplace.

(11) Offsetting of financial instruments

Financial assets and liabilities are offset and the net amount is reported in the statement of financial position if, and only if, the Group has a legally enforceable right to offset such amounts with the same counterparty and an intention to settle on a net basis, or to realise the asset and settle the liability simultaneously.

(12) Repurchase and reverse repurchase transactions

Assets sold under agreements to repurchase at a specified future date ("repos") are not derecognised from the statement of financial position. The corresponding cash received, including accrued interest, is recognised on the statement of financial position as a "repurchase agreement", reflecting its economic substance as a loan to the Group. The difference between the sale and repurchase prices is treated as an interest expense and is accrued over the life of the agreement using the effective interest method.

Conversely, assets purchased under agreements to resell at a specified future date ("reverse repos") are not recognised on the statement of financial position. The corresponding cash paid, including accrued interest, is recognised on the statement of financial position as a "reverse repurchase agreement". The difference between the purchase and resale prices is treated as an interest income and is accrued over the life of the agreement using the effective interest method.

(13) Property and equipment

Property and equipment, other than construction in progress were stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its present working condition and location for its intended use. Expenditure incurred after items of property and equipment have been put into operation, such as repairs and maintenance, is normally charged to the income statement in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement.

Construction in progress comprises the direct costs of construction during the period of construction and is not depreciated. Construction in progress is reclassified to the appropriate category of property and equipment when completed and ready for use.

The carrying values of property and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying values may not be recoverable.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment, less any estimated residual value, over the estimated useful life. The estimated useful life, estimated residual value and the annual depreciation rate of each item of property, plant and equipment are as follows:

	Estimated useful life	Estimated residual value	Annual depreciation rate
Properties and buildings	5–35 years	3%	2.77%–19.40%
Office equipment and computers	3–5 years	—	20.00%–33.33%
Motor vehicles	4–6years	—	16.67%–25.00%
Leasehold improvements		Over the shorter of the economic useful lives and remaining lease terms	

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately.

Residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property and equipment and any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the income statement in the year the asset is derecognized.

(14) Land use rights

Land use rights are recognised at cost, being the fair value at the time of injection from the central government of the PRC (the "Government") or the consideration paid. The rights are amortised using the straight-line basis over the period of the leases. When the prepaid land lease payments cannot be allocated reliably between the land and buildings elements, the entire lease payments are included in the cost of properties and buildings as finance leases in property and equipment.

(15) Repossessed assets

Collateral assets for loans and advances are repossessed by the Group when the borrowers are unable to honour their repayments, and would be realised in settlement of the related outstanding debts. Repossessed assets are initially recognised at the carrying amount of the related loan principal and interest receivable, net of allowance for impairment losses. The Group's repossessed assets are reviewed at the end of each reporting period by management to assess whether they are recorded in excess of their recoverable amount, and if their carrying value exceeds the recoverable amount, the assets are written down. Any impairment loss, being the difference between the estimated net recoverable amount and the carrying value, is charged to the income statement.

(16) Business combination and goodwill

Business combinations from 1 January 2009

Business combinations are accounted for using the acquisition method. Goodwill arising from a business combination is initially measured at cost, being the excess of the aggregate of i) the consideration transferred, measured at acquisition-date fair value, ii) the amount of any non-controlling interest in the acquiree, and iii) in a business combination achieved in stages, the acquisition-date fair value of the Group's previously held equity interest in the acquiree over the net fair value of the acquired identifiable assets, assumed liabilities and contingent liabilities as at the date of acquisition. For each business combination, the acquirer measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs incurred are expensed.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, the acquisition-date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value as at the acquisition date through profit or loss.

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be a financial asset or liability, are recognised in accordance with IAS 39 either in profit or loss or in other comprehensive income. If the contingent consideration is classified as equity, it shall not be remeasured until it is finally settled within equity.

Following initial recognition, goodwill is measured at cost less any accumulated impairment losses.

The carrying amount of goodwill is reviewed for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired.

For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units ("CGU"), or groups of CGUs, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units. Each unit or group of units to which the goodwill is allocated:

- Represents the lowest level within the Group at which the goodwill is monitored for internal management purposes; and
- Is not larger than a segment based on the Group's reporting format determined in accordance with IFRS 8 *Operating Segments.*

Where goodwill forms part of a CGU (or groups of CGUs) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the CGU retained. An impairment loss recognised for goodwill is not reversed in a subsequent period.

When subsidiaries are sold, the difference between the selling price and the net assets plus cumulative translation differences and goodwill is recognised in the income statement.

Business combinations prior to 31 December 2008

In comparison to the above-mentioned requirements, the following differences applied:

Business combinations were accounted for using the purchase method. Transaction costs directly attributable to the acquisition formed part of the acquisition costs. The non-controlling interest (formerly known as minority interest) was measured at the proportionate share of the acquiree's identifiable net assets. Business combinations achieved in stages were accounted for as separate steps. Additional acquired share of interest, if any, did not affect previously recognised goodwill. When the Group acquired a business, embedded derivatives separated from the host contract by the acquiree were not reassessed on acquisition unless the business combination resulted in a change in the terms of the contract that significantly modified the cash flows that otherwise would have been required under the contract. Contingent consideration was recognised if, and only if, the Group had a present obligation, the economic outflow was more likely than not and a reliable estimate was determinable. Subsequent adjustments to the contingent consideration affected goodwill.

(17) Impairment of non-financial assets other than goodwill and deferred tax assets

The Group assesses at the end of each reporting period whether there is any indication that an asset may be impaired. If any such indication exists, or when impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of its fair value less costs to sell and its value in use and is determined on an individual basis, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the CGU to which the asset belongs. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered to be impaired and is written down to its recoverable amount. In assessing value in use of an asset, the estimated future cash flows are discounted to their present values using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Impairment losses of continuing operations are recognised in the income statement.

An assessment is made at the end of each reporting period as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of any depreciation/amortisation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the income statement. After such a reversal, the depreciation/amortisation charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

(18) Cash and cash equivalents

Cash and cash equivalents refer to short term highly liquid assets, which are readily convertible into known amounts of cash and subject to an insignificant risk of changes in value. Cash and cash equivalents comprise cash, unrestricted balances with central banks, and amounts due from banks and other financial institutions and reverse repurchase agreements with original maturity of less than three months.

(19) Leases

Leases which transfer substantially all the risks and rewards of ownership of the assets to the lessees are classified as finance leases. Leases where substantially all the rewards and risks of the assets remain with the lessor are accounted for as operating leases.

Finance leases

When the Group is a lessor under finance leases, an amount representing the minimum lease payment receivables and initial direct costs is included in the statement of financial position as loans and advances to customers. Any unguaranteed residual value is also recognised at the inception of the lease. The difference between the sum of the minimum lease payment receivables, initial direct costs, the unguaranteed residual value and their present value is recognised as unearned finance income. Unearned finance income is recognised over the period of the lease using the effective interest method.

Operating leases

Rental payments applicable to operating leases are charged to the income statement on the straight-line basis over the lease terms.

(20) Related parties

A party is considered to be related to the Group if:

(i) The party, directly or indirectly through one or more intermediaries, (a) controls, is controlled by, or is under common control with, the Group; (b) has an interest in the Group that gives it significant influence over the Group; or (c) has joint control over the Group;

(ii) The party is an associate of the Group;

(iii) The party is a joint venture in which the Group is a venturer;

(iv) The party is a member of the key management personnel of the Bank or its parent company;

(v) The party is a close member of the family of any individual referred to in (i) or (iv);

(vi) The party is an entity that is controlled, jointly-controlled or significantly influenced by, or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (iv) or (v); or

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

(21) Recognition of income and expense

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and when the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

Interest income and expense

For all financial instruments measured at amortised cost and interest-generating financial instruments classified as available-for-sale financial assets, interest income or expense is recorded at the effective interest rate, which is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or financial liability. The calculation takes into account all contractual terms of the financial instrument (for example, prepayment options) and includes any fees or incremental costs that are directly attributable to the instrument and are an integral part of the effective interest rate, but not future credit losses. The carrying amount of the financial asset or financial liability is adjusted if the Group revises its estimates of payments or receipts. The adjusted carrying amount is calculated based on the original effective interest rate and the change in carrying amount is recorded in profit or loss.

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

Fee and commission income

The Group earns fee and commission income from a diverse range of services it provides to its customers. Fee income can be divided into the following two categories:

(i) Fee income on transactions conducted or from services provided over a period of time

Fee income is recognised on the basis of when the transaction is completed or on accrual basis when the service is provided over a period of time. These fees mainly include fee income on settlement and clearing business, commission income and fee income on asset management, custody and other management advisory services.

(ii) Fee income from providing transaction services

Fees arising from negotiating or participating in the negotiation of a transaction for a third party, such as the arrangement of the acquisition of shares or other securities or the purchase or sale of businesses, are recognised on completion of the underlying transaction. Fees or components of fees that are linked to a certain performance are recognised after fulfilling the corresponding criteria.

The fair value of the award credits granted to the bank card holders is deferred and recognised as fee and commission income when the award credits are redeemed or expired.

Dividend income

Dividend income is recognised when the Group's right to receive payment has been established.

Net trading income

Results arising from trading activities include all gains and losses from changes in fair value for financial assets and financial liabilities that are held for trading. This includes gains and losses from changes in fair value relating to the ineffective portion of the hedging arrangements.

(22) Income tax

Income tax comprises current and deferred income tax. Income tax is recognised in the income statement except that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the end of each reporting period.

Deferred income tax

Deferred income tax is provided using the liability method on temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts.

Deferred income tax liabilities are recognised for all taxable temporary differences, except:

(i) Where the deferred income tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable income or deductible expenses; and

(ii) In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not be reversed in the foreseeable future.

Deferred income tax assets are recognised for all deductible temporary differences, carryforward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax credits and unused tax losses can be utilised, except:

(i) Where the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable income or deductible expenses; and

(ii) In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred income tax assets are recognised only to the extent that it is probable that the temporary differences will be reversed in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax assets and deferred income 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, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of each reporting period and reflect the corresponding tax effect.

The carrying amount of deferred income tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable income will be available to allow all or part of the deferred income tax asset to be utilised. When it is virtually probable that sufficient taxable income will be available, the reduced amount can be reversed accordingly.

Deferred income tax assets and deferred income tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred income taxes relate to the same taxable entity and the same taxation authority.

(23) Employee benefits

Employee benefits refer to all forms of consideration and other related expenditure given by the Group in exchange for services rendered by employees. The benefits payable are recognised as liabilities during the period in which the employees have rendered services to the Group. If the effect of discounting the benefits payable which are payable after one year from the end of the reporting period is significant, the Group will present them at their present value.

Statutory defined contribution plans

In accordance with the relevant laws and regulations, domestic employees of the Group participate in various social insurance schemes like basic pension insurance, medical insurance, unemployment insurance and housing fund schemes administered by the local government authorities. The Group calculates and contributes to the local government agencies the above pension and insurance schemes using applicable contribution basis and rates stipulated in the relevant local regulations in the period the employees providing their services to the Group. Contributions to these plans are recognised in the income statement as incurred.

All eligible employees outside Mainland China participate in local defined contribution schemes. The Group contributes to these defined contribution schemes based on the requirements of the local regulatory bodies.

Retirement benefit annuity plan

In addition, employees in Mainland China also participate in a defined contribution retirement benefit plan established by the Bank (the "Annuity Plan"). The Bank and its employees are required to contribute a certain percentage of the employees' previous year basic salaries to the Annuity Plan. The contribution is charged to the income statement when it incurs. The Bank pays a fixed contribution into the Annuity Plan and has no obligation to pay further contributions if the Annuity Plan does not hold sufficient assets to pay all employees benefits.

Termination benefits

Termination benefits are payable whenever an employee's employment is voluntarily terminated before the normal retirement date or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises retirement benefits in the income statement when it is demonstrably committed to terminate the employment of current employees according to a detailed formal plan without possibility of withdrawal.

Early retirement benefits

According to the Bank's policy on early retirement benefits, certain employees are entitled to take leave of absence and in return receive a certain level of staff salaries and related benefits from the Bank. The salaries and benefit payments are made from the date of early retirement to the normal retirement date. The amounts of retirement benefit expense and present value of these liabilities are dependent on assumptions used in calculating such amounts. These assumptions include discount rates, retirement benefit growth rates and other factors. Gains and losses arising from the changes in assumptions and amendments to pension plans are recognised in the income statement as incurred.

(24) Fiduciary activities

Where the Group acts in a fiduciary capacity such as custodian or agent, assets arising thereon together with related undertakings to return such assets to customers are excluded from the statement of financial position.

The Group grants entrusted loans on behalf of trustors which are recorded off-balance sheet. The Group, as a trustee, grants such entrusted loans to borrowers under the direction of those trustors who fund these loans. The Group has been contracted by those trustors to manage the administration and collection of these loans on their behalf. Those trustors determine both the underwriting criteria for and the terms of all entrusted loans including their purposes, amounts, interest rates, and repayment schedules. The Group charges a commission related to its activities in connection with entrusted loans which are recognised ratably over the period in which the service is provided. The risk of loss is borne by those trustors.

(25) Financial guarantee contracts

The Group issues financial guarantee contracts, including letters of credit, letters of guarantee and acceptance. These financial guarantee contracts provide for specified payments to be made to reimburse the holders for the losses they incur when a guaranteed party defaults under the original or modified terms of a debt instrument, loan or any other obligation.

The Group initially measures all financial contracts at fair value, in other liabilities, being the premium received. This amount is recognised ratably over the period of the contract as fee and commission income. Subsequently, the liabilities are measured at the higher of the initial fair value less cumulative amortisation and the best estimate of expenditure required to settle any financial obligation arising as a result of the guarantee. Any increase in the liability relating to a financial guarantee is taken to the income statement.

(26) Provisions

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

Where the Group expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expenses relating to any provision is presented in the income statement net of any reimbursement.

(27) Contingent liabilities

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that an outflow of economic resources will be required or the amount of obligation cannot be measured reliably. Contingent liabilities are disclosed in the notes to the financial statements. When a change in the probability of an outflow occurs so that outflow is probable and can be reliably estimated, it will then be recognised as a provision.

(28) Dividends

Dividends are recognised as a liability and deducted from equity when they are approved by the Bank’s shareholders in general meeting and declared. Interim dividends are deducted from equity when they are approved and declared, and no longer at the discretion of the Bank. Dividend for the year that is approved after the end of the reporting period is disclosed as an event after the reporting period.

4. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

In the process of applying the Group's accounting policies, management has used its judgements and made assumptions of the effects of uncertain future events on the financial statements. The most significant use of judgements and key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial period, are described below.

Designation of held-to-maturity investments

Non-derivative financial assets with fixed or determinable payments and fixed maturity are classified as held-to-maturity investments when the Group has the positive intention and ability to hold the investments to maturity. Accordingly, in evaluating whether a financial asset shall be classified as a held-to-maturity investment, significant management judgement is required. If the Group fails to correctly assess its intention and ability to hold the investments to maturity and the Group sells or reclassifies more than an insignificant amount of held-to-maturity investments before maturity, the Group shall reclassify the whole held-to-maturity investment portfolio as available-for-sale.

Impairment losses of loans and advances and amounts due from banks and other financial institutions

The Group determines periodically whether there is any objective evidence that impairment losses have occurred on loans and advances and amounts due from banks and other financial institutions. If any such evidence exists, the Group assesses the amount of impairment losses. The amount of impairment losses is measured as the difference between the carrying amount and the present value of estimated future cash flows. Assessing the amount of impairment losses requires significant judgement on whether the objective evidence for impairment exists and also significant estimates when determining the present value of the expected future cash flows.

Impairment losses of available-for-sale and held-to-maturity investments

In determining whether there is any objective evidence that impairment losses have occurred on available-for-sale and held-to-maturity investments, the Group assesses periodically whether there has been a significant or prolonged decline in the fair value below its cost or carrying amount, or whether other objective evidence of impairment exists based on the investee's financial conditions and business prospects, including industry environment, change of technology as well as operating and financing cash flows. This requires a significant level of judgement of management, which would affect the amount of impairment losses.

Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis and when circumstances indicate that the carrying value may be impaired. This requires an estimation of the recoverable amount of the CGU or groups of CGUs to which the goodwill is allocated. Estimating the recoverable amount requires the Group to make an estimate of the expected future cash flows from the CGU or groups of CGUs and also to choose a suitable discount rate in order to calculate the present value of those cash flows.

Income tax

Determining income tax provisions requires the Group to estimate the future tax treatment of certain transactions. The Group carefully evaluates tax implications of transactions in accordance with prevailing tax regulations and makes tax provisions accordingly. In addition, deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences can be utilised. This requires significant estimation on the tax treatments of certain transactions and also significant assessment on the probability that adequate future taxable profits will be available for the deferred income tax assets to be recovered.

Fair value of financial instruments

If the market for a financial instrument is not active, the Group establishes fair value by using a valuation technique. Valuation techniques include using recent arm's length market transactions between knowledgeable and willing parties, if available, reference to the current fair value of another instrument that is substantially the same, discounted cash flow analysis and option pricing models. To the extent practicable, valuation technique makes maximum use of market inputs. However, where market inputs are not available, management needs to make estimates on such unobservable market inputs.

5. IMPACT OF ISSUED BUT NOT YET EFFECTIVE INTERNATIONAL FINANCIAL REPORTING STANDARDS

The Group has not applied the following new and revised IFRSs and IFRIC interpretations that have been issued but are not yet effective, in these financial statements.

IFRS 1 (Revised)	First-time Adoption of International Financial Reporting Standards[1]
IFRS 1 Amendments	Amendments to IFRS 1 First-time Adoption of International Financial Reporting Standards — Additional Exemptions for First-time Adopters[2]
IFRS 2 Amendments	Amendments to IFRS 2 Share-based Payment — Group Cash-settled Share-based Payment Transactions[2]
IFRS 9	Financial Instruments[6]
IAS 24 (Revised)	Related Party Disclosures[5]
IAS 32 Amendment	Amendment to IAS 32 Financial Instruments: Presentation — Classification of Rights Issues[3]
IAS 39 Amendment	Amendment to IAS 39 Financial Instruments: Recognition and Measurement — Eligible Hedged Items[1]
IFRIC 14 Amendments	Amendments to IFRIC 14 Prepayments of a Minimum Funding Requirement[5]
IFRIC 17	Distributions of Non-cash Assets to Owners[1]
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments[4]

Apart from the above, in April 2009 the IASB has issued *Improvements to IFRSs** which sets out amendments to a number of IFRSs primarily with a view to removing inconsistencies and clarifying wording. The amendments to IFRS 2, IAS 38, IFRIC 9 and IFRIC 16 which are effective for annual periods beginning on or after 1 July 2009 have been early adopted by the Group in the current year. The amendments to IFRS 5, IFRS 8, IAS 1, IAS 7, IAS 17, IAS 18, IAS 36 and IAS 39 are effective for annual periods beginning on or after 1 January 2010 although there are separate transitional provisions for each standard or interpretation.

1 Effective for annual periods beginning on or after 1 July 2009

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

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

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

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

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

* Improvements to IFRSs contains amendments to IFRS 2, IFRS 5, IFRS 8, IAS 1, IAS 7, IAS 17, IAS 18, IAS 36, IAS 38, IAS 39, IFRIC 9 and IFRIC 16.

The Group is in the process of making an assessment of the impact of these new and revised IFRSs and interpretations upon initial application. Further information about those changes that are expected to significantly affect the Group is as follows:

IFRS 9 issued in November 2009 is the first part of phase 1 of a comprehensive project to entirely replace IAS 39 Financial Instruments: Recognition and Measurement. This phase focuses on the classification and measurement of financial assets. Instead of classifying financial assets into four categories in accordance with IAS 39, an entity shall classify financial assets as subsequently measured at either amortised cost or fair value, on the basis of both the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets.

IAS 24 (Revised) clarifies and simplifies the definition of related parties. It also provides for a partial exemption of related party disclosure to government-related entities for transactions with the same government or entities that are controlled, jointly controlled or significantly influenced by the same government. The Group expects to adopt IAS 24 (Revised) from 1 January 2011.

(In RMB millions, unless otherwise stated)

6. NET INTEREST INCOME

	2009	2008
Interest income on:		
Loans and advances to customers (i)		
— Corporate loans and advances	217,954	234,696
— Personal loans	48,551	56,869
— Discounted bills	10,634	15,538
Financial investments (ii)	96,230	102,688
Due from central banks	23,361	22,634
Due from banks and other financial institutions	9,148	8,149
	405,878	440,574
Interest expense on:		
Due to customers	(145,246)	(160,253)
Due to banks and other financial institutions	(13,021)	(16,043)
Subordinated bonds	(1,790)	(1,241)
	(160,057)	(177,537)
Net interest income	245,821	263,037

The above interest income and expense were related to financial instruments which are not at fair value through profit or loss.

(i) Included in interest income on loans and advances to customers for the year is an amount of RMB1,021 million (2008: RMB1,538 million) with respect to the accreted interest on impaired loans.

(ii) Included in interest income on financial investments for the year is an amount of RMB896 million (2008: RMB1,062 million) with respect to interest income on impaired debt securities.

7. NET FEE AND COMMISSION INCOME

	2009	2008
Settlement, clearing business and cash management	14,587	13,002
Investment banking business	12,539	8,028
Personal wealth management and private banking services (i)	12,059	10,327
Bank card business	9,408	7,199
Corporate wealth management services (i)	4,442	2,788
Guarantee and commitment business	2,396	1,849
Assets fiduciary business (i)	2,212	2,066
Trust and agency services (i)	882	756
Others	517	696
Fee and commission income	59,042	46,711
Fee and commission expense	(3,895)	(2,709)
Net fee and commission income	55,147	44,002

(i) Included in personal wealth management and private banking services, corporate wealth management services, assets fiduciary business and trust and agency services above is an amount of RMB6,184 million (2008: RMB5,097 million) with respect to trust and other fiduciary activities.

(In RMB millions, unless otherwise stated)

8. NET TRADING INCOME/(EXPENSE)

	2009	2008
Debt securities	349	1,943
Equity investments	26	(14)
Derivatives	(450)	(46)
	(75)	1,883

The above amounts include gains and losses arising from the buying and selling, interest income and expense on and changes in the fair value of financial assets and liabilities held for trading as well as changes in the fair value relating to the ineffective portion of the hedging arrangements.

9. NET LOSS ON FINANCIAL ASSETS AND LIABILITIES DESIGNATED AT FAIR VALUE THROUGH PROFIT OR LOSS

	2009	2008
Financial assets	171	(55)
Financial liabilities	(300)	(644)
	(129)	(699)

The above amounts represent gains and losses arising from the buying and selling, interest income and expense on and changes in the fair value of financial assets and liabilities designated at fair value through profit or loss upon initial recognition.

10. NET GAIN/(LOSS) ON FINANCIAL INVESTMENTS

	2009	2008
Dividend income from unlisted investments	96	69
Dividend income from listed investments	5	13
Dividend income	101	82
Gain/(loss) on disposal of available-for-sale financial assets, net	7,238	(449)
	7,339	(367)

11. OTHER OPERATING INCOME, NET

	2009	2008
Loss from foreign exchange and foreign exchange products, net	(1,246)	(851)
Net gain on disposal of property and equipment, repossessed assets and others	1,122	1,563
Sundry bank charge income	244	251
Others	1,188	1,376
	1,308	2,339

(In RMB millions, unless otherwise stated)

12. OPERATING EXPENSES

	2009	2008
Staff costs:		
Salaries and bonuses	38,769	35,169
Staff benefits	11,187	10,846
Contributions to defined contribution schemes (i)	6,334	5,237
Early retirement benefits	4,200	2,000
	60,490	53,252
Premises and equipment expenses:		
Depreciation (note 30)	9,639	8,190
Minimum lease payments under operating leases in respect of land and buildings	2,977	2,469
Repairs and maintenance charges	2,301	2,686
Utility expenses	1,843	1,672
	16,760	15,017
Amortisation	1,361	1,300
Other administrative expenses (ii)	18,076	17,243
Business tax and surcharges	18,157	18,765
Others	5,975	5,758
	120,819	111,335

(i) Contributions to defined contribution schemes mainly include contributions to the state pension and the Bank's Annuity Plan. During the year and as at the end of the reporting period, the Group's forfeited contributions available to reduce its contributions to the pension schemes in future years were not material.

(ii) Included in other administrative expenses is auditors' remuneration (including related assurance services for the Group and its subsidiaries and overseas branches) of RMB170 million for the year (2008: RMB181 million).

13. DIRECTORS' AND SUPERVISORS' EMOLUMENTS

Details of the directors' and supervisors' emoluments before tax, as disclosed pursuant to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and Section 161 of the Hong Kong Companies Ordinance, are as follows:

		Year ended 31 December 2009			
Name	Position	Remuneration paid (before tax) RMB'000 (1)	Contributions to defined contribution schemes RMB'000 (2)	Fees RMB'000 (3)	Total emoluments before tax (i) RMB'000 (4)=(1)+(2)+(3)
Jiang Jianqing	Chairman of the Board of Directors, Executive Director	810	101	—	911
Yang Kaisheng	Vice Chairman of the Board of Directors, Executive Director, President	770	101	—	871
Zhao Lin	Chairman of the Board of Supervisors	725	101	—	826
Zhang Furong	Executive Director, Vice President	666	96	—	762
Niu Ximing (Ii)	Former Executive Director and Vice President	673	95	—	768
Huan Huiwu (Iii)	Non-executive Director	—	—	—	—
Gao Jianhong	Non-executive Director	—	—	—	—
Li Chunxiang (Iii)	Non-executive Director	—	—	—	—
Li Jun	Non-executive Director	—	—	—	—
Li Xiwen	Non-executive Director	—	—	—	—
Wei Fusheng (Iii)	Non-executive Director	—	—	—	—
Fu Zhongjun (Ii)	Former Non-executive Director	—	—	—	—
Kang Xuejun (Ii)	Former Non-executive Director	—	—	—	—
Song Zhigang (Ii)	Former Non-executive Director	—	—	—	—
Christopher A. Cole (Ii)	Former Non-executive Director	—	—	—	—
Leung Kam Chung, Antony	Independent Non-executive Director	—	—	498	498
Qian Yingyi	Independent Non-executive Director	—	—	485	485
Xu Shanda	Independent Non-executive Director	—	—	—	—
Wong Kwong Shing, Frank (Iv)	Independent Non-executive Director	—	—	428	428
M.C. McCarthy (Iv)	Independent Non-executive Director	—	—	25	25
Kenneth Patrick Chung (Iv)	Independent Non-executive Director	—	—	25	25
Wang Chixi	Shareholder Supervisor	680	89	—	769
Dong Juan (V)	External Supervisor	—	—	175	175
Meng Yan (V)	External Supervisor	—	—	165	165
Wang Daocheng (Vi)	Former External Supervisor	—	—	—	—
Miao Gengshu (Vi)	Former External Supervisor	—	—	—	—
Zhang Wei (Vii)	Employee Supervisor	—	—	50	50
Chang Ruiming (Vii)	Employee Supervisor	—	—	17	17
		4,324	583	1,868	6,775

(i) The total compensation packages for the Chairman of the Board of Directors, President, Chairman of the Board of Supervisors, Executive Directors, and Supervisors of the Bank for the year ended 31 December 2009 have not been finalized in accordance with the regulations of the PRC relevant authorities. The remuneration not yet accrued is not expected to have significant impact on the Group's and the Bank's 2009 financial statements. The total compensation packages will be further disclosed when determined.

(ii) Mr. Fu Zhongjun, Mr. Kang Xuejun and Mr. Song Zhigang ceased to act as Directors of the Bank, effective from 17 February 2009 upon completion of their term; Mr. Christopher A. Cole ceased to act as Director of the Bank, effective from 1 June 2009 upon completion of his term; Mr. Niu Ximing ceased to act as Executive Director and Vice President of the Bank, effective from 29 December 2009 due to change of his job assignment. The amount included the total emoluments before tax for the period of his service as Executive Director and Vice President of the Bank from January 2009 to December 2009.

(iii) The appointments of three Non-executive Directors, namely Mr. Huan Huiwu, Ms. Li Chunxiang and Mr. Wei Fusheng, were approved by the CBRC on 17 February 2009.

(iv) The appointment of Mr. Wong Kwong Shing, Frank as Independent Non-executive Director of the Bank, was approved by the CBRC on 9 January 2009. At the Second Extraordinary General Meeting for the Year 2009 held on 27 November 2009, Mr. Malcolm Christopher McCarthy and Mr. Kenneth Patrick Chung were appointed as Independent Non-executive Directors of the Bank. The appointments of them were approved by the CBRC on 14 December 2009.

(v) At the Annual General Meeting for the Year 2008 of the Bank held on 25 May 2009, Ms. Dong Juan and Mr. Meng Yan were elected as Supervisors of the Bank, effective from the date of approval at that Annual General Meeting.

(vi) According to relevant requirements, Mr. Wang Daocheng and Mr. Miao Gengshu ceased to act as Supervisors of the Bank effective from 25 May 2009 upon completion of their term, and ceased to hold the position as chief member and member of the Supervision Committee of the Board of Supervisors of the Bank, respectively.

(vii) At the enlarged meeting of the Bank's Trade Union Working Committee held on 4 August 2009, Mr. Zhang Wei and Mr. Chang Ruiming were elected as Employee Supervisors of the Bank, and their appointment took effect from the date of election. Mr. Zhang Wei was re-elected and re-appointed. The amounts only included fees for their services as supervisors.

		Year ended 31 December 2008				
Name	Position	Salaries and allowances RMB'000 (1)	Discretionary bonuses RMB'000 (2)	Contributions to defined contribution schemes RMB'000 (3)	Fees RMB'000 (4)	Total emoluments before tax RMB'000 (5)=(1)+(2)+(3) +(4)
Jiang Jianqing	Chairman of the Board of Directors, Executive Director	800	658	152	—	1,610
Yang Kaisheng	Vice Chairman of the Board of Directors, Executive Director, President	760	643	132	—	1,535
Zhao Lin	Chairman of the Board of Supervisors	420	345	78	—	843
Wang Weiqiang	Former Chairman of the Board of Supervisors	360	297	65	—	722
Zhang Furong	Executive Director, Vice President	680	579	122	—	1,381
Niu Ximing	Executive Director, Vice President	680	579	122	—	1,381
Fu Zhongjun	Non-executive Director	—	—	—	—	—
Kang Xuejun	Non-executive Director	—	—	—	—	—
Song Zhigang	Non-executive Director	—	—	—	—	—
Gao Jianhong	Non-executive Director	—	—	—	—	—
Li Jun	Non-executive Director	—	—	—	—	—
Li Xiwen	Non-executive Director	—	—	—	—	—
Christopher A. Cole	Non-executive Director	—	—	—	—	—
Wang Wenyan	Former Non-executive Director	—	—	—	—	—
Zhao Haiying	Former Non-executive Director	—	—	—	—	—
Zhong Jian'an	Former Non-executive Director	—	—	—	—	—
Leung Kam Chung, Antony	Independent Non-executive Director	—	—	—	490	490
Qian Yingyi	Independent Non-executive Director	—	—	—	470	470
Xu Shanda	Independent Non-executive Director	—	—	—	205	205
John L. Thornton	Former Independent Non-executive Director	—	—	—	398	398
Wang Chixi	Shareholder Supervisor	500	390	110	—	1,000
Wang Daocheng	External Supervisor	—	—	—	150	150
Miao Gengshu	External Supervisor	—	—	—	140	140
Zhang Wei	Employee Supervisor	407	471	114	50	1,042
		4,607	3,962	895	1,903	11,367

The non-executive directors of the Bank received emoluments from the Bank's shareholders or its affiliates in respect of their services during the year.

One of the Bank's executive directors, who is also a director of a subsidiary of the Bank, waived emoluments amounting to RMB0.17 million for the year ended 31 December 2009 (2008: RMB0.17 million), which were related to discretionary bonuses for employees who contributed to the success of operations of the Bank's subsidiary. Therefore, those emoluments were not included in the directors' emoluments disclosed above. Except for above, there was no arrangement under which a director or a supervisor waived or agreed to waive any remuneration during the year ended 31 December 2009.

During the year, no emoluments were paid by the Group to any of the persons who are directors or supervisors as an inducement to join or upon joining the Group or as compensation for loss of office (2008: Nil).

14. FIVE HIGHEST PAID INDIVIDUALS

The five highest paid individuals of the Group are employees of the Bank's overseas subsidiaries. Their emoluments were determined based on the prevailing market rates in the respective countries/regions where the subsidiaries are operating. None of them are directors, supervisors or key management personnel of the Bank whose emoluments are disclosed in note 13 or 47(e) to the financial statements. Details of the emoluments in respect of the five highest paid individuals are as follows:

	Group	
	2009 RMB'000	2008 RMB'000
Salaries and allowances	14,650	14,957
Discretionary bonuses	5,898	4,146
Contributions to defined contribution schemes	897	5,318
	21,445	24,421

The number of these individuals whose emoluments fell within the following bands is set out below.

	Number of employees	
	2009	2008
RMB2,500,001 to RMB3,000,000	—	1
RMB3,000,001 to RMB3,500,000	1	—
RMB3,500,001 to RMB4,000,000	—	1
RMB4,000,001 to RMB4,500,000	2	1
RMB4,500,001 to RMB5,000,000	1	1
RMB5,000,001 to RMB5,500,000	1	—
RMB5,500,001 to RMB6,000,000	—	—
RMB6,000,001 to RMB6,500,000	—	—
RMB8,500,001 to RMB9,000,000	—	1
RMB10,000,001 to RMB10,500,000	—	—
	5	5

During the year, no emoluments were paid by the Group to any of these non-director and non-supervisor individuals as an inducement to join or upon joining the Group or as compensation for loss of office (2008: Nil).

(In RMB millions, unless otherwise stated)

15. IMPAIRMENT LOSSES ON ASSETS OTHER THAN LOANS AND ADVANCES TO CUSTOMERS

	Notes	2009	2008
Charge/(reversal) of impairment losses on:			
Due from banks and other financial institutions	21	(3)	(121)
Financial investments:			
Held-to-maturity investments	27(d)	136	1,616
Available-for-sale financial assets	27(c)(i),(d)	781	16,485
Property and equipment		—	16
Other assets		689	954
		1,603	18,950

16. INCOME TAX EXPENSE

(a) Income Tax

	2009	2008
Current income tax expense:		
PRC		
— Mainland China	37,663	42,054
— Hong Kong and Macau	599	142
Overseas	143	93
	38,405	42,289
Adjustments in respect of current income tax of prior years (i)	3,765	400
	42,170	42,689
Deferred income tax credit	(4,272)	(8,539)
	37,898	34,150

(i) As tax bureau announced a set of regulations in 2009, some of which took into effect from 1 January 2008 retrospectively, the Group adjusted the income tax payment for 2008 accordingly.

(In RMB millions, unless otherwise stated)

(b) Reconciliation between income tax and accounting profit

The PRC income tax has been provided at the statutory rate of 25% in accordance with the relevant tax laws in Mainland China during the year. Taxes on profits assessable elsewhere have been calculated at the applicable rates of tax prevailing in the countries/regions in which the Group operates, based on existing legislation, interpretations and practices in respect thereof. A reconciliation of the income tax expense applicable to profit before tax at the PRC statutory income tax rate to income tax expense at the Group's effective income tax rate is as follows:

	2009	2008
Profit before tax	167,294	145,376
Tax at the PRC statutory income tax rate	41,824	36,344
Effects of different applicable rates of tax prevailing in other countries/regions	(161)	(112)
Non-deductible expenses (i)	3,307	2,049
Non-taxable income (ii)	(5,271)	(4,335)
Profits and losses attributable to associates and a jointly-controlled entity	(497)	(494)
Adjustments in respect of current and deferred income tax of prior years	(1,716)	400
Others	412	298
Tax expense at the Group's effective income tax rate	37,898	34,150

(i) The non-deductible expenses mainly represent non-deductible impairment provision and write-offs.

(ii) The non-taxable income mainly represents interest income arising from PRC government bonds, which is exempted from income tax.

17. PROFIT ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT COMPANY

The consolidated profit attributable to equity holders of the parent company for the year ended 31 December 2009 includes a profit of RMB126,638 million (2008: RMB108,959 million) which has been dealt with in the financial statements of the Bank (note 40).

18. DIVIDENDS

	2009	2008
Dividends on ordinary shares declared and paid:		
Final dividend for 2008: RMB0.165 per share (2007: RMB0.133 per share)	55,113	44,425

	2009	2008
Dividends on ordinary shares proposed for approval (not recognised as at 31 December): Final dividend for 2009: RMB0.17 per share (2008: RMB0.165 per share)	56,783	55,113

19. EARNINGS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT COMPANY

The calculation of basic and diluted earnings per share is based on the following:

	2009	2008
Earnings:		
Profit for the year attributable to equity holders of the parent company	128,645	110,841
Shares:		
Weighted average number of ordinary shares in issue (million)	334,019	334,019
Basic and diluted earnings per share (RMB yuan)	0.39	0.33

Basic earnings per share was calculated as profit for the year attributable to ordinary shareholders of the Bank divided by the weighted average number of ordinary shares in issue. There were no dilutive events during the years ended 31 December 2009 and 31 December 2008.

20. CASH AND BALANCES WITH CENTRAL BANKS

	Group		Bank	
	2009	2008	2009	2008
Cash and unrestricted balances with central banks				
Cash on hand	38,842	40,025	37,993	39,439
Surplus reserves with the PBOC (i)	85,720	372,544	85,162	372,383
Unrestricted balances with central banks of overseas countries or regions	5,167	1,263	1,085	1,167
	129,729	413,832	124,240	412,989
Restricted balances with central banks				
Mandatory reserves with the PBOC (ii)	1,441,940	1,190,896	1,441,449	1,190,602
Fiscal deposits with the PBOC	119,753	87,637	119,753	87,637
Mandatory reserves with central banks of overseas countries or regions(ii)	1,543	576	549	155
Other restricted balances with the PBOC (ii)	83	83	83	83
	1,563,319	1,279,192	1,561,834	1,278,477
	1,693,048	1,693,024	1,686,074	1,691,466

(i) Surplus reserves with the PBOC including funds for the purpose of cash settlement and other kinds of unrestricted deposits.

(ii) The Group is required to place mandatory reserve deposits and other restricted deposits with the PBOC and certain central banks of overseas countries or regions where it has operations. Mandatory reserve deposits with central banks and other restricted deposits are not available for use in the Group's daily operations. Mandatory reserve deposits mainly consist of deposits placed with the PBOC. As at 31 December 2009, the required mandatory deposit reserve ratios set by the PBOC in respect of customer deposits denominated in RMB and foreign currencies were 15.5% (2008: 15.5%) and 5% (2008: 5%), respectively. The amounts of mandatory reserve deposits placed with the central banks of those countries or regions outside Mainland China are determined by local jurisdictions.

(In RMB millions, unless otherwise stated)

21. DUE FROM BANKS AND OTHER FINANCIAL INSTITUTIONS

	Group		Bank	
	2009	2008	2009	2008
Nostro accounts:				
Banks operating in Mainland China	135,736	11,092	134,073	10,089
Other financial institutions operating in Mainland China	1,177	1,004	858	1,004
Banks operating outside Mainland China	20,516	29,509	18,764	22,201
	157,429	41,605	153,695	33,294
Allowance for impairment losses	(34)	(34)	(33)	(34)
	157,395	41,571	153,662	33,260
Placements with banks and other financial institutions:				
Banks operating in Mainland China	17,508	10,899	19,254	12,528
Other financial institutions operating in Mainland China	10,174	6,499	10,174	6,440
Banks operating outside Mainland China	50,252	109,429	55,500	102,162
	77,934	126,827	84,928	121,130
Allowance for impairment losses	(28)	(35)	(28)	(33)
	77,906	126,792	84,900	121,097
	235,301	168,363	238,562	154,357

Movements of the allowance for impairment losses during the year are as follows:

Group	Nostro accounts	Placements with banks and other financial institutions	Total
At 1 January 2008	34	156	190
Charge for the year	—	2	2
Reversal for the year	—	(123)	(123)
At 31 December 2008 and 1 January 2009	34	35	69
Reversal for the year	—	(3)	(3)
Write-offs	—	(4)	(4)
At 31 December 2009	34	28	62

Bank	Nostro accounts	Placements with banks and other financial institutions	Total
At 1 January 2008	34	156	190
Reversal for the year	—	(123)	(123)
At 31 December 2008 and 1 January 2009	34	33	67
Reversal for the year	(1)	(3)	(4)
Write-offs	—	(2)	(2)
At 31 December 2009	33	28	61

(In RMB millions, unless otherwise stated)

22. FINANCIAL ASSETS HELD FOR TRADING

	Group		Bank	
	2009	2008	2009	2008
Debt securities	18,847	32,163	14,241	25,362
Equity investments	129	19	—	—
	18,976	32,182	14,241	25,362
Debt securities analysed into:				
Listed in Hong Kong	81	203	73	68
Listed outside Hong Kong	1,152	1,689	168	186
Unlisted	17,614	30,271	14,000	25,108
	18,847	32,163	14,241	25,362

23. FINANCIAL ASSETS DESIGNATED AT FAIR VALUE THROUGH PROFIT OR LOSS

	Group		Bank	
	2009	2008	2009	2008
Debt securities	1,171	1,459	148	144
Debt securities analysed into:				
Listed in Hong Kong	333	301	—	—
Listed outside Hong Kong	675	1,005	148	144
Unlisted	163	153	—	—
	1,171	1,459	148	144

24. DERIVATIVE FINANCIAL INSTRUMENTS

A derivative is a financial instrument, the value of which changes in response to the change in a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index, or other similar variables. The Group uses derivative financial instruments including forwards, swaps and options.

The notional amount of a derivative represents the amount of underlying asset upon which the value of the derivative is based. It indicates the volume of business transacted by the Group but does not reflect the risk.

The fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable and willing parties in an arm's length transaction.

(In RMB millions, unless otherwise stated)

At the end of the reporting period, the Group and the Bank had derivative financial instruments as follows:

Group:

	31 December 2009						
	Notional amounts with remaining life of					Fair values	
	Within three months	Over three months but within one year	Over one year but within five years	Over five years	Total	Assets	Liabilities
Exchange rate contracts:							
Forward and swap contracts	214,305	247,253	18,413	7,063	487,034	2,827	(3,933)
Option contracts purchased	2,952	1,249	136	—	4,337	30	—
Option contracts written	3,029	1,641	137	—	4,807	—	(36)
	220,286	250,143	18,686	7,063	496,178	2,857	(3,969)
Interest rate contracts:							
Swap contracts	35,185	36,999	110,244	41,586	224,014	2,526	(3,439)
Forward contracts	3,619	3,415	16,349	—	23,383	221	(222)
Option contracts purchased	—	264	444	—	708	4	—
Option contracts written	—	264	444	—	708	—	(4)
	38,804	40,942	127,481	41,586	248,813	2,751	(3,665)
Other derivative contracts	273	1	34	—	308	150	(139)
	259,363	291,086	146,201	48,649	745,299	5,758	(7,773)

Group:

	31 December 2008						
	Notional amounts with remaining life of					Fair values	
	Within three months	Over three months but within one year	Over one year but within five years	Over five years	Total	Assets	Liabilities
Exchange rate contracts:							
Forward and swap contracts	242,378	191,333	16,327	11,769	461,807	8,749	(5,721)
Option contracts purchased	2,985	4,437	10	—	7,432	227	(78)
Option contracts written	2,868	4,406	10	—	7,284	78	(227)
	248,231	200,176	16,347	11,769	476,523	9,054	(6,026)
Interest rate contracts:							
Swap contracts	5,094	22,711	103,525	51,392	182,722	6,543	(7,462)
Forward contracts	3,964	3,759	21,803	1,504	31,030	118	(118)
Option contracts purchased	—	—	264	—	264	5	—
Option contracts written	—	—	264	—	264	—	(5)
	9,058	26,470	125,856	52,896	214,280	6,666	(7,585)
Other derivative contracts	27	96	—	—	123	1	(1)
	257,316	226,742	142,203	64,665	690,926	15,721	(13,612)

(In RMB millions, unless otherwise stated)

Bank:

	31 December 2009						
	Notional amounts with remaining life of					Fair values	
	Within three months	Over three months but within one year	Over one year but within five years	Over five years	Total	Assets	Liabilities
Exchange rate contracts:							
Forward and swap contracts	202,247	210,523	16,985	8,070	437,825	2,280	(3,507)
Option contracts written	—	341	—	—	341	—	(6)
	202,247	210,864	16,985	8,070	438,166	2,280	(3,513)
Interest rate contracts:							
Swap contracts	34,813	34,122	97,423	36,879	203,237	2,280	(2,955)
Forward contracts	3,619	3,414	16,273	—	23,306	221	(221)
	38,432	37,536	113,696	36,879	226,543	2,501	(3,176)
	240,679	248,400	130,681	44,949	664,709	4,781	(6,689)

Bank:

	31 December 2008						
	Notional amounts with remaining life of					Fair values	
	Within three months	Over three months but within one year	Over one year but within five years	Over five years	Total	Assets	Liabilities
Exchange rate contracts:							
Forward and swap contracts	226,490	157,180	13,403	11,769	408,842	7,490	(3,877)
Option contracts purchased	481	1,442	—	—	1,923	172	—
Option contracts written	481	1,443	—	—	1,924	—	(172)
	227,452	160,065	13,403	11,769	412,689	7,662	(4,049)
Interest rate contracts:							
Swap contracts	4,689	17,857	94,166	48,113	164,825	6,211	(6,836)
Forward contracts	3,964	3,759	21,802	1,504	31,029	118	(118)
	8,653	21,616	115,968	49,617	195,854	6,329	(6,954)
Other derivative contracts	—	96	—	—	96	—	—
	236,105	181,777	129,371	61,386	608,639	13,991	(11,003)

(In RMB millions, unless otherwise stated)

Cash flow hedges

The Group's cash flow hedge consists of interest rate swap contracts and currency swap contracts that are used to protect against exposures to variability of future cash flows arising from floating rate foreign currency denominated assets and floating rate foreign currency denominated liabilities during the year. The effective portion of the gain or loss on the hedging instrument is recognised in other comprehensive income, and will be recycled into the profit or loss when the forecast cash flows affect the income statement. The ineffective portion is immediately recognised in the income statement.

Among the above derivative financial instruments, those designated as hedging instruments in the Group's cash flow hedge are set out below.

	31 December 2009						
	Notional amounts with remaining life of					Fair values	
	Within three months	Over three months but within one year	Over one year but within five years	Over five years	Total	Assets	Liabilities
Interest rate swap contracts	—	2	654	194	850	3	(5)

	31 December 2008						
	Notional amounts with remaining life of					Fair values	
	Within three months	Over three months but within one year	Over one year but within five years	Over five years	Total	Assets	Liabilities
Currency swap contracts	—	444	—	—	444	—	(33)

There is no ineffectiveness recognised in the income statement that arises from cash flow hedges for the current year (2008: Nil).

Fair value hedges

Fair value hedges are used by the Group to protect it against changes in the fair value of financial assets and financial liabilities due to movements in market interest rates and exchange rates. Interest rate swaps and currency swaps are used as hedging instruments to hedge the interest risk and currency risk of financial assets respectively.

The effectiveness of hedges based on changes in fair value of the derivatives and the hedged items attributable to the hedged risk recognised in the income statement during the year is presented as follows:

	2009	2008
Gain/(loss) arising from fair value hedges, net:		
— Hedging instruments	159	(529)
— Hedged items attributable to the hedged risk	(168)	496
	(9)	(33)

(In RMB millions, unless otherwise stated)

Among the above derivative financial instruments, those designated as hedging instruments in fair value hedges are set out below.

Group:

	31 December 2009						
	Notional amounts with remaining life of					Fair values	
	Within three months	Over three months but within one year	Over one year but within five years	Over five years	Total	Assets	Liabilities
Currency swap contracts	—	—	54	—	54	—	(20)
Interest rate swap contracts	635	1,942	13,350	1,900	17,827	56	(676)
	635	1,942	13,404	1,900	17,881	56	(696)

	31 December 2008						
	Notional amounts with remaining life of					Fair values	
	Within three months	Over three months but within one year	Over one year but within five years	Over five years	Total	Assets	Liabilities
Currency swap contracts	—	—	124	—	124	—	(23)
Interest rate swap contracts	312	1,721	9,681	1,191	12,905	3	(796)
	312	1,721	9,805	1,191	13,029	3	(819)

Bank:

	31 December 2009						
	Notional amounts with remaining life of					Fair values	
	Within three months	Over three months but within one year	Over one year but within five years	Over five years	Total	Assets	Liabilities
Currency swap contracts	—	—	54	—	54	—	(20)
Interest rate swap contracts	635	1,942	7,514	446	10,537	12	(511)
	635	1,942	7,568	446	10,591	12	(531)

	31 December 2008						
	Notional amounts with remaining life of					Fair values	
	Within three months	Over three months but within one year	Over one year but within five years	Over five years	Total	Assets	Liabilities
Currency swap contracts	—	—	54	—	54	—	(20)
Interest rate swap contracts	311	1,041	7,693	707	9,752	3	(546)
	311	1,041	7,747	707	9,806	3	(566)

(In RMB millions, unless otherwise stated)

The credit risk weighted amounts in respect of the above derivatives of the Group and of the Bank as at the end of the reporting period are as follows:

	Group		Bank	
	2009	2008	2009	2008
Currency derivatives	4,722	5,900	3,077	4,758
Interest rate derivatives	2,544	6,141	2,050	5,804
Other derivatives	169	8	—	6
	7,435	12,049	5,127	10,568

The credit risk weighted amounts represent the counterparty credit risk associated with derivative transactions and are calculated with reference to the guidelines issued by the CBRC. The amounts calculated are dependent on, among other factors, the credit worthiness of the customers and the maturity characteristics of each type of contracts. The amounts differ from the carrying amount or the maximum exposure to credit risk.

25. REVERSE REPURCHASE AGREEMENTS

	Group		Bank	
	2009	2008	2009	2008
Analysed by counterparty:				
Banks	356,172	130,061	356,172	130,061
Other financial institutions	52,654	33,432	52,429	32,131
	408,826	163,493	408,601	162,192
Analysed by collateral:				
Securities	348,325	111,466	348,325	111,466
Bills	53,266	42,685	53,266	42,685
Loans	7,235	9,342	7,010	8,041
	408,826	163,493	408,601	162,192

There was no collateral received under certain reverse repurchase agreements by the Group and the Bank which are permitted to be sold or repledged in the absence of default by the owners of the collateral as at 31 December 2009 and 31 December 2008.

26. LOANS AND ADVANCES TO CUSTOMERS

	Group		Bank	
	2009	2008	2009	2008
Corporate loans and advances	4,169,259	3,396,633	4,000,066	3,269,141
Personal loans	1,229,569	849,045	1,206,850	829,824
Discounted bills	329,798	326,316	329,792	326,315
	5,728,626	4,571,994	5,536,708	4,425,280
Allowance for impairment losses	(145,452)	(135,983)	(144,183)	(135,325)
	5,583,174	4,436,011	5,392,525	4,289,955

(In RMB millions, unless otherwise stated)

Movements of allowance for impairment losses are as follows:

Group

	Individually assessed	Collectively assessed	Total
At 1 January 2008	58,944	56,743	115,687
Impairment loss:	10,955	25,557	36,512
— impairment allowances charged	25,045	54,683	79,728
— impairment allowances transferred	443	(443)	—
— reversal of impairment allowances	(14,533)	(28,683)	(43,216)
Accreted interest on impaired loans (note 6)	(1,538)	—	(1,538)
Write-offs	(11,917)	(456)	(12,373)
Recoveries of loans and advances previously written off	83	146	229
Transfer out	(2,468)	(66)	(2,534)
At 31 December 2008 and 1 January 2009	54,059	81,924	135,983
Impairment loss:	3,179	18,503	21,682
— impairment allowances charged	20,056	61,557	81,613
— impairment allowances transferred	242	(242)	—
— reversal of impairment allowances	(17,119)	(42,812)	(59,931)
Accreted interest on impaired loans (note 6)	(1,021)	—	(1,021)
Write-offs	(11,259)	(607)	(11,866)
Recoveries of loans and advances previously written off	774	142	916
Transfer out	(232)	(10)	(242)
At 31 December 2009	45,500	99,952	145,452

Transfer out mainly represents impairment allowances of loans transferred into repossessed assets.

Bank

	Individually assessed	Collectively assessed	Total
At 1 January 2008	58,797	56,534	115,331
Impairment loss:	10,710	25,424	36,134
— impairment allowances charged	24,782	54,417	79,199
— impairment allowances transferred	443	(443)	—
— reversal of impairment allowances	(14,515)	(28,550)	(43,065)
Accreted interest on impaired loans	(1,524)	—	(1,524)
Write-offs	(11,858)	(446)	(12,304)
Recoveries of loans and advances previously written off	76	143	219
Transfer out	(2,443)	(88)	(2,531)
At 31 December 2008 and 1 January 2009	53,758	81,567	135,325
Impairment loss:	2,803	18,148	20,951
— impairment allowances charged	19,614	61,029	80,643
— impairment allowances transferred	241	(241)	—
— reversal of impairment allowances	(17,052)	(42,640)	(59,692)
Accreted interest on impaired loans	(1,002)	—	(1,002)
Write-offs	(11,102)	(605)	(11,707)
Recoveries of loans and advances previously written off	718	138	856
Transfer out	(230)	(10)	(240)
At 31 December 2009	44,945	99,238	144,183

(In RMB millions, unless otherwise stated)

Movements of allowance for impairment losses during the year analysed into those attributable to corporate loans and advances and discounted bills and personal loans and advances are as follows:

Group

	Corporate loans and discounted bills	Personal loans	Total
At 1 January 2008	102,734	12,953	115,687
Impairment loss:	30,639	5,873	36,512
— impairment allowances charged	69,723	10,005	79,728
— reversal of impairment allowances	(39,084)	(4,132)	(43,216)
Accreted interest on impaired loans (note 6)	(1,538)	—	(1,538)
Write-offs	(11,917)	(456)	(12,373)
Recoveries of loans and advances previously written off	83	146	229
Transfer out	(2,468)	(66)	(2,534)
At 31 December 2008 and 1 January 2009	117,533	18,450	135,983
Impairment loss:	14,998	6,684	21,682
— impairment allowances charged	69,472	12,141	81,613
— reversal of impairment allowances	(54,474)	(5,457)	(59,931)
Accreted interest on impaired loans (note 6)	(1,021)	—	(1,021)
Write-offs	(11,259)	(607)	(11,866)
Recoveries of loans and advances previously written off	774	142	916
Transfer out	(232)	(10)	(242)
At 31 December 2009	120,793	24,659	145,452

Bank

	Corporate loans and discounted bills	Personal loans	Total
At 1 January 2008	102,405	12,926	115,331
Impairment loss:	30,283	5,851	36,134
— impairment allowances charged	69,221	9,978	79,199
— reversal of impairment allowances	(38,938)	(4,127)	(43,065)
Accreted interest on impaired loans	(1,524)	—	(1,524)
Write-offs	(11,858)	(446)	(12,304)
Recoveries of loans and advances previously written off	76	143	219
Transfer out	(2,443)	(88)	(2,531)
At 31 December 2008 and 1 January 2009	116,939	18,386	135,325
Impairment loss:	14,270	6,681	20,951
— impairment allowances charged	68,522	12,121	80,643
— reversal of impairment allowances	(54,252)	(5,440)	(59,692)
Accreted interest on impaired loans	(1,002)	—	(1,002)
Write-offs	(11,102)	(605)	(11,707)
Recoveries of loans and advances previously written off	718	138	856
Transfer out	(230)	(10)	(240)
At 31 December 2009	119,593	24,590	144,183

(In RMB millions, unless otherwise stated)

	Group		Bank	
	2009	2008	2009	2008
Loans and advances for which allowance for impairment losses are:				
Individually assessed	78,377	94,811	77,056	93,936
Collectively assessed	5,650,249	4,477,183	5,459,652	4,331,344
	5,728,626	4,571,994	5,536,708	4,425,280
Allowance for impairment losses:				
Individually assessed	45,500	54,059	44,945	53,758
Collectively assessed	99,952	81,924	99,238	81,567
	145,452	135,983	144,183	135,325
Net loans and advances for which allowance for impairment losses are:				
Individually assessed	32,877	40,752	32,111	40,178
Collectively assessed	5,550,297	4,395,259	5,360,414	4,249,777
	5,583,174	4,436,011	5,392,525	4,289,955
Identified impaired loans and advances	88,467	104,482	87,085	103,529
Percentage of impaired loans and advances	1.54%	2.29%	1.57%	2.34%

Securitisation business

The Group enters into securitisation transactions in the normal course of business by which it transfers credit assets to SPEs which issue asset-backed securities to investors. The Group may retain interests in the form of subordinated tranches which would give rise to the Group's continuing involvement in the transferred assets. Those financial assets are recognised on the statement of financial position to the extent of the Group's continuing involvement. The extent of the Group's continuing involvement is the extent to which the Group exposes to changes in the value of the transferred assets.

As at 31 December 2009, loans with an original carrying amount of RMB12,032 million (2008: RMB12,032 million) have been securitised by the Group under arrangements in which the Group retains a continuing involvement in such assets. As at 31 December 2009, the amount of assets that the Group continues to recognise was RMB519 million (2008: RMB519 million), and the assets were classified as available-for-sale financial assets.

27. FINANCIAL INVESTMENTS

		Group		Bank	
	Notes	2009	2008	2009	2008
Receivables	(a)	1,132,379	1,162,769	1,132,379	1,162,769
Held-to-maturity investments	(b)	1,496,738	1,314,320	1,501,067	1,319,106
Available-for-sale financial assets	(c)	949,909	537,580	918,112	520,576
		3,579,026	3,014,669	3,551,558	3,002,451

(In RMB millions, unless otherwise stated)

(a) Receivables

The receivables are unlisted and stated at amortised cost and comprise the following:

		Group and Bank	
	Notes	2009	2008
Huarong bonds	(i)	312,996	312,996
Special government bond	(ii)	85,000	85,000
MOF receivable	(iii)	62,520	142,773
Special PBOC bills	(iv)	434,790	434,790
Other bills and bonds	(v)	237,073	187,210
		1,132,379	1,162,769

Notes:

(i) Huarong bonds are a series of long term bonds issued by China Huarong Asset Management Corporation ("Huarong") in 2000 to 2001 to the Bank, with an aggregate amount of RMB312,996 million. The proceeds from the issuance of the bond were used to purchase impaired assets of the Bank. The bonds are non-transferable, with a tenure of 10 years and bear interest at a fixed rate of 2.25% per annum. The Ministry of Finance ("MOF") will provide support for the repayment of the principal of the Huarong bonds if necessary. With effect from 1 July 2005, should Huarong be unable to make full payment of the bond interest, the MOF will provide funding in support of the payment.

(ii) The special government bond represents a non-negotiable bond with a nominal value of RMB85,000 million issued by the MOF to the Bank in 1998. The bond will mature in 2028 and bears interest at a fixed rate of 2.25% per annum.

(iii) MOF receivable represents the receivable arising from the disposal of certain impaired assets to Huarong in 2005. The amount is repayable before the end of June 2010 and bears interest at a fixed rate of 3% per annum.

(iv) Special PBOC bills consist of:

- a non-transferable bill with a nominal value of RMB430,465 million issued by the PBOC in June 2005, which will mature in June 2010 and bears a fixed interest rate of 1.89% per annum. The PBOC has the right to early redeem the bill prior to the maturity date; and
- a non-transferable bill with a nominal value of RMB4,325 million issued by the PBOC in June 2006, which will mature in June 2011 and bears a fixed interest rate of 1.89% per annum. The PBOC has the right to early redeem the bill prior to the maturity date.

(v) Other bills and bonds include PBOC bills as well as government and financial bonds. The balance represents non-transferable debt securities with fixed or determinable payments, which will mature in March 2010 to September 2019 and bears interest rates of 1.76% to 6.30% per annum.

(b) Held-to-maturity investments

Held-to-maturity investments are stated at amortised cost and comprise the following:

	Group		Bank	
	2009	2008	2009	2008
Debt securities	1,498,584	1,316,033	1,502,797	1,320,701
Allowance for impairment losses	(1,846)	(1,713)	(1,730)	(1,595)
	1,496,738	1,314,320	1,501,067	1,319,106

(In RMB millions, unless otherwise stated)

	Group		Bank	
	2009	2008	2009	2008
Analysed into:				
Listed in Hong Kong	450	517	133	448
Listed outside Hong Kong	333,552	221,998	331,633	220,832
Unlisted	1,162,736	1,091,805	1,169,301	1,097,826
	1,496,738	1,314,320	1,501,067	1,319,106
Market value of listed debt securities	334,554	234,224	332,377	232,983

(c) Available-for-sale financial assets

Available-for-sale financial assets comprise the following:

	Group		Bank	
	2009	2008	2009	2008
Debt securities, at fair value (i)	945,425	528,829	915,641	513,238
Equity investments:				
At fair value (i)	2,595	6,861	954	5,541
At cost (ii):				
Debt for equity swaps	2,015	2,249	2,015	2,249
Others	836	412	315	295
Less: Allowance for impairment losses of equity investments	(962)	(771)	(813)	(747)
	1,889	1,890	1,517	1,797
Subtotal for equity investments	4,484	8,751	2,471	7,338
	949,909	537,580	918,112	520,576
Debt securities analysed into:				
Listed in Hong Kong	4,380	3,924	2,074	2,075
Listed outside Hong Kong	121,340	94,479	105,866	85,693
Unlisted	819,705	430,426	807,701	425,470
	945,425	528,829	915,641	513,238
Equity investments analysed into:				
Listed in Hong Kong	1,323	1,058	—	—
Listed outside Hong Kong	271	213	271	213
Unlisted	2,890	7,480	2,200	7,125
	4,484	8,751	2,471	7,338
Market value of listed securities:				
Debt securities	125,720	98,403	107,940	87,768
Equity investments	1,594	1,271	271	213
	127,314	99,674	108,211	87,981

(i) When impairment of an available-for-sale investment measured at fair value occurs, any impairment loss recognised is recorded in the carrying amount directly. As at 31 December 2009, the available-for-sale financial assets measured at fair value include debt securities and equity investments which are individually assessed to be impaired whose carrying amount is RMB6,280 million (2008: RMB24,565 million) and nil (2008: RMB49 million) respectively, with impairment loss recognised in the income statement for the year of RMB590 million (2008: RMB16,162 million).

(ii) Certain available-for-sale unlisted equity investments which do not have any quoted market prices and whose fair values cannot be measured reliably are stated at cost less any impairment losses. There is no active market for these investments and it is the Group's intention to dispose of them as opportunities arise. During the year, the Group disposed of part of these equity investments with a carrying value of RMB300 million (2008: RMB881 million). There was no gain or loss recognised for such disposal during the year (2008: Nil).

(In RMB millions, unless otherwise stated)

(d) Movements of allowance for impairment losses of held-to-maturity investments and available-for-sale equity investments measured at cost during the year are as follows:

	Group			Bank		
	Held-to-maturity investments	Available-for-sale equity investments	Total	Held-to-maturity investments	Available-for-sale equity investments	Total
At 1 January 2008	149	448	597	146	431	577
Charge for the year	1,616	323	1,939	1,500	316	1,816
Disposals	(52)	—	(52)	(51)	—	(51)
At 31 December 2008 and 1 January 2009	1,713	771	2,484	1,595	747	2,342
Charge for the year	136	191	327	137	66	203
Disposals	(3)	—	(3)	(2)	—	(2)
At 31 December 2009	1,846	962	2,808	1,730	813	2,543

28. INVESTMENTS IN SUBSIDIARIES

	Bank	
	2009	2008
Unlisted investments, at cost	15,104	9,808
Shares listed in Hong Kong, at cost	11,006	10,191
	26,110	19,999
Market value of the Bank's investment in a subsidiary whose shares are listed in Hong Kong	14,204	6,777

(In RMB millions, unless otherwise stated)

Particulars of the Bank's principal subsidiaries as at the end of the reporting period are as follows:

Name	Percentage of equity interest directly attributable to the Bank 2009 %	2008 %	Nominal value of issued share/ paid-up capital	Place of incorporation/ registration and operations	Principal activities
Industrial and Commercial Bank of China (Asia) Limited ("ICBC (Asia)") (i)	72.40	72.04	HK$2,637 million	Hong Kong, the PRC	Commercial banking
ICBC International Holdings Limited	100	100	HK$280 million	Hong Kong, the PRC	Investment banking
Industrial and Commercial Bank of China (Almaty) Joint Stock Company	100	100	US$26.68 million	Almaty, Kazakhstan	Commercial banking
Industrial and Commercial East Asia Finance Holdings Limited ("ICEA")	75	75	US$20 million	British Virgin Islands and Hong Kong	Investment banking
Industrial and Commercial Bank of China, (London) Limited	100	100	US$200 million	London, United Kingdom	Commercial banking
ICBC Credit Suisse Asset Management Co., Ltd.*	55	55	RMB200 million	Beijing, the PRC	Fund management
Industrial and Commercial Bank of China Luxembourg S.A.	100	100	US$18.50 million	Luxembourg	Commercial banking
PT. Bank ICBC Indonesia	97.83	97.83	IDR460,000 million	Indonesia	Commercial banking
ZAO Industrial and Commercial Bank of China (Moscow)	100	100	RUB1,000 million	Moscow, Russia	Commercial banking
ICBC Financial Leasing Co., Ltd.* (ii)	100	100	RMB5,000 million	Tianjin, the PRC	Leasing
Industrial and Commercial Bank of China (Macau) Limited (iii)	89.33	79.93	MOP282 million	Macau, the PRC	Commercial banking
Industrial and Commercial Bank of China (Middle East) Limited	100	100	US$50 million	Dubai, United Arab Emirates	Commercial banking and investment banking
Zhejiang Pinghu ICBC Rural Bank Co., Ltd.* (iv)	60	—	RMB200 million	Zhejiang, the PRC	Commercial banking
Chongqing Bishan ICBC Rural Bank Co., Ltd.* (v)	100	—	RMB100 million	Chongqing, the PRC	Commercial banking

* These subsidiaries incorporated in Mainland China are all limited liability companies.

The above table lists the principal subsidiaries of the Bank. To give details of other subsidiaries would, in the opinion of the management, result in particulars of excessive length.

(i) During the year, the Bank was allotted 28,612,487 ordinary shares of ICBC (Asia) in lieu of cash pursuant to the scrip dividend schemes of ICBC (Asia). Subsequent to the above, the equity interests held by the Bank in ICBC (Asia) increased to 72.40%.

(ii) On 23 September 2009, the Bank made an additional capital injection of RMB3,000 million into ICBC Financial Leasing Co., Ltd. and the total registered and paid-in capital increased to RMB5,000 million.

(iii) Pursuant to the Executive Order No. 30/2009 issued by Chief Executive of the Macau Special Administrative Region of PRC on 2 July 2009, the merger of Seng Heng Bank Limited and Macau branch of the Bank has been approved and became effective on 11 July 2009. Subsequent to the merger, Seng Heng Bank Limited undertook all the rights and obligations of Macau branch's business operations, and the subsidiary was renamed as "Industrial and Commercial Bank of China (Macau) Limited ("ICBC Macau")" thereafter. The equity interests held by the Bank in ICBC Macau increased to 89.33%.

(iv) Zhejiang Pinghu ICBC Rural Bank Co., Ltd. was established in December 2009, with a registered capital amounting to RMB200 million. The percentage of the equity interests held by the Bank was 60%.

(v) Chongqing Bishan ICBC Rural Bank Co. Ltd. was established as a wholly-owned subsidiary by the Bank in December 2009, with a registered capital amounting to RMB100 million.

Apart from the above, the Bank has consolidated SPEs which are controlled by the Bank.

(In RMB millions, unless otherwise stated)

29. INVESTMENTS IN ASSOCIATES AND A JOINTLY-CONTROLLED ENTITY

	Group	
	2009	2008
Share of net assets	17,007	13,191
Goodwill	19,271	15,230
	36,278	28,421

	Bank	
	2009	2008
Shares listed outside Hong Kong, at cost	33,576	33,160

The following table illustrates the summarised financial information of the Group's associates and jointly-controlled entity:

	2009	2008
Assets	1,237,895	1,097,073
Liabilities	(1,145,930)	(1,024,138)
Net assets	91,965	72,935
Revenue	98,212	61,799
Profit for the year	11,117	12,202

The financial information above was extracted from the financial statements of the associates and jointly-controlled entity.

(In RMB millions, unless otherwise stated)

Particulars of the Group's associates and jointly-controlled entity at the end of the reporting period are as follows:

Name	Percentage of equity interest attributable to the Group 2009 %	2008 %	Place of incorporation/ registration	Principal activities
Associates:				
Listed investment directly held:				
Standard Bank Group Limited ("StandardBank") (i)	20.09	20.07	Johannesburg, Republic of South Africa	Commercial banking
Unlisted investment indirectly held:				
China Ping An Insurance (Hong Kong) Company Limited (ii)	—	18.01	Hong Kong the PRC	General insurance
IEC Investments Limited (iii)	28.96	28.82	Hong Kong the PRC	Investment company
Jointly-controlled entity:				
Unlisted investment indirectly held:				
Jiangxi Poyanghu Industry Investment Management Company Limited (iv)	50.00	—	Jiangxi, the PRC	Investment management company

(i) On 3 April 2009, the Bank was allotted 7,984,815 ordinary shares of Standard Bank pursuant to the scrip dividend schemes of Standard Bank. As at 31 December 2009, the equity interests held by the Bank in Standard Bank increased to 20.09%.

(ii) The shareholding of a 25% equity interest in this associate was held through a non-wholly-owned subsidiary, ICBC (Asia). The percentage of ownership interest disclosed represents the effective percentage held by the Group. The equity investment in this associate was disposed of in December 2009.

(iii) The shareholding of a 40% equity interest in this associate is held through a non-wholly-owned subsidiary, ICBC (Asia). The percentage of equity interest disclosed represents the effective percentage of equity held by the Group.

(iv) Jiangxi Poyanghu Industry Investment Management Company Limited is a jointly-controlled entity of ICBCI Investment Management (Jiangxi) Limited, a wholly-owned subsidiary of ICBC International. The percentage of ownership interest disclosed represents the effective percentage held by the Group.

	2009	2008
Market value of listed investment	29,486	18,460

(In RMB millions, unless otherwise stated)

30. PROPERTY AND EQUIPMENT

Group

	Properties and buildings	Construction in progress	Leasehold improve-ments	Office equipment and computers	Motor vehicles	Total
Cost:						
1 January 2008	74,645	2,667	1,794	21,936	1,760	102,802
Additions	2,990	5,101	1,090	5,457	227	14,865
Acquisition of a subsidiary	183	—	—	34	1	218
Transfers	1,759	(2,372)	24	603	9	23
Disposals	(510)	(65)	(20)	(704)	(377)	(1,676)
At 31 December 2008 and 1 January 2009	79,067	5,331	2,888	27,326	1,620	116,232
Additions	2,967	7,345	1,141	6,088	1,645	19,186
Transfers	3,276	(3,755)	11	516	3	51
Disposals	(582)	(120)	(112)	(1,346)	(248)	(2,408)
At 31 December 2009	84,728	8,801	3,928	32,584	3,020	133,061
Accumulated depreciation and impairment:						
At 1 January 2008	8,709	149	674	11,757	1,247	22,536
Depreciation charge for the year (note 12)	3,531	—	375	4,075	209	8,190
Impairment losses	16	—	—	—	—	16
Disposals	(252)	(7)	(13)	(684)	(354)	(1,310)
At 31 December 2008 and 1 January 2009	12,004	142	1,036	15,148	1,102	29,432
Depreciation charge for the year (note 12)	4,170	—	596	4,712	161	9,639
Disposals	(229)	(34)	(69)	(1,119)	(243)	(1,694)
At 31 December 2009	15,945	108	1,563	18,741	1,020	37,377
Net carrying amount:						
At 31 December 2008	67,063	5,189	1,852	12,178	518	86,800
At 31 December 2009	68,783	8,693	2,365	13,843	2,000	95,684

(In RMB millions, unless otherwise stated)

Bank

	Properties and buildings	Construction in progress	Leasehold improve-ments	Office equipment and computers	Motor vehicles	Total
Cost:						
1 January 2008	74,548	2,667	1,604	21,789	1,747	102,355
Additions	2,946	5,101	1,034	5,387	220	14,688
Transfers	1,759	(2,372)	24	603	9	23
Disposals	(501)	(65)	—	(634)	(371)	(1,571)
At 31 December 2008 and 1 January 2009	78,752	5,331	2,662	27,145	1,605	115,495
Additions	2,888	7,345	1,069	6,010	322	17,634
Transfers	3,276	(3,755)	11	516	3	51
Disposals	(582)	(120)	(99)	(1,307)	(245)	(2,353)
At 31 December 2009	84,334	8,801	3,643	32,364	1,685	130,827
Accumulated depreciation and impairment:						
At 1 January 2008	8,704	149	575	11,702	1,239	22,369
Depreciation charge for the year	3,516	—	352	4,034	206	8,108
Impairment losses	16	—	—	—	—	16
Disposals	(245)	(7)	—	(618)	(348)	(1,218)
At 31 December 2008 and 1 January 2009	11,991	142	927	15,118	1,097	29,275
Depreciation charge for the year	4,152	—	565	4,662	158	9,537
Disposals	(229)	(34)	(67)	(1,091)	(242)	(1,663)
At 31 December 2009	15,914	108	1,425	18,689	1,013	37,149
Net carrying amount:						
At 31 December 2008	66,761	5,189	1,735	12,027	508	86,220
At 31 December 2009	68,420	8,693	2,218	13,675	672	93,678

(In RMB millions, unless otherwise stated)

The Group's and the Bank's properties and buildings are held under the following lease terms:

	Group		Bank	
	2009	2008	2009	2008
Long term leases (over 50 years)				
Held in the PRC (other than Hong Kong)	5,893	6,186	5,893	6,186
Held in Hong Kong	189	185	178	185
Held overseas	11	11	—	—
	6,093	6,382	6,071	6,371
Medium term leases (10 to 50 years)				
Held in the PRC (other than Hong Kong)	59,295	58,216	59,152	58,135
Held in Hong Kong	95	97	44	46
Held overseas	101	85	40	41
	59,491	58,398	59,236	58,222
Short term leases (less than 10 years)				
Held in the PRC (other than Hong Kong)	3,124	2,270	3,113	2,168
Held in Hong Kong	75	13	—	—
	3,199	2,283	3,113	2,168
	68,783	67,063	68,420	66,761

As at 31 December 2009, the process of obtaining the titleship for the Group's properties and buildings with an aggregate net carrying value of RMB6,350 million (2008: RMB5,601 million) was still in progress. Management is of the view that the aforesaid matter would not affect the rights of the Group to these assets nor have any significant impact on the business operation of the Group.

(In RMB millions, unless otherwise stated)

31. DEFERRED INCOME TAX

(a) Analysed by nature

Group

	At 31 December 2009		At 31 December 2008	
	Deductible temporary differences	Deferred income tax assets	Deductible/ (taxable) temporary differences	Deferred income tax assets/ (liabilities)
Deferred income tax assets:				
Allowance for impairment losses	49,253	12,290	47,709	11,903
Changes in fair value of available-for-sale financial assets	3,020	776	(11,668)	(2,925)
Changes in fair value of financial instruments at fair value through profit or loss	1,472	368	(4,096)	(991)
Accrued staff costs	20,510	5,127	10,355	2,589
Others	573	135	755	170
	74,828	18,696	43,055	10,746

	At 31 December 2009		At 31 December 2008	
	Taxable/ (deductible) temporary differences	Deferred income tax liabilities/ (assets)	Taxable temporary differences	Deferred income tax liabilities
Deferred income tax liabilities:				
Allowance for impairment losses	(266)	(43)	—	—
Changes in fair value of available-for-sale financial assets	1,121	185	—	—
Changes in fair value of financial instruments at fair value through profit or loss	220	36	—	—
Others	3	—	136	16
	1,078	178	136	16

Bank

	At 31 December 2009		At 31 December 2008	
	Deductible temporary differences	Deferred income tax assets	Deductible/ (taxable) temporary differences	Deferred income tax assets/ (liabilities)
Deferred income tax assets:				
Allowance for impairment losses	49,072	12,267	47,443	11,859
Changes in fair value of available-for-sale financial assets	3,020	776	(12,183)	(3,027)
Changes in fair value of financial instruments at fair value through profit or loss	1,472	368	(3,963)	(991)
Accrued staff costs	20,510	5,127	10,355	2,589
Others	386	97	708	177
	74,460	18,635	42,360	10,607

(In RMB millions, unless otherwise stated)

(b) Movements of deferred income tax

Group

Deferred income tax assets

	At 1 January 2009	Credited/ (debited) to income statement	Credited to other comprehensive income	At 31 December 2009
Allowance for impairment losses	11,903	387	—	12,290
Changes in fair value of available-for-sale financial assets	(2,925)	—	3,701	776
Changes in fair value of financial instruments at fair value through profit or loss	(991)	1,359	—	368
Accrued staff costs	2,589	2,538	—	5,127
Others	170	(35)	—	135
	10,746	4,249	3,701	18,696

	At 1 January 2008	Credited/ (debited) to income statement	Debited to other comprehensive income	At 31 December 2008
Allowance for impairment losses	4,671	7,232	—	11,903
Changes in fair value of available-for-sale financial assets	695	—	(3,620)	(2,925)
Changes in fair value of financial instruments at fair value through profit or loss	(3,179)	2,188	—	(991)
Accrued staff costs	3,125	(536)	—	2,589
Others	521	(351)	—	170
	5,833	8,533	(3,620)	10,746

Deferred income tax liabilities

	At 1 January 2009	Debited/ (credited) to income statement	Debited to other comprehensive income	At 31 December 2009
Allowance for impairment losses	—	(43)	—	(43)
Changes in fair value of available-for-sale financial assets	—	—	185	185
Changes in fair value of financial instruments at fair value through profit or loss	—	36	—	36
Others	16	(16)	—	—
	16	(23)	185	178

	At 1 January 2008	Debited/ (credited) to income statement	Credited to other comprehensive income	At 31 December 2008
Allowance for impairment losses	(13)	13	—	—
Changes in fair value of available-for-sale financial assets	315	—	(315)	—
Others	35	(19)	—	16
	337	(6)	(315)	16

(In RMB millions, unless otherwise stated)

Bank

Deferred income tax assets

	At 1 January 2009	Credited/ (debited) to income statement	Credited to other comprehensive income	At 31 December 2009
Allowance for impairment losses	11,859	408	—	12,267
Changes in fair value of available-for-sale financial assets	(3,027)	—	3,803	776
Changes in fair value of financial instruments at fair value through profit or loss	(991)	1,359	—	368
Accrued staff costs	2,589	2,538	—	5,127
Others	177	(80)	—	97
	10,607	4,225	3,803	18,635

	At 1 January 2008	Credited/ (debited) to income statement	Debited to other comprehensive income	At 31 December 2008
Allowance for impairment losses	4,671	7,188	—	11,859
Changes in fair value of available-for-sale financial assets	695	—	(3,722)	(3,027)
Changes in fair value of financial instruments at fair value through profit or loss	(3,179)	2,188	—	(991)
Accrued staff costs	3,125	(536)	—	2,589
Others	499	(322)	—	177
	5,811	8,518	(3,722)	10,607

The Group and the Bank did not have significant unrecognized deferred income tax assets and liabilities at the end of the reporting period.

32. OTHER ASSETS

	Group		Bank	
	2009	2008	2009	2008
Interest receivable	55,124	52,584	54,441	51,232
Land use rights	22,672	23,037	22,672	23,037
Settlement accounts	6,030	8,202	5,039	6,201
Goodwill (i)	5,350	4,891	—	—
Precious metal	2,699	2,819	2,699	2,819
Repossessed assets	1,954	2,206	1,952	2,204
Others	15,286	12,518	9,860	10,768
	109,115	106,257	96,663	96,261

(i) Goodwill arising from business combinations has been allocated to the Group's CGU, which is not larger than the reportable segment of the Group, for impairment testing.

The recoverable amount of the CGU is determined based on the discounted future cash flows of the CGU. The cash flow projections based on financial forecasts approved by management of the subsidiaries cover a three to five year period. Cash flows beyond the three to five year period are extrapolated using the estimate rates which do not exceed the long term average growth rate for the business in which the CGU operates. The discount rate is the pre-tax rate and reflects the specific risk associated with the CGU.

As indicated by the impairment test, goodwill arising from business combinations are not impaired and thus, no impairment loss is recognised.

(In RMB millions, unless otherwise stated)

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

		Group		Bank	
	Notes	2009	2008	2009	2008
Structured deposits	(i)	14,581	2,551	14,581	2,285
Notes payable	(ii)	—	2,629	—	—
Certificates of deposit	(iii)	1,250	2,386	—	—
		15,831	7,566	14,581	2,285

Notes:

(i) The fair value of structured deposits as at 31 December 2009 was RMB1.63 million which was less than the amount that the Group would be contractually required to pay to the holders of these structured deposits upon maturity (2008: RMB5.79 million below).

(ii) All the notes issued in September 2004 by ICBCA (C.I.) Limited, an indirectly-held subsidiary of the Bank, at a coupon rate of 4.125% per annum matured on 16 September 2009.

(iii) The certificates of deposit are all issued by ICBC (Asia) to financial institutions and retail customers at fixed or floating rates and are classified as financial liabilities designated at fair value through profit or loss. The fair value of the certificates of deposit in excess of the amount that the Group would be contractually required to pay to the holders of these certificates of deposit upon maturity as at 31 December 2009 was RMB12.30 million (2008: RMB33.17 million above).

There were no significant changes in the credit spread of the Bank and ICBC (Asia) and therefore the amounts of changes in fair value of the financial liabilities that were attributable to changes in credit risk were considered not significant during the years presented and cumulatively as at 31 December 2009 and 31 December 2008. The changes in fair value of the financial liabilities were mainly attributable to changes in other market factors.

Certain structured deposits, notes payable and certificates of deposit have been matched with derivatives as part of a documented risk management strategy to mitigate market risk, such as interest rate risk. An accounting mismatch would arise if these financial liabilities were accounted for at amortised cost, because the related derivatives are measured at fair value with movements in the fair value taken through the income statement. By designating these financial liabilities at fair value through profit or loss, the movement in their fair values is recorded in the income statement.

(In RMB millions, unless otherwise stated)

34. DUE TO BANKS AND OTHER FINANCIAL INSTITUTIONS

	Group		Bank	
	2009	2008	2009	2008
Deposits				
Banks and other financial institutions operating in Mainland China	920,315	591,930	920,911	590,841
Banks and other financial institutions operating outside Mainland China	10,695	677	10,254	1,258
	931,010	592,607	931,165	592,099
Money market takings				
Banks and other financial institutions operating in Mainland China	35,544	40,209	14,488	21,153
Banks and other financial institutions operating outside Mainland China	35,080	13,438	36,109	19,508
	70,624	53,647	50,597	40,661
	1,001,634	646,254	981,762	632,760

35. REPURCHASE AGREEMENTS

	Group		Bank	
	2009	2008	2009	2008
Analysed by counterparty:				
Banks	36,060	4,648	34,280	4,246
Analysed by collateral:				
Securities	34,280	200	34,280	200
Bills	—	3,841	—	3,841
Loans	1,780	607	—	205
	36,060	4,648	34,280	4,246

36. DUE TO CUSTOMERS

	Group		Bank	
	2009	2008	2009	2008
Demand deposits:				
Corporate customers	3,195,842	2,575,763	3,164,652	2,558,776
Personal customers	1,827,851	1,444,430	1,808,352	1,432,430
Time deposits:				
Corporate customers	1,736,118	1,482,438	1,628,355	1,390,127
Personal customers	2,874,646	2,604,785	2,852,632	2,580,372
Others	136,820	116,030	136,778	116,027
	9,771,277	8,223,446	9,590,769	8,077,732

(In RMB millions, unless otherwise stated)

37. SUBORDINATED BONDS

As approved by the PBOC and the CBRC, the Bank issued callable subordinated bonds with total amount of RMB75,000 million through open market bidding in 2005 and 2009 respectively, these subordinated bonds were traded in the bond market among banks. The Bank has not had any defaults of principal or interest or other breaches with respect to the subordinated bonds during the year (2008: None). The relevant information on these subordinated bonds is set out below:

Name	Issue date	Issue price	Coupon rate	Value date	Maturity date	Circulation date	Issue amount	Notes
05 ICBC 01 Bond	19 August 2005	RMB100	3.11%	29 August 2005	29 August 2015	30 September 2005	RMB13,000 million	(i)
05 ICBC 02 Bond	19 August 2005	RMB100	3.77%	6 September 2005	6 September 2020	11 October 2005	RMB13,000 million	(ii)
05 ICBC 03 Bond	19 August 2005	RMB100	Base rate +1.05%	14 September 2005	14 September 2015	11 October 2005	RMB9,000 million	(iii)
09 ICBC 01 Bond	16 July 2009	RMB100	3.28%	20 July 2009	20 July 2019	20 August 2009	RMB10,500 million	(iv)
09 ICBC 02 Bond	16 July 2009	RMB100	4.00%	20 July 2009	20 July 2024	20 August 2009	RMB24,000 million	(v)
09 ICBC 03 Bond	16 July 2009	RMB100	Base rate +0.58%	20 July 2009	20 July 2019	20 August 2009	RMB5,500 million	(vi)

Notes:

(i) The Bank has the option to redeem all or part of the bonds at face value on 29 August 2010. If the Bank does not exercise this option, the annual coupon rate will increase by 300 basis points ("bps") thereafter.

(ii) The Bank has the option to redeem all or part of the bonds at face value on 6 September 2015. If the Bank does not exercise this option, the annual coupon rate will increase by 300 bps thereafter.

(iii) The base rate is determined based on the weighted average of the PRC inter-bank money market 7-day repo rates in the last 10 trading days prior to its coupon payment date. The Bank has the option to redeem all or part of the bonds at face value on 14 September 2010. If the Bank does not exercise this option, the interest rate of the bonds will increase by 100 bps thereafter.

(iv) The Bank has the option to redeem all or part of the bonds at face value on 20 July 2014. If the Bank does not exercise this option, the annual coupon rate will increase by 300 bps thereafter.

(v) The Bank has the option to redeem all or part of the bonds at face value on 20 July 2019. If the Bank does not exercise this option, the annual coupon rate will increase by 300 bps thereafter.

(vi) The base rate for the bonds is the one-year lump-sum deposit and withdrawal time deposit rate published by the PBOC which is applicable on the date of issue or the first value date in each interest-bearing year. The spread in the first five interest-bearing years (i.e., initial spread) is 0.58%. The Bank has the option to redeem all or part of the bonds at face value on 20 July 2014. If the Bank does not exercise this option, the interest margin will increase by 300 bps thereafter.

38. OTHER LIABILITIES

	Group		Bank	
	2009	2008	2009	2008
Interest payable	86,221	90,252	85,740	89,606
Settlement accounts	38,856	37,295	37,895	35,476
Early retirement benefits	10,229	10,355	10,229	10,355
Salaries, bonuses, allowances and subsidies payables[i]	9,976	8,252	9,743	8,110
Sundry tax payables	6,395	7,117	6,344	7,093
Bank drafts	4,242	4,415	3,990	4,392
Others	18,744	19,432	17,190	18,462
	174,663	177,118	171,131	173,494

(i) Salaries, bonuses, allowances and subsidies payables were scheduled to be paid before 30 June 2010.

39. SHARE CAPITAL

	31 December 2009		31 December 2008	
	Number of shares (millions)	Nominal value	Number of shares (millions)	Nominal value
Registered, issued and fully paid:				
H shares of RMB1 each	83,057	83,057	83,057	83,057
A shares of RMB1 each	250,962	250,962	250,962	250,962
	334,019	334,019	334,019	334,019

Except for the dividends for H shares which are payable in Hong Kong dollars ("HK$"), all of the H shares and A shares rank pari passu with each other in respect of dividends.

Share appreciation rights plan

The Bank's share appreciation rights plan was approved in 2006, which allows share appreciation rights to be granted to eligible participants including directors, supervisors, senior management and other key personnel designated by the board of directors. The share appreciation rights will be granted and exercised based on the price of the Bank's H shares and will be valid for 10 years. As at the approval date of these financial statements, no share appreciation rights have been granted.

40. RESERVES

(a) Capital reserve

Capital reserve mainly includes share premium arising from the issuance of new shares at prices in excess of par value.

(b) Surplus reserves

(i) Statutory surplus reserve

The Bank is required to appropriate 10% of its profit for the year determined under generally accepted accounting principles in the PRC ("PRC GAAP") to the statutory surplus reserve until the reserve balance reaches 50% of its registered capital.

Subject to the approval of the shareholders, the statutory surplus reserve may be used to offset accumulated losses of the Bank, if any, and may also be converted into capital of the Bank, provided that the balance of the statutory surplus reserve after such capitalisation is not less than 25% of the registered capital immediately before capitalisation.

Pursuant to the resolution of the board of directors' meeting held on 25 March 2010, an appropriation of 10% of the profit for the year determined under PRC GAAP to the statutory surplus reserve, in the amount of RMB12,775 million (2008: RMB11,052 million) was approved.

(ii) Discretionary surplus reserve

After making the appropriation to the statutory surplus reserve, the Bank may also appropriate its profit for the year determined under PRC GAAP to the discretionary surplus reserve upon approval by the shareholders in general meeting. Subject to the approval by the shareholders, the discretionary surplus reserve may be used to offset accumulated losses of the Bank, if any, and may be converted into capital.

(iii) Other surplus reserve

The Bank's overseas entities appropriate their profits to the surplus reserves in accordance with the relevant regulations promulgated by the local regulatory bodies.

(c) General reserve

The Bank is required to maintain a general reserve within equity, through the appropriation of profit, which should not be less than 1% of the year end balance of its risk assets.

The Bank's subsidiaries appropriate their profits to the general reserve according to the applicable local regulations.

Pursuant to the resolution of the board of directors' meeting held on 25 March 2010, an appropriation to the general reserve amounting to RMB14,813 million (2008:RMB28,374 million) was approved. The general reserve balance of the Bank as at 31 December 2009 amounted to RMB83,988 million, which has reached 1% of the year end balance of the Bank's risk assets.

(d) Investment revaluation reserve

The investment revaluation reserve records the fair value changes of available-for-sale financial assets.

(e) Foreign currency translation reserve

The foreign currency translation reserve is used to record exchange differences arising from the translation of the financial statements of the subsidiaries and branches incorporated outside Mainland China.

(f) Cash flow hedge reserve

The cash flow hedge reserve comprises the portion of the gain or loss on a hedging instrument in a cash flow hedge that is determined to be an effective hedge.

(g) Other reserves

Other reserves represent reserves of subsidiaries and share of reserves of associates and a jointly-controlled entity other than the items listed above.

(h) Distributable profits

The Bank's distributable profit is based on the retained profits of the Bank as determined under PRC GAAP and IFRSs, whichever is lower. The amount that the Bank's subsidiaries can legally distribute is determined by reference to their profits as reflected in their financial statements prepared in accordance with the accounting regulations and principles promulgated by the local regulatory bodies of the respective countries/regions. These profits may differ from those dealt with in these financial statements, which are prepared in accordance with IFRSs.

(In RMB millions, unless otherwise stated)

The movements in reserves and retained profits of the Bank during the year are set out below.

	Reserves							
	Capital reserve	Surplus reserves	General reserve	Investment revaluation reserve	Foreign currency translation reserve	Cash flow hedge reserve	Total	Retained profits
Balance as at 1 January 2008	105,019	13,533	40,801	(2,406)	(81)	—	156,866	45,134
Profit for the year	—	—	—	—	—	—	—	108,959
Net change in fair value of available-for-sale financial assets	—	—	—	8,644	—	—	8,644	—
Reserve realised on disposal/impairment of available-for-sale financial assets	—	—	—	2,612	—	—	2,612	—
Net loss on cash flow hedges	—	—	—	—	—	(4,080)	(4,080)	—
Foreign currency translation	—	—	—	—	(246)	—	(246)	—
Dividend – 2007 final (note 18)	—	—	—	—	—	—	—	(44,425)
Appropriation to surplus reserves (note)	—	11,061	—	—	—	—	11,061	(11,061)
Appropriation to general reserve	—	—	28,374	—	—	—	28,374	(28,374)
Balance as at 31 December 2008 and 1 January 2009	**105,019**	**24,594**	**69,175**	**8,850**	**(327)**	**(4,080)**	**203,231**	**70,233**
Profit for the year	—	—	—	—	—	—	—	126,638
Net change in fair value of available-for-sale financial assets	—	—	—	(9,170)	—	—	(9,170)	—
Reserve realised on disposal/impairment of available-for-sale financial assets	—	—	—	(1,382)	—	—	(1,382)	—
Foreign currency translation	—	—	—	—	92	—	92	—
Dividend — 2008 final (note 18)	—	—	—	—	—	—	—	(55,113)
Appropriation to surplus reserves (note)	—	12,804	—	—	—	—	12,804	(12,804)
Appropriation to general reserve	—	—	14,813	—	—	—	14,813	(14,813)
Others	550	—	—	—	—	—	550	—
Balance as at 31 December 2009	**105,569**	**37,398**	**83,988**	**(1,702)**	**(235)**	**(4,080)**	**220,938**	**114,141**

Note: Includes the appropriation made by overseas branches in the amount of RMB29 million (2008: RMB9 million).

41. COMPONENTS OF OTHER COMPREHENSIVE INCOME

	2009	2008
Available-for-sale financial assets:	(10,461)	9,067
Changes in fair value recorded in other comprehensive income/(loss)		
Less: Income tax effect	3,516	(3,305)
Transfer to income statement arising from disposal/impairment	(1,945)	3,429
	(8,890)	9,191
Cash flow hedges:		
Losses arising during the year	(2)	(4,073)
Less: Income tax effect	—	—
Transfer to income statement	(7)	—
	(9)	(4,073)
Share of other comprehensive income/(loss) of associates and a jointly-controlled entity	(1,155)	500
Less: Income tax effect	—	—
Transfer to income statement	—	—
	(1,155)	500
Foreign currency translation differences	7,531	(8,604)
Less: Transfer to income statement	—	—
	7,531	(8,604)
	(2,523)	(2,986)

(In RMB millions, unless otherwise stated)

42. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

Cash and cash equivalents are as follows:

	Note	2009	2008
Cash on hand	20	38,842	40,025
Balances with central banks other than restricted deposits	20	90,887	373,807
Nostro accounts with banks and other financial institutions with original maturity of three months or less		89,878	36,906
Placements with banks and other financial institutions with original maturity of three months or less		56,985	115,584
Reverse repurchase agreements with original maturity of three months or less		132,802	40,969
		409,394	607,291

43. COMMITMENTS AND CONTINGENT LIABILITIES

(a) Capital commitments

At the end of the reporting period, the Group and the Bank had capital commitments as follows:

	Group		Bank	
	2009	2008	2009	2008
Authorised, but not contracted for	4,177	1,687	4,177	1,687
Contracted, but not provided for	6,125	1,658	5,135	1,644
	10,302	3,345	9,312	3,331

As at 31 December 2009, the Bank had commitments in relation to the transfer and acquisition of shares for the purpose of acquiring subsidiaries amounted to RMB4,262 million approximately, amongst which RMB3,025 million and RMB1,237 million approximately were included in the amounts of authorised, but not contracted for and contracted, but not provided for commitments as shown above respectively. Please refer to note 51(a) and note 51(b) for details.

(b) Operating lease commitments

At the end of the reporting period, the Group and the Bank leased certain of its premises under operating lease arrangements. The total future minimum lease payments in respect of non-cancellable operating leases are as follows:

	Group		Bank	
	2009	2008	2009	2008
Within one year	2,570	2,146	2,274	1,858
After one year but not more than five years	6,022	5,178	5,382	4,415
After five years	1,616	1,658	1,604	1,599
	10,208	8,982	9,260	7,872

(In RMB millions, unless otherwise stated)

(c) Credit commitments

At any given time, the Group has outstanding commitments to extend credit. These commitments are in the form of approved loans and credit card limits.

The Group provides letters of credit and financial guarantees to guarantee the performance of customers to third parties.

Bank 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.

The contractual amounts of credit commitments by category are set out below. The amounts disclosed in respect of loan commitments and undrawn credit card limit are under the assumption that the amounts will be fully advanced. The amounts for bank acceptances, letters of credit and guarantees represent the maximum potential losses that would be recognised at the end of the reporting period had the counterparties failed to perform as contracted.

	Group		Bank	
	2009	2008	2009	2008
Bank acceptances	209,967	206,632	209,514	206,236
Guarantees issued	210,243	217,071	205,899	210,408
Financing letters of guarantees	78,643	87,176	77,348	86,297
Non-financing letters of guarantees	131,600	129,895	128,551	124,111
Usance letters of credit	113,416	73,374	111,761	71,316
Sight letters of credit	50,019	39,879	48,201	38,926
Loan commitments	457,956	238,687	368,486	163,710
With original maturity of not more than one year	216,253	144,585	149,770	109,512
With original maturity of more than one year	241,703	94,102	218,716	54,198
Undrawn credit card limit	198,086	160,830	197,696	160,500
	1,239,687	936,473	1,141,557	851,096

	Group		Bank	
	2009	2008	2009	2008
Credit risk weighted amount of credit commitments	507,149	385,049	494,460	373,720

The credit risk weighted amount refers to the amount computed in accordance with the rules promulgated by the CBRC. The risk weights are determined in accordance with the credit status of the counterparties, the maturity profile and other factors. The risk weights ranged from 0% to 100% for credit commitments.

(In RMB millions, unless otherwise stated)

(d) Legal proceedings

There were a number of legal proceedings outstanding against the Bank and/or its subsidiaries as at the end of the reporting period.

	Group and Bank	
	2009	2008
Claimed amounts	2,131	3,292

In the opinion of management, the Group and the Bank have made adequate allowance for any probable losses based on the current facts and circumstances, and the ultimate outcome of these lawsuits will not have a material impact on the financial position or operations of the Group and the Bank.

(e) Redemption commitments of government bonds

As an underwriting agent of the Government, the Bank underwrites certain PRC government bonds and sells the bonds to the general public, in which the Bank is obliged to redeem these bonds at the discretion of the holders at any time prior to maturity. The redemption price for the bonds is based on the nominal value of the bonds plus any interest accrued up to the redemption date. As at 31 December 2009, the Bank had underwritten and sold bonds with an accumulated amount of RMB149,506 million (2008: RMB151,345 million) to the general public, and these government bonds have not yet matured nor been redeemed. Management expects that the amount of redemption of these government bonds through the Bank prior to maturity will not be material.

The MOF will not provide funding for the early redemption of these government bonds on a back-to-back basis but is obliged to repay the principal and the respective interest upon maturity.

(f) Underwriting obligations

At the end of the reporting period, the amount of unexpired securities underwriting obligations was as follows:

	Group and Bank	
	2009	2008
Underwriting obligations	1,800	1,000

44. DESIGNATED FUNDS AND LOANS

	Group and Bank	
	2009	2008
Designated funds	280,805	237,432
Designated loans	280,080	236,755

The designated loans represent the loans granted to specific borrowers designated by the trustors on their behalf according to the entrust agreements signed by the Group and the trustors. The Group does not bear any risk.

The designated funds represent the funding that the trustors have instructed the Group to use to make loans to third parties as designated by them. The credit risk remains with the trustors.

(In RMB millions, unless otherwise stated)

45. ASSETS PLEDGED AS SECURITY

Financial assets of the Group including securities, bills and loans have been pledged as security for liabilities or contingent liabilities, mainly the repurchase agreements and derivative contracts. As at 31 December 2009, the carrying value of the financial assets of the Group pledged as security amounted to approximately RMB36,111 million (2008: RMB4,648 million).

46. FIDUCIARY ACTIVITIES

The Group provides custody, trust and asset management services to third parties. Revenue from such activities is included in "Fee and commission income" set out in note 7 above. Those assets held in a fiduciary capacity are not included in the Group's consolidated statement of financial position.

47. RELATED PARTY DISCLOSURES

In addition to the transactions detailed elsewhere in these financial statements, the Group had the following transactions with related parties during the year:

(a) Shareholders with significant influence

(i) The MOF

As at 31 December 2009, the MOF directly owned approximately 35.33% (2008: approximately 35.33%) of the issued share capital of the Bank. The Group enters into banking transactions with the MOF in its normal course of business, including the subscription and redemption of government bonds issued by the MOF. Details of the material transactions are as follows:

	2009	2008
Balances at end of the year:		
The PRC government bonds and the special government bond	618,717	482,614
MOF receivable (note 27(a)(iii))	62,520	142,773

	2009	2008
Transactions during the year:		
Subscription of PRC government bonds	220,538	67,603
Redemption of PRC government bonds	87,126	83,863
Interest income on PRC government bonds	17,569	17,233
Repayment of MOF receivable (note 27(a)(iii))	80,253	51,208
Interest income on MOF receivable	3,764	5,294

(In RMB millions, unless otherwise stated)

Interest rate range during the year is as follows:

	2009 %	2008 %
MOF receivable	3	3
Bond investments	0.9 to 6.8	1.3 to 7.3

The MOF is a ministry under the State Council, primarily responsible for, among others, state fiscal revenues, expenses and taxation policies. Enterprises or legal entities under the control or supervision of the MOF are mainly financial institutions, government departments or agencies. Enterprises under the control, joint control or significant influence of the MOF are not considered as related parties of the Group.

(ii) Huijin

As at 31 December 2009, Central Huijin Investment Limited ("Huijin") directly owned approximately 35.42% (2008: approximately 35.41%) of the issued share capital of the Bank. Huijin was incorporated as a wholly-state-owned investment company with the approval of the State Council. It was established to hold certain equity investments on behalf of the State Council, and to represent the Government in exercising its investor's rights and obligations in certain banks and financial institutions.

The Group also entered into banking transactions with Huijin in the ordinary course of business under normal commercial terms and at market rates. Details of the material transactions are as follows:

	2009	2008
Balances at end of the year:		
Deposits	1,524	35,089
Interest payable	15	103

	2009	2008
Transactions during the year:		
Interest expense on deposits	423	1,634

	2009 %	2008 %
Interest rate range during the year is as follows:		
Deposits	0.01 to 4.1	0.3 to 4.3

(In RMB millions, unless otherwise stated)

Huijin has equity interests in certain other banks and financial institutions under the direction of the Government. The Group enters into transactions with these banks and financial institutions in the ordinary course of business under normal commercial terms. Management considers that these banks and financial institutions are competitors of the Group. Significant transactions during the year conducted with these banks and financial institutions, and the corresponding balances as at 31 December 2009 are as follows:

	2009	2008
Balances at end of the year:		
Debt securities purchased	555,687	441,321
Due from these banks and financial institutions	33,723	38,894
Derivative financial assets	367	564
Due to these banks and financial institutions	61,270	41,508
Derivative financial liabilities	371	400

	2009	2008
Transactions during the year:		
Interest income on debt securities purchased	16,115	1,146
Interest income on amounts due from these banks and financial institutions	304	371
Interest expense on amounts due to these banks and financial institutions	1,103	785

	2009	2008
	%	%
Interest rate ranges during the year are as follows:		
Debt securities purchased	1.0 to 5.5	2.0 to 8.3
Due from these banks and financial institutions	0.0001 to 11.1	0.0001 to 7.3
Due to these banks and financial institutions	0.0001 to 5.7	0.0001 to 6.5

The interest rates disclosed above vary across product groups and transactions depending on the maturity date, credit risk of counterparty and currency. In particular, given local market conditions, the spread of certain significant or long dated transactions can vary across the market.

(iii) National Council for Social Security Fund and Goldman Sachs Group Inc.

As at 31 December 2009, the Bank's shares held by National Council for Social Security Fund (the "SSF") and Goldman Sachs Group Inc. have been persistently lower than 5% during the past 12 months. Therefore, the Group ceased to regard the SSF and Goldman Sachs Group Inc. as the related parties of the Group.

(In RMB millions, unless otherwise stated)

(b) Subsidiaries

	2009	2008
Balance at end of the year:		
Debt securities purchased	9,932	8,372
Due from banks and financial institutions	26,064	12,577
Derivative financial assets	179	120
Due to banks and financial institutions	7,710	3,205
Derivative financial liabilities	111	157

	2009	2008
Transactions during the year:		
Interest income on debt securities purchased	151	300
Interest income on amounts due from banks and financial institutions	204	625
Interest expense on amounts due to banks and financial institutions	167	859
Net trading expense	17	35
Commission income	182	14

	2009	2008
	%	%
Interest rate ranges during the year are as follows:		
Debt securities purchased	0.5 to 5.4	2.7 to 5.4
Due from banks and financial institutions	0 to 5.7	0 to 5.7
Due to banks and financial institutions	0 to 5.7	0.01 to 5.4

(c) Associates

	2009	2008
Balances at end of the year:		
Due from associates	1,065	453
Loans to an associate	2,922	—
Due to associates	7	24

	2009	2008
Transactions during the year:		
Interest income on amounts due from associates	28	45
Interest income on loans to an associate	26	—

	2009	2008
	%	%
Interest rates during the year are as follows:		
Due from associates	14.5	14.5
Loans to an associate	2.25	—

The major transactions between the Group and its associates mainly comprised due from banks and other financial institutions, loans and deposits and the corresponding interest income. In the opinion of management, the transactions between the Group and its associates were conducted under normal commercial terms and conditions.

(d) Jointly-controlled entity

No transactions were conducted between the Group and its jointly-controlled entity during the year.

(e) Key management personnel

The key management personnel are those persons who have the authority and responsibility to plan, direct and control the activities of the Group, directly or indirectly, including members of the board of directors, the supervisory board and executive officers.

The aggregate compensation for the year, other than those for the personnel disclosed in note 13 above, is as follows:

	2009 RMB'000	2008 RMB'000
Short term employment benefits	4,036	8,926
Post-employment benefits	339	638
	4,375	9,564

The total compensation packages for certain senior management of the Bank for the year ended 31 December 2009 have not been finalized in accordance with the regulations of the PRC relevant authorities. The remuneration not yet accrued is not expected to have significant impact on the Group's and the Bank's 2009 financial statements. The total compensation packages will be further disclosed when determined.

Companies or corporations, in which the key management of the Group or their close relatives are shareholders or key management personnel who are able to exercise control or significant influence, are also considered as related parties of the Group.

The transactions between the Group and the aforementioned parties for the year are as follows:

	2009	2008
Loans	274	—

In the opinion of management, the transactions between the Group and the aforementioned parties were conducted on terms and conditions similar to those offered to other unrelated customers.

(f) Annuity Fund

Apart from the obligations for defined contributions to the Annuity Fund, no transactions were conducted between the Group and the Annuity Fund during the year (2008: Nil).

(g) Transactions with other state-owned entities in the PRC

The Group operates in an economic environment predominated by enterprises directly or indirectly owned and/or controlled by the Government through its authorities, affiliates or other organisations (collectively the "state-owned entities"). During the year, the Group had transactions with the state-owned entities including, but not limited to, lending and deposit taking, taking and placing of inter-bank balances, entrusted lending and the provision of intermediary services, the sale, purchase, underwriting and redemption of bonds issued by other state-owned entities, and the sale, purchase, and leasing of properties and other assets.

Management considers that transactions with other state-owned entities are activities conducted in the ordinary course of business, and that the dealings of the Group have not been significantly or unduly affected by the fact that the Group and those state-owned entities are ultimately controlled or owned by the Government. The Group has also established pricing policies for products and services and such pricing policies do not depend on whether or not the customers are state-owned entities. Having due regard to the substance of the relationship, management is of the opinion that none of these transactions are considered related party transactions that require disclosure.

48. SEGMENT INFORMATION

(a) Operating segments

For management purposes, the Group is organised into different operating segments, namely corporate banking, personal banking and treasury operations, based on internal organisational structure, management requirement and internal reporting system.

Corporate banking

The corporate banking segment covers the provision of financial products and services to corporations, government agencies and financial institutions. The products and services include corporate loans, trade financing, deposit-taking activities, corporate wealth management services, custody activities and various types of corporate intermediary services.

Personal banking

The personal banking segment covers the provision of financial products and services to individual customers. The products and services include personal loans, deposit-taking activities, card business, personal wealth management services and various types of personal intermediary services.

Treasury operations

The treasury operations segment covers the Group's treasury operations which include money market transactions, investment securities, foreign exchange transactions and the holding of derivative positions, for its own accounts or on behalf of customers.

Others

This represents the assets, liabilities, income and expenses that are not directly attributable or cannot be allocated to a segment on a reasonable basis.

(In RMB millions, unless otherwise stated)

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment information is prepared in conformity with the accounting policies adopted for preparing and presenting the financial statements of the Group.

Transactions between segments mainly represent the provision of funding to and from individual segments. These transactions are conducted on terms determined with reference to the average cost of funding and have been reflected in the performance of each segment. Net interest income and expense arising on internal fund transfer are referred to as "internal net interest income/expense". Interest income and expense relating to third parties are referred to as "external net interest income/expense".

Segment revenues, expenses, results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. The basis for allocation is mainly based on occupation of or contribution to resources. Income taxes are managed on a group basis and are not allocated to operating segments.

	Corporate banking	Personal banking	Treasury operations	Others	Total
Year ended 31 December 2009					
External net interest income/(expense)	168,772	(37,973)	115,022	—	245,821
Internal net interest income/(expense)	(35,965)	108,571	(72,606)	—	—
Net fee and commission income (i)	32,486	22,499	162	—	55,147
Other income, net	864	17	6,149	1,413	8,443
Operating income	166,157	93,114	48,727	1,413	309,411
Operating expenses	(58,707)	(45,080)	(14,229)	(2,803)	(120,819)
Impairment losses on:					
Loans and advances to customers	(14,998)	(6,684)	—	—	(21,682)
Others	(421)	—	(914)	(268)	(1,603)
Operating profit/(loss)	92,031	41,350	33,584	(1,658)	165,307
Share of profits and losses of associates and a jointly-controlled entity	—	—	—	1,987	1,987
Profit before tax	92,031	41,350	33,584	329	167,294
Income tax expense					(37,898)
Profit for the year					129,396
Other segment information:					
Depreciation	4,166	3,415	1,881	177	9,639
Amortisation	657	436	260	8	1,361
Capital expenditure	8,867	7,172	4,018	373	20,430
As at 31 December 2009					
Segment assets	4,472,851	1,262,155	5,966,772	83,275	11,785,053
Including: Investments in associates and a jointly-controlled entity	—	—	—	36,278	36,278
Property and equipment	37,546	30,736	17,079	10,323	95,684
Other non-current assets (ii)	13,893	7,668	4,761	5,794	32,116
Segment liabilities	5,165,238	4,787,973	1,143,877	9,031	11,106,119
Other segment information:					
Credit commitments	1,041,601	198,086	—	—	1,239,687

(i) All from external customers.

(ii) Including long term receivables, intangible assets, goodwill, long term deferred expenses and other non-current assets.

(In RMB millions, unless otherwise stated)

	Corporate banking	Personal banking	Treasury operations	Others	Total
Year ended 31 December 2008					
External net interest income/(expense)	181,782	(36,122)	117,377	—	263,037
Internal net interest income/(expense)	(56,035)	123,456	(67,421)	—	—
Net fee and commission income (i)	24,907	18,953	142	—	44,002
Other income/(expense), net	2,414	14	(171)	899	3,156
Operating income	153,068	106,301	49,927	899	310,195
Operating expenses	(54,683)	(36,716)	(13,452)	(6,484)	(111,335)
Impairment losses on:					
Loans and advances to customers	(30,639)	(5,873)	—	—	(36,512)
Others	(554)	(6)	(17,985)	(405)	(18,950)
Operating profit/(loss)	67,192	63,706	18,490	(5,990)	143,398
Share of profits and losses of associates	—	—	—	1,978	1,978
Profit/(loss) before tax	67,192	63,706	18,490	(4,012)	145,376
Income tax expense					(34,150)
Profit for the year					111,226
Other segment information:					
Depreciation	3,663	2,470	1,579	478	8,190
Amortisation	640	360	269	31	1,300
Capital expenditure	7,334	4,883	3,147	900	16,264
As at 31 December 2008					
Segment assets	3,706,953	878,988	5,105,568	65,637	9,757,146
Including: Investments in associates	—	—	—	28,421	28,421
Property and equipment	36,532	24,739	15,652	9,877	86,800
Other non-current assets (ii)	14,674	6,669	5,280	5,865	32,488
Segment liabilities	4,280,441	4,147,162	715,448	7,465	9,150,516
Other segment information:					
Credit commitments	775,643	160,830	—	—	936,473

(i) All from external customers.

(ii) Including long term receivables, intangible assets, goodwill, long term deferred expenses and other non-current assets.

(b) Geographical information

The Group operates principally in Mainland China, and also has branches and subsidiaries operating outside Mainland China in Hong Kong, Macau, Singapore, Frankfurt, Luxembourg, Seoul, Busan, Tokyo, London, Almaty, Indonesia, Moscow, Doha, Dubai, Sydney and New York.

The distribution of the geographical areas is as follows:

Mainland China (Head Office and domestic branches):

Head Office ("HO"): the HO business division (including institutions directly controlled by the HO and their offices);

Yangtze River Delta: including Shanghai, Jiangsu, Zhejiang, Ningbo and Suzhou;

Pearl River Delta: including Guangdong, Shenzhen, Fujian and Xiamen;

Bohai Rim: including Beijing, Tianjin, Hebei, Shandong and Qingdao;

Central China: including Shanxi, Henan, Hubei, Hunan, Anhui, Jiangxi and Hainan;

Western China: including Chongqing, Sichuan, Guizhou, Yunnan, Guangxi, Shaanxi, Gansu, Qinghai, Ningxia, Xinjiang, Inner Mongolia and Tibet; and

Northeastern China: including Liaoning, Heilongjiang, Jilin and Dalian.

Overseas and others: branches located outside Mainland China, domestic and overseas subsidiaries, and investments in associates and a jointly-controlled entity.

(In RMB millions, unless otherwise stated)

	Mainland China (HO and domestic branches)									
	Head Office	Yangtze River Delta	Pearl River Delta	Bohai Rim	Central China	Western China	North-eastern China	Overseas and others	Eliminations	Total
Year ended 31 December 2009										
External net interest income	117,085	38,412	22,417	11,912	18,500	27,864	4,116	5,515	—	245,821
Internal net interest income/(expense)	(102,800)	16,835	11,988	41,162	13,879	12,541	6,611	(216)	—	—
Net fee and commission income (i)	1,552	14,133	9,234	10,934	6,988	7,291	2,751	2,264	—	55,147
Other income/(expense), net	9,066	(934)	(88)	(440)	(305)	(91)	76	1,159	—	8,443
Operating income	24,903	68,446	43,551	63,568	39,062	47,605	13,554	8,722	—	309,411
Operating expenses	(7,548)	(21,760)	(15,644)	(21,808)	(19,464)	(22,294)	(9,552)	(2,749)	—	(120,819)
Impairment losses on:										
Loans and advances to customers	(50)	(3,665)	(3,507)	(6,172)	(4,191)	(2,872)	(391)	(834)	—	(21,682)
Others	(652)	(41)	(36)	(85)	(54)	(96)	(380)	(259)	—	(1,603)
Operating profit	16,653	42,980	24,364	35,503	15,353	22,343	3,231	4,880	—	165,307
Share of profits and losses of associates and a jointly-controlled entity	—	—	—	—	—	—	—	1,987	—	1,987
Profit before tax	16,653	42,980	24,364	35,503	15,353	22,343	3,231	6,867	—	167,294
Income tax expense										(37,898)
Profit for the year									—	129,396
Other segment information:										
Depreciation	1,130	1,610	1,141	1,549	1,523	1,738	840	108	—	9,639
Amortisation	460	222	113	118	185	182	55	26	—	1,361
Capital expenditure	2,103	3,626	1,937	2,589	3,949	3,390	1,259	1,577	—	20,430

(i) All from external customers.

	Mainland China (HO and domestic branches)									
	Head Office	Yangtze River Delta	Pearl River Delta	Bohai Rim	Central China	Western China	North-eastern China	Overseas and others	Eliminations	Total
As at 31 December 2009										
Assets by geographical areas	5,823,910	2,427,925	1,461,854	2,965,139	1,491,357	1,636,235	719,400	385,725	(5,145,188)	11,766,357
Including: Investments in associates and a jointly-controlled entity	—	—	—	—	—	—	—	36,278	—	36,278
Property and equipment	7,981	18,492	10,792	15,661	14,977	16,623	9,081	2,077	—	95,684
Other non-current assets (i)	6,303	6,172	2,269	4,365	5,546	4,576	1,905	980	—	32,116
Unallocated assets										18,696
Total assets										11,785,053
Liabilities by geographical areas	5,409,113	2,376,668	1,433,407	2,927,875	1,470,073	1,607,198	712,231	292,333	(5,145,188)	11,083,710
Unallocated liabilities										22,409
Total liabilities										11,106,119
Other segment information:										
Credit commitments	215,103	244,798	167,451	288,195	73,463	84,286	31,815	134,576	—	1,239,687

(i) Including long term receivables, intangible assets, goodwill, long term deferred expenses and other non-current assets.

(In RMB millions, unless otherwise stated)

	Mainland China (HO and domestic branches)									
	Head Office	Yangtze River Delta	Pearl River Delta	Bohai Rim	Central China	Western China	North-eastern China	Overseas and others	Eliminations	Total
Year ended 31 December 2008										
External net interest income	118,029	47,738	26,021	14,805	19,704	26,457	4,533	5,750	—	263,037
Internal net interest income/(expense)	(84,690)	13,690	10,497	32,580	11,618	10,461	6,561	(717)	—	—
Net fee and commission income (i)	2,245	10,687	7,217	8,437	5,522	5,723	2,282	1,889	—	44,002
Other income/(expense), net	(6,842)	2,279	2,344	1,736	1,027	1,719	1,102	(209)	—	3,156
Operating income	28,742	74,394	46,079	57,558	37,871	44,360	14,478	6,713	—	310,195
Operating expenses	(6,743)	(21,081)	(14,496)	(19,298)	(17,829)	(20,249)	(9,213)	(2,426)	—	(111,335)
Impairment losses on:										
Loans and advances to customers	(409)	(10,102)	(5,632)	(7,861)	(5,012)	(5,442)	(1,375)	(679)	—	(36,512)
Others	(16,768)	(225)	92	(136)	(329)	(123)	(439)	(1,022)	—	(18,950)
Operating profit	4,822	42,986	26,043	30,263	14,701	18,546	3,451	2,586	—	143,398
Share of profits and losses of associates	—	—	—	—	—	—	—	1,978	—	1,978
Profit before tax	4,822	42,986	26,043	30,263	14,701	18,546	3,451	4,564	—	145,376
Income tax expense										(34,150)
Profit for the year										111,226
Other segment information:										
Depreciation	872	1,356	1,004	1,361	1,341	1,405	760	91	—	8,190
Amortisation	446	193	79	117	185	176	58	46	—	1,300
Capital expenditure	2,541	2,863	1,785	2,334	2,480	3,148	892	221	—	16,264

(i) All from external customers.

	Mainland China (HO and domestic branches)									
	Head Office	Yangtze River Delta	Pearl River Delta	Bohai Rim	Central China	Western China	North-eastern China	Overseas and others	Eliminations	Total
As at 31 December 2008										
Assets by geographical areas	5,229,411	2,003,485	1,174,627	2,402,081	1,245,770	1,342,482	609,063	302,138	(4,562,657)	9,746,400
Including: Investments in associates	—	—	—	—	—	—	—	28,421	—	28,421
Property and equipment	7,599	16,930	10,114	14,848	12,791	15,151	8,670	697	—	86,800
Other non-current assets (i)	5,816	6,056	2,470	4,371	5,468	5,040	2,278	989	—	32,488
Unallocated assets										10,746
Total assets										9,757,146
Liabilities by geographical areas	4,825,553	1,952,978	1,145,838	2,365,629	1,226,264	1,318,006	604,331	236,696	(4,562,657)	9,112,638
Unallocated liabilities										37,878
Total liabilities										9,150,516
Other segment information:										
Credit commitments	185,105	215,313	93,180	199,581	54,933	47,067	18,232	123,062	—	936,473

(i) Including long term receivables, intangible assets, goodwill, long term deferred expenses and other non-current assets.

49. FINANCIAL INSTRUMENTS RISK MANAGEMENT

A description and an analysis of the major risks faced by the Group are as follows:

The board of directors ("the Board") has the ultimate responsibility for the risk management and oversees the Group's risk management functions through the Risk Management Committee and the Audit Committee of the Board.

The President supervises the risk management strategies and reports directly to the Board. He chairs two management committees including the Risk Management Committee and the Asset and Liability Management Committee. These two committees formulate and make recommendations in respect of risk management strategies and policies through the President to the Risk Management Committee of the Board. The Chief Risk Officer assists the President to supervise and manage various risks.

The Group has also assigned departments monitoring financial risks within the Group, including the Credit Management Department to monitor credit risk; the Risk Management Department together with the Asset and Liability Management Department to monitor market and liquidity risks; and the Internal Control and Compliance Department to monitor operational risk. The Risk Management Department is primarily responsible for coordinating and establishing a comprehensive risk management framework, preparing consolidated reports on credit risk, market risk and operational risk and reporting directly to the Chief Risk Officer.

The Bank maintains a dual-reporting line structure at the branch level for risk management purposes.Under this structure, the risk management departments of the branches report to both the corresponding risk management departments at the head office and management of the relevant branches.

(a) Credit risk

Credit risk is the risk of loss arising from a borrower's or counterparty's inability to meet its obligations. Credit risk can also arise from operational failures that result in an unauthorised or inappropriate guarantee, commitment or investment of funds. The Group is exposed to credit risk primarily due to loans, guarantees and other credit related commitments.

The principal features of the Group's credit risk management function include:

- Centralised credit management procedures;
- Risk management rules and procedures that focus on risk control throughout the entire credit business process, including customer investigation and credit rating, granting of credit limits, loan evaluation, loan review and approval, granting of loan and post-disbursement loan monitoring;
- Stringent qualification system for the loan approval officers; and
- Information management systems designed to enable a real time risk monitoring.

To enhance the credit risk management practices, the Group also launches training programs periodically for credit officers at different levels.

In addition to the credit risk exposures on credit-related assets and amounts due from or lending to banks and other financial institutions, credit risk also arises in other areas. For instance, credit risk exposure also arises from derivative financial instruments which is, however, limited to those with positive fair values, as recorded in the statement of financial position. In addition, the Group also makes available to its customers guarantees which may require the Group to make payments on their behalf. Such payments are collected from customers based on the terms of the agreements signed. They expose the Group to similar risks as loans and these are mitigated by the same control processes and policies.

The Group will normally sign an ISDA Master Agreement, a China Inter-bank Market Financial Derivatives Master Agreement ("NAFMII master agreement") or a China Inter-bank RMB-FX Derivatives Master Agreement ("CFETS master agreement") with its counterparties for documenting over-the-counter derivatives activities. Each of these master agreements provides the contractual framework within which derivatives dealing activities are conducted. Under each of these master agreements, close-out netting shall be applied across all outstanding transactions covered by the agreement if either party defaults.

Risk concentration

Credit risk is often greater when counterparties are concentrated in one single industry or geographical location or have comparable economic characteristics.

Impairment assessment

The main considerations for the loan impairment assessment include whether any payments of principal or interest are overdue or whether there are any liquidity problems of counterparties, credit rating downgrades, or infringement of the original terms of the contract. The Group addresses impairment assessment in two areas: individually assessed impairment and collectively assessed impairment.

Individually assessed loans

All corporate loans and discounted bills are individually reviewed for objective evidence of impairment and classified based on a five-tier classification system. Corporate loans and discounted bills that are classified as substandard, doubtful or loss are assessed individually for impairment.

If there is objective evidence that an impairment loss on a loan or advance 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. The allowance for impairment loss is deducted in the carrying amount. The impairment loss is recognised in the income statement. In determining allowances on an individual basis, the following factors are considered:

- The sustainability of the counterparty's business plan;
- The borrower's ability to improve performance once a financial difficulty has arisen;
- Projected receipts and the expected payout should bankruptcy ensue;
- The availability of other financial support and the realisable value of collateral; and
- The timing of the expected cash flows.

It may not be possible to identify a single, discrete event that caused the impairment, but it may be possible to identify impairment through the combined effect of several events. The impairment losses are evaluated at the end of each reporting period, unless unforeseen circumstances require more careful attention.

Collectively assessed loans

Loans that are assessed for impairment losses on a collective basis include the following:

- Homogeneous groups of loans, including all personal loans; and
- All loans for which no impairment can be identified individually, either due to the absence of any loss events or due to an inability to measure reliably the impact of potential loss events on future cash flows.

For the purpose of collective assessment, assets are grouped on the basis of similar credit risk characteristics that are indicative of the debtors' ability to pay all amounts due according to the contractual terms.

Objective evidence of impairment losses on a collective basis consists of observable data indicating a measurable decrease in the estimated future cash flows from a portfolio of loans since the initial recognition of those loans, including:

- Adverse changes in the payment status of borrowers in the group of loans; and
- National or local economic conditions that correlate with defaults on assets in the portfolio of loans.

Homogenous Groups of Loans Not Considered Individually Significant

For homogeneous groups of loans, the Group uses a collective assessment approach for impairment losses. The approach analyses historical trends of probability of default and the amount of the consequential loss, as well as evaluates current economic conditions that may have a consequential impact on inherent losses in the portfolio.

Individually Assessed Loans with No Objective Evidence of Impairment

When no impairment can be identified for individual loans, either due to the absence of any loss events or due to an inability to measure reliably the impact of potential loss events on future cash flows, these loans are grouped together in portfolios of similar credit risk characteristics for the purpose of assessing a collective impairment loss. This loss covers those loans that were impaired at the end of the reporting period but which would not be individually identified as impaired until some time in the future. The collective impairment loss is assessed after taking into account:

- Historical loss experience in portfolios of similar risk characteristics; and
- The current economic and credit environment and, whether these, in management's experience, indicate that the actual level of incurred but not yet identified losses is likely to be greater or less than that suggested by historical experience.

As soon as information that specifically identifies objective evidence of impairment on individual assets in a pool is available, those assets are excluded and individually assessed. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment for impairment.

(In RMB millions, unless otherwise stated)

Collateral

The amount and type of collateral required depend on the assessment of the credit risk of the counterparty. Guidelines are in place specifying the types of collateral and valuation parameters which can be accepted.

The main types of collateral obtained are as follows:

- For reverse repurchase transactions, mainly collateralised by bills, loans or investment securities;
- For commercial lending, mainly collateralised by charges over land and properties and other assets of the borrowers; and
- For retail lending, mainly collateralised by mortgages over residential properties.

Management monitors the market value of collateral periodically and requests additional collateral in accordance with the underlying agreement when it is considered necessary.

It is the Group's policy to dispose of repossessed assets in an orderly manner. In general, the Group does not occupy repossessed assets for business use.

(i) Maximum exposure to credit risk without taking account of any collateral and other credit enhancements

As at the end of the reporting period, the maximum credit risk exposure of the Group and of the Bank without taking account of any collateral and other credit enhancements is set out below:

	Group		Bank	
	31 December 2009	31 December 2008	31 December 2009	31 December 2008
Balances with central banks	1,654,206	1,652,999	1,648,081	1,652,027
Due from banks and other financial institutions	235,301	168,363	238,562	154,357
Financial assets held for trading	18,847	32,163	14,241	25,362
Financial assets designated at fair value through profit or loss	1,171	1,459	148	144
Derivative financial assets	5,758	15,721	4,781	13,991
Reverse repurchase agreements	408,826	163,493	408,601	162,192
Loans and advances to customers	5,583,174	4,436,011	5,392,525	4,289,955
Financial investments				
— Receivables	1,132,379	1,162,769	1,132,379	1,162,769
— Held-to-maturity investments	1,496,738	1,314,320	1,501,067	1,319,106
— Available-for-sale financial assets	945,425	528,829	915,641	513,238
Others	73,932	70,780	66,986	65,813
	11,555,757	9,546,907	11,323,012	9,358,954
Credit commitments	1,239,687	936,473	1,141,557	851,096
Total maximum credit risk exposure	12,795,444	10,483,380	12,464,569	10,210,050

(ii) Risk concentrations

Credit risk is often greater when counterparties are concentrated in one single industry or geographic location or have comparable economic features. Besides, different geographic areas and industrial sectors have their unique characteristics in terms of economic development, and could present a different credit risk.

(In RMB millions, unless otherwise stated)

By geographical distribution

The following tables break down the Group's and the Bank's maximum credit risk exposure without taking account of any collateral and other credit enhancements, as categorised by geographical distribution.

Group

31 December 2009

	Head Office	Yangtze River Delta	Pearl River Delta	Bohai Rim	Central China	Western China	North-eastern China	Overseas and others	Total
Balances with central banks	1,477,686	39,024	21,621	65,215	12,933	23,277	7,032	7,418	1,654,206
Due from banks and other financial institutions	83,212	14,195	30,241	20,180	18,636	3,456	36,666	28,715	235,301
Financial assets held for trading	14,241	—	—	—	—	—	—	4,606	18,847
Financial assets designated at fair value through profit or loss	—	—	—	—	—	—	—	1,171	1,171
Derivative financial assets	1,765	429	806	858	157	275	431	1,037	5,758
Reverse repurchase agreements	378,797	14,219	1,444	6,415	5,180	200	2,346	225	408,826
Loans and advances to customers	102,511	1,357,287	824,041	1,048,042	756,895	925,672	336,280	232,446	5,583,174
Financial investments									
— Receivables	1,126,379	—	—	—	—	—	6,000	—	1,132,379
— Held-to-maturity investments	1,400,518	21,696	26,527	38,761	30	33	1,024	8,149	1,496,738
— Available-for-sale financial assets	656,507	73,548	21,051	123,467	8,778	10,022	4,282	47,770	945,425
Others	39,669	5,928	3,423	6,021	4,543	5,430	1,358	7,560	73,932
	5,281,285	1,526,326	929,154	1,308,959	807,152	968,365	395,419	339,097	11,555,757
Credit commitments	215,103	244,798	167,451	288,195	73,463	84,286	31,815	134,576	1,239,687
Total maximum credit risk exposure	5,496,388	1,771,124	1,096,605	1,597,154	880,615	1,052,651	427,234	473,673	12,795,444

The compositions of each geographical distribution above are set out in note 48(b).

31 December 2008

	Head Office	Yangtze River Delta	Pearl River Delta	Bohai Rim	Central China	Western China	North-eastern China	Overseas and others	Total
Balances with central banks	1,517,097	32,926	20,262	43,874	10,957	19,250	6,339	2,294	1,652,999
Due from banks and other financial institutions	112,429	13,411	1,855	6,078	2,658	469	130	31,333	168,363
Financial assets held for trading	23,358	—	—	2,004	—	—	—	6,801	32,163
Financial assets designated at fair value through profit or loss	—	—	—	—	—	—	—	1,459	1,459
Derivative financial assets	6,640	2,078	1,296	1,529	974	875	460	1,869	15,721
Reverse repurchase agreements	136,157	8,599	5,910	10,200	1,326	—	—	1,301	163,493
Loans and advances to customers	122,181	1,109,346	647,505	812,171	586,756	708,141	266,799	183,112	4,436,011
Financial investments									
— Receivables	1,156,769	—	—	—	—	—	6,000	—	1,162,769
— Held-to-maturity investments	1,143,359	38,665	22,815	99,658	373	441	4,280	4,729	1,314,320
— Available-for-sale financial assets	389,763	32,990	15,336	30,581	7,898	9,981	11,273	31,007	528,829
Others	40,303	5,312	2,946	6,324	3,904	4,960	1,143	5,888	70,780
	4,648,056	1,243,327	717,925	1,012,419	614,846	744,117	296,424	269,793	9,546,907
Credit commitments	185,105	215,313	93,180	199,581	54,933	47,067	18,232	123,062	936,473
Total maximum credit risk exposure	4,833,161	1,458,640	811,105	1,212,000	669,779	791,184	314,656	392,855	10,483,380

The compositions of each geographical distribution above are set out in note 48(b).

(In RMB millions, unless otherwise stated)

Bank

31 December 2009

	Head Office	Yangtze River Delta	Pearl River Delta	Bohai Rim	Central China	Western China	North-eastern China	Overseas and others	Total
Balances with central banks	1,477,686	39,024	21,621	65,215	12,933	23,277	7,032	1,293	1,648,081
Due from banks and other financial institutions	97,492	14,236	31,756	20,204	18,663	3,482	36,679	16,050	238,562
Financial assets held for trading	14,241	—	—	—	—	—	—	—	14,241
Financial assets designated at fair value through profit or loss	—	—	—	—	—	—	—	148	148
Derivative financial assets	1,765	429	806	858	157	275	431	60	4,781
Reverse repurchase agreements	378,797	14,219	1,444	6,415	5,180	200	2,346	—	408,601
Loans and advances to customers	102,511	1,357,287	824,041	1,048,042	756,895	925,672	336,280	41,797	5,392,525
Financial investments									
— Receivables	1,126,379	—	—	—	—	—	6,000	—	1,132,379
— Held-to-maturity investments	1,409,254	21,696	26,527	38,761	30	33	1,024	3,742	1,501,067
— Available-for-sale financial assets	656,507	73,548	21,051	123,467	8,778	10,022	4,282	17,986	915,641
Others	39,673	5,928	3,423	6,022	4,543	5,430	1,358	609	66,986
	5,304,305	1,526,367	930,669	1,308,984	807,179	968,391	395,432	81,685	11,323,012
Credit commitments	215,103	244,798	167,451	288,195	73,463	84,286	31,815	36,446	1,141,557
Total maximum credit risk exposure	5,519,408	1,771,165	1,098,120	1,597,179	880,642	1,052,677	427,247	118,131	12,464,569

The compositions of each geographical distribution above are set out in note 48(b).

31 December 2008

	Head Office	Yangtze River Delta	Pearl River Delta	Bohai Rim	Central China	Western China	North-eastern China	Overseas and others	Total
Balances with central banks	1,517,097	32,926	20,262	43,874	10,957	19,250	6,339	1,322	1,652,027
Due from banks and other financial institutions	119,599	13,483	2,675	6,555	2,677	484	137	8,747	154,357
Financial assets held for trading	23,358	—	—	2,004	—	—	—	—	25,362
Financial assets designated at fair value through profit or loss	—	—	—	—	—	—	—	144	144
Derivative financial assets	6,707	2,078	1,296	1,529	974	875	460	72	13,991
Reverse repurchase agreements	136,157	8,599	5,910	10,200	1,326	—	—	—	162,192
Loans and advances to customers	122,181	1,109,346	647,505	812,171	586,756	708,141	266,799	37,056	4,289,955
Financial investments									
— Receivables	1,156,769	—	—	—	—	—	6,000	—	1,162,769
— Held-to-maturity investments	1,150,392	38,665	22,815	99,658	373	441	4,280	2,482	1,319,106
— Available-for-sale financial assets	389,763	32,990	15,336	30,581	7,898	9,981	11,273	15,416	513,238
Others	40,368	5,312	2,948	6,324	3,904	4,960	1,143	854	65,813
	4,662,391	1,243,399	718,747	1,012,896	614,865	744,132	296,431	66,093	9,358,954
Credit commitments	185,105	215,313	93,180	199,581	54,933	47,067	18,232	37,685	851,096
Total maximum credit risk exposure	4,847,496	1,458,712	811,927	1,212,477	669,798	791,199	314,663	103,778	10,210,050

The compositions of each geographical distribution above are set out in note 48(b).

(In RMB millions, unless otherwise stated)

By industry distribution

The credit risk exposures of the Group mainly comprise loans and advances to customers and investments in securities. Details of the composition of the Group's investments in debt securities are set out in note 49(a)(iv) to the financial statements. The composition of the Group's and of the Bank's gross loans and advances to customers by industry is analysed as follows:

	Group		Bank	
	2009	2008	2009	2008
Transportation, storage and postal services	826,557	707,482	807,041	694,075
Manufacturing	826,066	777,249	799,058	762,593
Production and supply of electricity, gas and water	548,541	516,771	536,394	511,454
Water, environment and public utility management	510,942	275,649	510,762	275,469
Real estate	474,710	386,141	426,475	348,822
Leasing and commercial services	305,233	203,977	293,410	190,032
Wholesale, retail and lodging	283,974	204,272	265,714	192,618
Mining	108,139	87,894	106,798	85,382
Science, education, culture and sanitation	67,520	71,036	66,896	70,441
Construction	65,280	61,843	62,419	61,080
Others	152,297	104,319	125,099	77,175
Subtotal for corporate loans and advances	4,169,259	3,396,633	4,000,066	3,269,141
Personal mortgage and business loans	1,027,032	729,611	1,012,339	711,561
Others	202,537	119,434	194,511	118,263
Subtotal for personal loans and advances	1,229,569	849,045	1,206,850	829,824
Discounted bills	329,798	326,316	329,792	326,315
Total for loans and advances to customers	5,728,626	4,571,994	5,536,708	4,425,280

(iii) Loans and advances to customers

The total credit risk exposures of loans and advances to customers are summarised as follows:

	Group		Bank	
	2009	2008	2009	2008
Neither past due nor impaired	5,604,897	4,413,241	5,415,593	4,268,654
Past due but not impaired	35,262	54,271	34,030	53,097
Impaired	88,467	104,482	87,085	103,529
	5,728,626	4,571,994	5,536,708	4,425,280
Allowance for impairment losses	(145,452)	(135,983)	(144,183)	(135,325)
	5,583,174	4,436,011	5,392,525	4,289,955

(In RMB millions, unless otherwise stated)

Neither past due nor impaired

The loans and advances to customers of the Group that are neither past due nor impaired are classified as "Pass" or "Special mention" under the five-tier loan classification system maintained by the Group. Management of the Group considers that these loans are exposed to normal business risk and there was no identifiable objective evidence of impairment for these loans which may incur losses to the Group at the end of the reporting period.

The following table presents the types of loans and advances to customers which are neither past due nor impaired as at the end of the reporting period:

Group

	31 December 2009			31 December 2008		
	Pass	Special mention	Total	Pass	Special mention	Total
Unsecured loans	1,762,827	45,901	1,808,728	1,294,007	38,479	1,332,486
Guaranteed loans	850,179	53,633	903,812	765,169	60,053	825,222
Loans secured by mortgages	2,032,806	83,363	2,116,169	1,514,766	74,788	1,589,554
Pledged loans	747,741	28,447	776,188	638,410	27,569	665,979
	5,393,553	211,344	5,604,897	4,212,352	200,889	4,413,241

Bank

	31 December 2009			31 December 2008		
	Pass	Special mention	Total	Pass	Special mention	Total
Unsecured loans	1,707,588	43,074	1,750,662	1,241,896	37,262	1,279,158
Guaranteed loans	818,892	53,114	872,006	748,900	59,291	808,191
Loans secured by mortgages	1,946,176	76,519	2,022,695	1,447,243	71,322	1,518,565
Pledged loans	741,788	28,442	770,230	635,171	27,569	662,740
	5,214,444	201,149	5,415,593	4,073,210	195,444	4,268,654

Past due but not impaired

The following tables present the ageing analysis of each type of loans and advances to customers of the Group and the Bank that are subject to credit risk which are past due but not impaired as at the end of the reporting period:

Group

	Corporate loans and advances		Personal loans and advances		Total	
	2009	2008	2009	2008	2009	2008
Past due for:						
Less than one month	2,813	7,740	23,720	34,229	26,533	41,969
One to two months	15	95	4,826	6,421	4,841	6,516
Two to three months	1	313	3,194	5,144	3,195	5,457
Over three months	22	18	671	311	693	329
	2,851	8,166	32,411	46,105	35,262	54,271
Fair value of collateral held	4,772	11,101	74,637	99,619	79,409	110,720

(In RMB millions, unless otherwise stated)

Bank

	Corporate loans and advances		Personal loans and advances		Total	
	2009	2008	2009	2008	2009	2008
Past due for:						
Less than one month	1,998	7,274	23,381	33,974	25,379	41,248
One to two months	—	—	4,792	6,408	4,792	6,408
Two to three months	—	—	3,191	5,132	3,191	5,132
Over three months	—	—	668	309	668	309
	1,998	7,274	32,032	45,823	34,030	53,097
Fair value of collateral held	3,715	9,455	74,048	99,095	77,763	108,550

Impaired

Impaired loans and advances are defined as those loans and advances having objective evidence of impairment as a result of one or more events that occur after initial recognition and that event has an impact on the estimated future cash flows of loans and advances that can be reliably estimated. These loans and advances include corporate loans and personal loans which are graded as "Substandard", "Doubtful" or "Loss".

The fair value of collateral that the Group and the Bank hold relating to loans individually determined to be impaired as at 31 December 2009 amounted to RMB22,021 million (2008: RMB25,833 million) and RMB21,412 million (2008: RMB25,645 million). The collateral mainly consists of land and properties, equipment and also others.

Renegotiated loans and advances to customers

The Group has formulated a set of loan restructuring policies to renegotiate the contractual terms with customers, to maximise the collectibility of loans and to manage customer relationships.

The carrying amount of renegotiated loans and advances to customers is as follows:

	Group		Bank	
	2009	2008	2009	2008
Renegotiated loans and advances to customers	15,611	25,246	15,504	25,079
Impaired loans and advances to customers included in above	13,199	22,020	13,096	21,857

Collateral repossessed

During the year, the Group took possession of collateral held as security with a carrying amount of RMB1,411 million (2008: RMB4,823 million). Such collateral mainly comprises land and properties and equipment.

(iv) Debt securities

The credit risk of debt securities mainly arises from the risk that the issuer might default on a payment or go into liquidation. Debt securities by different types of issuers are generally subject to different degrees of credit risk.

(In RMB millions, unless otherwise stated)

The following tables present an analysis of the group's total credit risk exposures of debt securities by types of issuers and investments:

Group

31 December 2009

	Receivables	Held-to-maturity investments	Available-for-sale financial assets	Financial assets held-for-trading	Financial assets designated at fair value through profit or loss	Total
Neither past due nor impaired						
Governments and central banks	768,573	844,308	504,729	2,798	—	2,120,408
Policy banks	47,000	569,241	139,496	3,273	—	759,010
Public sector entities	—	22,785	45,466	579	177	69,007
Banks and other financial institutions	316,806	41,307	73,013	3,904	310	435,340
Corporate entities	—	14,888	176,441	8,293	684	200,306
	1,132,379	1,492,529	939,145	18,847	1,171	3,584,071
Impaired (i)						
Public sector entities	—	2,151	5,607	—	—	7,758
Banks and other financial institutions	—	3,869	671	—	—	4,540
Corporate entities	—	35	2	—	—	37
	—	6,055	6,280	—	—	12,335
Less: Allowance for impairment losses for held-to-maturity investments	—	(1,846)	—	—	—	(1,846)
	—	4,209	6,280	—	—	10,489
	1,132,379	1,496,738	945,425	18,847	1,171	3,594,560

31 December 2008

	Receivables	Held-to-maturity investments	Available-for-sale financial assets	Financial assets held-for-trading	Financial assets designated at fair value through profit or loss	Total
Neither past due nor impaired						
Governments and central banks	800,563	756,824	319,156	5,447	182	1,882,172
Policy banks	47,000	468,680	81,514	3,933	—	601,127
Public sector entities	—	23,117	15,485	1,832	176	40,610
Banks and other financial institutions	315,206	43,936	42,592	6,132	548	408,414
Corporate entities	—	14,854	45,517	14,819	553	75,743
	1,162,769	1,307,411	504,264	32,163	1,459	3,008,066
Impaired (i)						
Public sector entities	—	3,964	9,489	—	—	13,453
Banks and other financial institutions	—	4,621	14,946	—	—	19,567
Corporate entities	—	37	130	—	—	167
	—	8,622	24,565	—	—	33,187
Less: Allowance for impairment losses for held-to-maturity investments	—	(1,713)	—	—	—	(1,713)
	—	6,909	24,565	—	—	31,474
	1,162,769	1,314,320	528,829	32,163	1,459	3,039,540

(In RMB millions, unless otherwise stated)

Bank

31 December 2009

	Receivables	Held-to-maturity investments	Available-for-sale financial assets	Financial assets held-for-trading	Financial assets designated at fair value through profit or loss	Total
Neither past due nor impaired						
Governments and central banks	768,573	842,228	501,891	2,109	—	2,114,801
Policy banks	47,000	569,102	139,054	3,273	—	758,429
Public sector entities	—	22,732	44,872	505	—	68,109
Banks and other financial institutions	316,806	48,066	52,554	580	148	418,154
Corporate entities	—	14,736	170,996	7,774	—	193,506
	1,132,379	1,496,864	909,367	14,241	148	3,552,999
Impaired (i)						
Public sector entities	—	2,151	5,607	—	—	7,758
Banks and other financial institutions	—	3,747	667	—	—	4,414
Corporate entities	—	35	—	—	—	35
	—	5,933	6,274	—	—	12,207
Less: Allowance for impairment losses for held-to-maturity investments	—	(1,730)	—	—	—	(1,730)
	—	4,203	6,274	—	—	10,477
	1,132,379	1,501,067	915,641	14,241	148	3,563,476

(In RMB millions, unless otherwise stated)

31 December 2008

	Receivables	Held-to-maturity investments	Available-for-sale financial assets	Financial assets held-for-trading	Financial assets designated at fair value through profit or loss	Total
Neither past due nor impaired						
Governments and central banks	800,563	755,105	317,893	4,627	—	1,878,188
Policy banks	47,000	468,659	81,256	3,928	—	600,843
Public sector entities	—	22,953	15,098	1,831	—	39,882
Banks and other financial institutions	315,206	50,796	33,275	254	144	399,675
Corporate entities	—	14,689	41,199	14,722	—	70,610
	1,162,769	1,312,202	488,721	25,362	144	2,989,198
Impaired (i)						
Public sector entities	—	3,964	9,489	—	—	13,453
Banks and other financial institutions	—	4,497	14,899	—	—	19,396
Corporate entities	—	38	129	—	—	167
	—	8,499	24,517	—	—	33,016
Less: Allowance for impairment losses for held-to-maturity investments	—	(1,595)	—	—	—	(1,595)
	—	6,904	24,517	—	—	31,421
	1,162,769	1,319,106	513,238	25,362	144	3,020,619

(i) Impaired debt securities above are all determined based on individual assessments. In determining whether a debt security is impaired, the Group considers the evidence of loss event and the decreases in estimated future cash flows. The majority of the Group's impaired debt securities are U.S. mortgage-backed securities. No collateral was held by the Group as security of the impaired debt securities.

(b) Liquidity risk

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

The Group manages its liquidity risk through the Asset and Liability Management Department and aims at:

- optimising the structure of assets and liabilities;
- maintaining the stability of the deposit base;
- projecting cash flows and evaluating the level of current assets; and
- in terms of liquidity of the branches, maintaining an efficient internal fund transfer mechanism.

(In RMB millions, unless otherwise stated)

The Group and the Bank's expected remaining maturity of its financial instruments may vary significantly from the following analysis. For example: demand deposits from customers are expected to maintain a stable or increasing balance although they have been classified as repayable on demand in the following tables.

(i) Analysis of the remaining maturity of the Group's assets and liabilities is set out below:

31 December 2009

	Overdue/ repayable on demand	Less than one month	One to three months	Three months to one year	One to five years	More than five years	Undated (iii)	Total
Assets:								
Cash and balances with central banks	249,482	—	—	—	—	—	1,443,566	1,693,048
Due from banks and other financial institutions (i)	29,654	374,775	79,759	133,225	26,714	—	—	644,127
Financial assets held for trading	—	1,091	2,171	3,880	7,397	4,308	129	18,976
Financial assets designated at fair value through profit or loss	—	—	69	139	774	189	—	1,171
Derivative financial assets	—	606	577	1,658	1,495	1,422	—	5,758
Loans and advances to customers	5,552	243,689	514,854	1,296,576	1,606,635	1,878,490	37,378	5,583,174
Investments								
— Receivables	—	—	21,000	949,806	65,763	95,810	—	1,132,379
— Held-to-maturity investments	—	36,415	144,798	281,028	596,309	433,979	4,209	1,496,738
— Available-for-sale financial assets	—	27,685	82,314	351,450	346,081	131,615	10,764	949,909
— Investments in associates and a jointly-controlled entity	—	—	—	—	—	—	36,278	36,278
Property and equipment	—	—	—	—	—	—	95,684	95,684
Others	20,723	12,930	16,735	32,148	11,276	3,478	30,521	127,811
Total assets	305,411	697,191	862,277	3,049,910	2,662,444	2,549,291	1,658,529	11,785,053
Liabilities:								
Financial liabilities designated at fair value through profit or loss	—	12,352	2,062	588	829	—	—	15,831
Derivative financial liabilities	5	484	1,045	2,397	2,211	1,631	—	7,773
Due to banks and other financial institutions (ii)	857,533	81,110	36,071	45,509	17,471	—	—	1,037,694
Due to customers	5,227,043	654,704	864,840	2,359,489	655,590	9,611	—	9,771,277
Subordinated bonds	—	—	—	—	—	75,000	—	75,000
Certificates of deposit and notes payable	—	435	861	—	176	—	—	1,472
Others	65,486	12,112	24,325	68,070	21,070	6,009	—	197,072
Total liabilities	6,150,067	761,197	929,204	2,476,053	697,347	92,251	—	11,106,119
Net liquidity gap	(5,844,656)	(64,006)	(66,927)	573,857	1,965,097	2,457,040	1,658,529	678,934

(i) Includes reverse repurchase agreements.

(ii) Includes repurchase agreements.

(iii) Includes loans and advances to customers and bond investments that are impaired or not impaired but overdue for more than one month.

(In RMB millions, unless otherwise stated)

31 December 2008

	Overdue/ repayable on demand	Less than one month	One to three months	Three months to one year	One to five years	More than five years	Undated (iii)	Total
Assets:								
Cash and balances with central banks	413,832	—	—	—	—	—	1,279,192	1,693,024
Due from banks and other financial institutions (i)	38,895	203,436	71,588	16,492	1,445	—	—	331,856
Financial assets held for trading	—	2,196	8,271	13,881	6,004	1,811	19	32,182
Financial assets designated at fair value through profit or loss	—	—	—	71	515	873	—	1,459
Derivative financial assets	4	1,197	4,852	2,505	3,489	3,674	—	15,721
Loans and advances to customers	9,624	195,162	388,501	1,300,790	1,182,466	1,313,697	45,771	4,436,011
Investments								
— Receivables	—	—	—	—	1,068,559	94,210	—	1,162,769
— Held-to-maturity investments	—	21,229	39,652	152,574	769,870	324,086	6,909	1,314,320
— Available-for-sale financial assets	—	35,439	47,052	133,293	226,172	62,308	33,316	537,580
— Investments in associates	—	—	—	—	—	—	28,421	28,421
Property and equipment	—	—	—	—	—	—	86,800	86,800
Others	28,327	8,477	2,889	5,063	33,179	8,829	30,239	117,003
Total assets	490,682	467,136	562,805	1,624,669	3,291,699	1,809,488	1,510,667	9,757,146
Liabilities:								
Financial liabilities held for trading	—	4,268	—	—	—	—	—	4,268
Financial liabilities designated at fair value through profit or loss	—	537	860	5,351	682	136	—	7,566
Derivative financial liabilities	—	1,885	1,152	2,572	4,055	3,948	—	13,612
Due to banks and other financial institutions (ii)	529,713	44,244	32,299	41,593	3,053	—	—	650,902
Due to customers	4,177,866	608,284	742,451	2,098,624	590,151	6,070	—	8,223,446
Subordinated bonds	—	—	—	—	—	35,000	—	35,000
Certificates of deposit	—	—	309	417	—	—	—	726
Others	106,684	6,761	17,844	62,658	14,680	6,369	—	214,996
Total liabilities	4,814,263	665,979	794,915	2,211,215	612,621	51,523	—	9,150,516
Net liquidity gap	(4,323,581)	(198,843)	(232,110)	(586,546)	2,679,078	1,757,965	1,510,667	606,630

(i) Includes reverse repurchase agreements.

(ii) Includes repurchase agreements.

(iii) Includes loans and advances to customers and bond investments that are impaired or not impaired but overdue for more than one month.

(In RMB millions, unless otherwise stated)

(i) Analysis of the remaining maturity of the Bank's assets and liabilities is set out below (continued):

31 December 2009

	Overdue/ repayable on demand	Less than one month	One to three months	Three months to one year	One to five years	More than five years	Undated (iii)	Total
Assets:								
Cash and balances with central banks	243,994	—	—	—	—	—	1,442,080	1,686,074
Due from banks and other financial institutions (i)	27,475	370,422	88,077	134,413	26,776	—	—	647,163
Financial assets held for trading	—	265	1,370	1,776	6,529	4,301	—	14,241
Financial assets designated at fair value through profit or loss	—	—	—	—	148	—	—	148
Derivative financial assets	—	259	464	1,396	1,334	1,328	—	4,781
Loans and advances to customers	3,788	236,978	501,374	1,258,951	1,536,658	1,818,226	36,550	5,392,525
Investments								
— Receivables	—	—	21,000	949,806	65,763	95,810	—	1,132,379
— Held-to-maturity investments	—	35,710	144,680	279,025	598,298	439,151	4,203	1,501,067
— Available-for-sale financial assets	—	27,386	79,416	346,446	326,391	129,728	8,745	918,112
— Investments in subsidiaries and associates	—	—	—	—	—	—	59,686	59,686
Property and equipment	—	—	—	—	—	—	93,678	93,678
Others	18,951	12,642	15,821	28,458	10,804	3,602	25,020	115,298
Total assets	294,208	683,662	852,202	3,000,271	2,572,701	2,492,146	1,669,962	11,565,152
Liabilities:								
Financial liabilities designated at fair value through profit or loss	—	12,284	2,017	275	5	—	—	14,581
Derivative financial liabilities	—	277	942	2,061	1,894	1,515	—	6,689
Due to banks and other financial institutions (ii)	858,481	82,748	33,191	24,551	17,071	—	—	1,016,042
Due to customers	5,175,884	586,272	828,748	2,336,044	654,611	9,210	—	9,590,769
Subordinated bonds	—	—	—	—	—	75,000	—	75,000
Certificates of deposit and notes payable	—	376	780	—	—	—	—	1,156
Others	62,525	11,244	23,719	67,143	21,244	5,942	—	191,817
Total liabilities	6,096,890	693,201	889,397	2,430,074	694,825	91,667	—	10,896,054
Net liquidity gap	(5,802,682)	(9,539)	(37,195)	570,197	1,877,876	2,400,479	1,669,962	669,098

(i) Includes reverse repurchase agreements.

(ii) Includes repurchase agreements.

(iii) Includes loans and advances to customers and bond investments that are impaired or not impaired but overdue for more than one month.

(In RMB millions, unless otherwise stated)

31 December 2008

	Overdue/ repayable on demand	Less than one month	One to three months	Three months to one year	One to five years	More than five years	Undated (iii)	Total
Assets:								
Cash and balances with central banks	412,988	—	—	—	—	—	1,278,478	1,691,466
Due from banks and other financial institutions (i)	26,954	199,880	72,513	15,757	1,445	—	—	316,549
Financial assets held for trading	—	917	4,536	13,032	5,173	1,704	—	25,362
Financial assets designated at fair value through profit or loss	—	—	—	—	144	—	—	144
Derivative financial assets	—	785	4,587	2,057	3,015	3,547	—	13,991
Loans and advances to customers	8,910	184,884	373,905	1,278,415	1,131,726	1,267,449	44,666	4,289,955
Investments								
— Receivables	—	—	—	—	1,068,559	94,210	—	1,162,769
— Held-to-maturity investments	—	20,666	39,150	151,688	770,739	329,959	6,904	1,319,106
— Available-for-sale financial assets	—	35,439	46,937	130,897	215,618	59,830	31,855	520,576
— Investments in subsidiaries and an associate	—	—	—	—	—	—	53,159	53,159
Property and equipment	—	—	—	—	—	—	86,220	86,220
Others	23,758	8,485	2,684	4,955	32,985	8,789	25,212	106,868
Total assets	472,610	451,056	544,312	1,596,801	3,229,404	1,765,488	1,526,494	9,586,165
Liabilities:								
Financial liabilities held for trading	—	4,268	—	—	—	—	—	4,268
Financial liabilities designated at fair value through profit or loss	—	537	454	1,102	56	136	—	2,285
Derivative financial liabilities	—	1,665	984	1,281	3,399	3,674	—	11,003
Due to banks and other financial institutions (ii)	530,195	47,341	23,974	35,043	453	—	—	637,006
Due to customers	4,148,861	524,982	719,445	2,088,425	589,975	6,044	—	8,077,732
Subordinated bonds	—	—	—	—	—	35,000	—	35,000
Others	104,121	5,949	17,343	62,875	14,735	6,365	—	211,388
Total liabilities	4,783,177	584,742	762,200	2,188,726	608,618	51,219	—	8,978,682
Net liquidity gap	(4,310,567)	(133,686)	(217,888)	(591,925)	2,620,786	1,714,269	1,526,494	607,483

(i) Includes reverse repurchase agreements.

(ii) Includes repurchase agreements.

(iii) Includes loans and advances to customers and bond investments that are impaired or not impaired but overdue for more than one month.

(In RMB millions, unless otherwise stated)

(ii) Maturity analysis of contractual undiscounted cash flows

The tables below summarise the maturity profile of the Group's and of the Bank's financial instruments based on the contractual undiscounted cash flows. The balances of some items in the tables below are different from the balances on the statement of financial position as the tables incorporate all cash flows relating to both principal and interest. The Group and the Bank's expected cash flows on these instruments may vary significantly from the following analysis. For example: demand deposits from customers are expected to maintain a stable or increasing balance although they have been classified as repayable on demand in the following tables.

Group

31 December 2009

	Overdue/ repayable on demand	Less than one month	One to three months	Three months to one year	One to five years	More than five years	Undated (iii)	Total
Non-derivative cash flows:								
Financial assets:								
Cash and balances with central banks	249,482	—	—	—	—	—	1,443,566	1,693,048
Due from banks and other financial institutions (i)	29,718	375,333	80,372	135,060	28,723	—	—	649,206
Financial assets held for trading	—	1,110	2,231	4,212	8,527	4,842	129	21,051
Financial assets designated at fair value through profit or loss	—	3	79	197	739	365	—	1,383
Loans and advances to customers (ii)	5,903	272,259	575,236	1,526,218	2,311,709	2,921,363	77,642	7,690,330
Investments	—	68,228	263,048	1,660,795	1,173,810	797,583	69,927	4,033,391
Others	18,100	333	908	2,922	906	—	—	23,169
	303,203	717,266	921,874	3,329,404	3,524,414	3,724,153	1,591,264	14,111,578

(i) Includes reverse repurchase agreements.

(ii) The maturity profile of the renegotiated loans' contractual undiscounted cash flows is determined according to the negotiated terms.

(iii) Includes loans and advances to customers and bond investments that are impaired or not impaired but overdue for more than one month.

31 December 2009

	Overdue/ repayable on demand	Less than one month	One to three months	Three months to one year	One to five years	More than five years	Undated	Total
Non-derivative cash flows:								
Financial liabilities:								
Financial liabilities designated at fair value through profit or loss	—	12,363	2,070	641	869	—	—	15,943
Due to banks and other financial institutions (i)	857,537	81,531	36,325	46,577	18,774	—	—	1,040,744
Due to customers	5,228,121	667,036	884,379	2,425,818	699,802	10,550	—	9,915,706
Subordinated bonds	—	—	119	2,473	7,801	80,290	—	90,683
Certificates of deposit and notes payable	—	437	870	—	178	—	—	1,485
Others	64,449	303	7,059	25,092	8,000	5,770	—	110,673
	6,150,107	761,670	930,822	2,500,601	735,424	96,610	—	11,175,234
Derivative cash flows:								
Derivative financial instruments settled on net basis	(2)	6	(27)	(237)	(1,249)	(424)	—	(1,933)
Derivative financial instruments settled on gross basis:								
Total cash inflow	202	101,117	113,071	246,631	19,520	6,053	—	486,594
Total cash outflow	(207)	(100,837)	(112,930)	(246,621)	(19,508)	(6,079)	—	(486,182)
	(5)	280	141	10	12	(26)	—	412

(i) Includes repurchase agreements.

(In RMB millions, unless otherwise stated)

31 December 2008

	Overdue/ repayable on demand	Less than one month	One to three months	Three months to one year	One to five years	More than five years	Undated (iii)	Total
Non-derivative cash flows:								
Financial assets:								
Cash and balances with central banks	413,832	—	—	—	—	—	1,279,192	1,693,024
Due from banks and other financial institutions (i)	38,895	203,756	71,968	17,101	1,499	—	—	333,219
Financial assets held for trading	—	2,242	8,544	14,585	6,727	2,029	19	34,146
Financial assets designated at fair value through profit or loss	—	7	13	138	764	1,860	—	2,782
Loans and advances to customers (ii)	13,407	235,546	446,130	1,488,713	1,690,615	2,075,869	87,111	6,037,391
Investments	—	60,301	99,391	353,923	2,271,101	589,478	122,043	3,496,237
Others	21,686	—	—	—	—	—	—	21,686
	487,820	501,852	626,046	1,874,460	3,970,706	2,669,236	1,488,365	11,618,485

(i) Includes reverse repurchase agreements.

(ii) The maturity profile of the renegotiated loans' contractual undiscounted cash flows is determined according to the negotiated terms.

(iii) Includes loans and advances to customers and bond investments that are impaired or not impaired but overdue for more than one month.

31 December 2008

	Overdue/ repayable on demand	Less than one month	One to three months	Three months to one year	One to five years	More than five years	Undated	Total
Non-derivative cash flows:								
Financial liabilities:								
Financial liabilities held for trading	—	4,314	—	—	—	—	—	4,314
Financial liabilities designated at fair value through profit or loss	—	548	926	5,464	724	139	—	7,801
Due to banks and other financial institutions (i)	529,713	44,560	32,619	42,606	3,194	—	—	652,692
Due to customers	4,177,866	622,010	763,446	2,172,552	641,780	6,863	—	8,384,517
Subordinated bonds	—	—	184	1,078	5,046	39,975	—	46,283
Certificates of deposit	—	—	309	425	17	—	—	751
Others	62,203	274	7,699	40,269	7,982	6,301	—	124,728
	4,769,782	671,706	805,183	2,262,394	658,743	53,278	—	9,221,086
Derivative cash flows:								
Derivative financial instruments settled on net basis	—	(2)	55	17	(618)	(274)	—	(822)
Derivative financial instruments settled on gross basis:								
Total cash inflow	56	101,649	136,745	187,782	15,719	11,769	—	453,720
Total cash outflow	(52)	(102,610)	(132,966)	(188,053)	(15,787)	(11,769)	—	(451,237)
	4	(961)	3,779	(271)	(68)	—	—	2,483

(i) Includes repurchase agreements.

(In RMB millions, unless otherwise stated)

Bank

31 December 2009

	Overdue/ repayable on demand	Less than one month	One to three months	Three months to one year	One to five years	More than five years	Undated (iii)	Total
Non-derivative cash flows:								
Financial assets:								
Cash and balances with central banks	243,994	—	—	—	—	—	1,442,080	1,686,074
Due from banks and other financial institutions (i)	27,538	370,990	88,709	136,243	28,789	—	—	652,269
Financial assets held for trading	—	281	1,423	2,104	7,623	4,842	—	16,273
Financial assets designated at fair value through profit or loss	—	—	5	5	146	—	—	156
Loans and advances to customers (ii)	4,111	265,247	560,981	1,486,184	2,229,613	2,852,133	76,260	7,474,529
Investments	—	67,119	259,920	1,653,158	1,154,201	801,616	90,947	4,026,961
Others	16,514	—	—	—	—	—	—	16,514
	292,157	703,637	911,038	3,277,694	3,420,372	3,658,591	1,609,287	13,872,776

(i) Includes reverse repurchase agreements.

(ii) The maturity profile of the renegotiated loans' contractual undiscounted cash flows is determined according to the negotiated terms.

(iii) Includes loans and advances to customers and bond investments that are impaired or not impaired but overdue for more than one month.

31 December 2009

	Overdue/ repayable on demand	Less than one month	One to three months	Three months to one year	One to five years	More than five years	Undated	Total
Non-derivative cash flows:								
Financial liabilities:								
Financial liabilities designated at fair value through profit or loss	—	12,284	2,017	275	5	—	—	14,581
Due to banks and other financial institutions (i)	858,486	83,159	33,424	24,924	18,338	—	—	1,018,331
Due to customers	5,176,960	597,607	847,682	2,403,148	699,473	10,123	—	9,734,993
Subordinated bonds	—	—	119	2,473	7,801	80,290	—	90,683
Certificates of deposit and notes payable	—	379	788	—	—	—	—	1,167
Others	61,449	303	7,009	23,546	8,000	5,770	—	106,077
	6,096,895	693,732	891,039	2,454,366	733,617	96,183	—	10,965,832
Derivative cash flows:								
Derivative financial instruments settled on net basis	—	(12)	(9)	(38)	(430)	(186)	—	(675)
Derivative financial instruments settled on gross basis:								
Total cash inflow	—	89,698	112,548	210,856	16,839	8,070	—	438,011
Total cash outflow	—	(89,567)	(112,403)	(210,798)	(16,799)	(8,096)	—	(437,663)
	—	131	145	58	40	(26)	—	348

(i) Includes repurchase agreements.

(In RMB millions, unless otherwise stated)

31 December 2008

	Overdue/ repayable on demand	Less than one month	One to three months	Three months to one year	One to five years	More than five years	Undated (iii)	Total
Non-derivative cash flows:								
Financial assets:								
Cash and balances with central banks	412,988	—	—	—	—	—	1,278,478	1,691,466
Due from banks and other financial institutions (i)	26,954	200,201	72,839	16,361	1,499	—	—	317,854
Financial assets held for trading	—	956	4,799	13,634	5,827	1,918	—	27,134
Financial assets designated at fair value through profit or loss	—	—	6	6	181	—	—	193
Loans and advances to customers (ii)	12,929	224,603	429,846	1,462,808	1,626,244	2,018,702	85,839	5,860,971
Investments	—	59,795	98,666	349,279	2,257,937	586,550	142,275	3,494,502
Others	18,032	—	—	—	—	—	—	18,032
	470,903	485,555	606,156	1,842,088	3,891,688	2,607,170	1,506,592	11,410,152

(i) Includes reverse repurchase agreements.

(ii) The maturity profile of the renegotiated loans' contractual undiscounted cash flows is determined according to the negotiated terms.

(iii) Includes loans and advances to customers and bond investments that are impaired or not impaired but overdue for more than one month.

31 December 2008

	Overdue/ repayable on demand	Less than one month	One to three months	Three months to one year	One to five years	More than five years	Undated	Total
Non-derivative cash flows:								
Financial liabilities:								
Financial liabilities held for trading	—	4,314	—	—	—	—	—	4,314
Financial liabilities designated at fair value through profit or loss	—	538	455	1,105	56	136	—	2,290
Due to banks and other financial institutions (i)	530,195	47,531	24,160	35,839	489	—	—	638,214
Due to customers	4,148,861	537,132	739,925	2,163,158	641,893	6,833	—	8,237,802
Subordinated bonds	—	—	184	1,078	5,046	39,975	—	46,283
Others	59,274	274	7,676	40,301	7,958	6,301	—	121,784
	4,738,330	589,789	772,400	2,241,481	655,442	53,245	—	9,050,687
Derivative cash flows:								
Derivative financial instruments settled on net basis	—	(3)	(8)	(46)	(439)	(128)	—	(624)
Derivative financial instruments settled on gross basis:								
Total cash inflow	—	96,779	130,634	159,391	13,093	11,769	—	411,666
Total cash outflow	—	(97,482)	(126,795)	(158,535)	(13,158)	(11,769)	—	(407,739)
	—	(703)	3,839	856	(65)	—	—	3,927

(i) Includes repurchase agreements.

(In RMB millions, unless otherwise stated)

(iii) Analysis of credit commitments by contractual expiry date

Management expects that not all of the commitments will be drawn before the expiry of commitments.

Group

	Repayable on demand	Less than one month	One to three months	Three months to one year	One to five years	More than five years	Total
31 December 2009							
Credit commitments	313,709	77,958	183,322	330,810	204,853	129,035	1,239,687
31 December 2008							
Credit commitments	580,601	49,585	110,948	146,304	19,124	29,911	936,473

Bank

	Repayable on demand	Less than one month	One to three months	Three months to one year	One to five years	More than five years	Total
31 December 2009							
Credit commitments	305,171	64,443	169,009	291,783	183,604	127,547	1,141,557
31 December 2008							
Credit commitments	500,241	48,640	109,930	144,207	18,167	29,911	851,096

(c) 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 and stock prices. Market risk arises from both the Group's trading and non-trading business.

The Group is primarily exposed to structural interest rate risk arising from commercial banking and position risk arising from treasury transactions. Interest rate risk is inherent in many of its businesses and largely arises from mismatches between the repricing dates of interest-generating assets and interest-bearing liabilities.

The Group's currency risk mainly results from the risk arising from exchange rate fluctuations on its foreign exchange exposures. Foreign exchange exposures include the mismatch of foreign exchange assets and liabilities, and off-balance sheet foreign exchange positions arising from derivative transactions.

The Group considers the market risk arising from commodity or stock prices fluctuations in respect of its investment portfolios as immaterial.

Sensitivity analysis, interest rate repricing gap analysis and foreign exchange risk concentration analysis are the major market risk management tools used by the Group. The Bank monitors market risk separately in respect of trading and other non-trading portfolios. The Value-at-risk ("VaR") analysis is a major tool used by the Bank since the second quarter of 2008 to measure and monitor the market risk of its trading portfolios at the HO level. The following sections include a VaR analysis by risk type of the Group's trading portfolios at the HO level and a sensitivity analysis based on the Group's currency risk exposure and interest rate risk exposure (both trading and non-trading portfolios).

(In RMB millions, unless otherwise stated)

(i) VaR

VaR analysis is a statistical technique which estimates the potential maximum losses that could occur on risk positions taken due to movements in interest rates, foreign exchange rates or prices over a specified time horizon and at a given level of confidence. The Bank adopts a historical simulation model to calculate and monitor trading portfolio VaR with 250 days' historical market data (with a 99% confidence level, and one-day holding period) on a daily basis.

A summary of the VaR by risk type of the Bank's trading portfolios at the HO level (including investments held for trading and foreign exchange transactions) is as follows:

	2009			
	31 December 2009	**Average**	**Highest**	**Lowest**
Interest rate risk	30	58	141	23
Foreign exchange risk	58	60	175	17
Total portfolio VaR	60	87	212	31

	Second quarter to fourth quarter of 2008			
	31 December 2008	**Average**	**Highest**	**Lowest**
Interest rate risk	86	58	102	30
Foreign exchange risk	76	43	83	15
Total portfolio VaR	111	75	123	41

VaR for each risk factor is the derived largest potential loss due to fluctuations solely in that risk factor. As there was diversification effect due to the correlation amongst the risk factors, the individual VaR did not add up to the total portfolio VaR.

Although VaR is an important tool for measuring market risk under normal market environment, the assumptions on which the model is based do give rise to some limitations, mainly including the following:

(1) VaR does not reflect liquidity risk. In the VaR model, a one-day holding period assumes that it is possible to hedge or dispose of positions within that period without restriction, the price of the financial instruments will fluctuate in the given range, and the correlation between these market prices will remain unchanged. This may not fully reflect the market risk arising at times of severe illiquidity, when a one-day holding period may be insufficient to liquidate or hedge all positions fully;

(2) Even though positions may change throughout the day, the VaR only represents the risk of the portfolios at the close of each business day, and it does not account for any losses that may occur beyond the 99% confidence level; and

(3) VaR relies heavily on historical data to provide information and may not clearly predict the future changes and modifications of the risk factors, especially those of an exceptional nature due to significant market moves.

(In RMB millions, unless otherwise stated)

(ii) Currency risk

The Group conducts it businesses mainly in RMB, with certain transactions denominated in US$, HK$ and, to a lesser extent, other currencies. Transactions in foreign currencies mainly arise from the Group's treasury operations, foreign exchange dealings and overseas investments.

The exchange rate of RMB to US$ is managed under a floating exchange rate system. The HK$ exchange rate has been pegged to the US$ and therefore the exchange rate of RMB to HK$ has fluctuated in line with the changes in the exchange rate of RMB to US$.

The Group manages its currency risk through various methods, including limitation management and risk hedging to hedge foreign exchange risk, and performing currency risk sensitivity analysis and stress testing regularly.

The tables below indicate a sensitivity analysis of exchange rate changes of the currencies to which the Group had significant exposure on its monetary assets and liabilities and its forecast cash flows. The analysis calculates the effect of a reasonably possible movement in the currency rates against the RMB, with all other variables held constant, on profit before tax and equity. A negative amount in the table reflects a potential net reduction in profit before tax or equity, while a positive amount reflects a potential net increase. This effect, however, is based on the assumption that the Group's foreign exchange exposures as at the year end are kept unchanged and, therefore, have not incorporated actions that would be taken by the Group to mitigate the adverse impact of this foreign exchange risk.

Group

		Effect on profit before tax		Effect on equity	
Currency	Change in currency rate	2009	2008	31 December 2009	31 December 2008
US$	-1%	59	(85)	(25)	(20)
HK$	-1%	30	115	(193)	(199)

Bank

		Effect on profit before tax		Effect on equity	
Currency	Change in currency rate	2009	2008	31 December 2009	31 December 2008
US$	-1%	143	(62)	(4)	1
HK$	-1%	(35)	59	(1)	(47)

While the table above indicates the effect on profit before tax and equity of 1% depreciation of US$ and HK$, there will be an opposite effect with the same amount if the currencies appreciate by the same percentage.

(In RMB millions, unless otherwise stated)

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

Group

31 December 2009

	RMB	US$ (equivalent to RMB)	HK$ (equivalent to RMB)	Others (equivalent to RMB)	Total
Assets:					
Cash and balances with central banks	1,675,025	9,049	5,815	3,159	1,693,048
Due from banks and other financial institutions (i)	562,171	61,731	3,103	17,122	644,127
Financial assets held for trading	12,414	3,119	3,063	380	18,976
Financial assets designated at fair value though profit or loss	—	885	286	—	1,171
Derivative financial assets	1,834	2,127	64	1,733	5,758
Loans and advances to customers	5,198,888	243,061	113,605	27,620	5,583,174
Investments	3,478,184	73,449	4,701	58,970	3,615,304
Property and equipment	95,012	197	179	296	95,684
Others	118,927	2,018	6,012	854	127,811
Total assets	11,142,455	395,636	136,828	110,134	11,785,053
Liabilities:					
Financial liabilities designated at fair value through profit or loss	14,232	195	1,109	295	15,831
Derivative financial liabilities	3,253	3,236	117	1,167	7,773
Due to banks and other financial institutions (ii)	945,832	67,314	11,860	12,688	1,037,694
Due to customers	9,457,807	163,755	106,041	43,674	9,771,277
Subordinated bonds	75,000	—	—	—	75,000
Certificates of deposit and notes payable	—	—	316	1,156	1,472
Others	181,592	5,545	3,415	6,520	197,072
Total liabilities	10,677,716	240,045	122,858	65,500	11,106,119
Net position	464,739	155,591	13,970	44,634	678,934
Credit commitments	904,491	218,666	80,089	36,441	1,239,687

(i) Includes reverse repurchase agreements.

(ii) Includes repurchase agreements.

(In RMB millions, unless otherwise stated)

31 December 2008

	RMB	US$ (equivalent to RMB)	HK$ (equivalent to RMB)	Others (equivalent to RMB)	Total
Assets:					
Cash and balances with central banks	1,658,951	28,603	2,482	2,988	1,693,024
Due from banks and other financial institutions (i)	186,957	114,093	8,369	22,437	331,856
Financial assets held for trading	25,321	2,764	3,570	527	32,182
Financial assets designated at fair value though profit or loss	—	1,191	265	3	1,459
Derivative financial assets	9,870	4,010	83	1,758	15,721
Loans and advances to customers	4,160,103	154,282	98,545	23,081	4,436,011
Investments	2,888,888	84,997	8,471	60,734	3,043,090
Property and equipment	86,089	289	138	284	86,800
Others	99,679	9,488	6,735	1,101	117,003
Total assets	9,115,858	399,717	128,658	112,913	9,757,146
Liabilities:					
Financial liabilities held for trading	—	4,268	—	—	4,268
Financial liabilities designated at fair value through profit or loss	17	5,740	1,220	589	7,566
Derivative financial liabilities	6,527	5,845	166	1,074	13,612
Due to banks and other financial institutions (ii)	562,264	69,828	6,470	12,340	650,902
Due to customers	7,913,378	176,924	99,135	34,009	8,223,446
Subordinated bonds	35,000	—	—	—	35,000
Certificates of deposit	—	—	726	—	726
Others	200,225	6,781	2,192	5,798	214,996
Total liabilities	8,717,411	269,386	109,909	53,810	9,150,516
Net position	398,447	130,331	18,749	59,103	606,630
Credit commitments	651,059	186,979	58,800	39,635	936,473

(i) Includes reverse repurchase agreements.

(ii) Includes repurchase agreements.

(In RMB millions, unless otherwise stated)

Bank

31 December 2009

	RMB	US$ (equivalent to RMB)	HK$ (equivalent to RMB)	Others (equivalent to RMB)	Total
Assets:					
Cash and balances with central banks	1,673,953	8,973	1,590	1,558	1,686,074
Due from banks and other financial institutions (i)	561,406	61,527	6,281	17,949	647,163
Financial assets held for trading	12,381	1,860	—	—	14,241
Financial assets designated at fair value though profit or loss	—	148	—	—	148
Derivative financial assets	1,748	1,569	39	1,425	4,781
Loans and advances to customers	5,171,582	186,579	16,345	18,019	5,392,525
Investments	3,483,038	56,699	13,988	57,519	3,611,244
Property and equipment	93,423	192	10	53	93,678
Others	113,637	1,015	75	571	115,298
Total assets	11,111,168	318,562	38,328	97,094	11,565,152
Liabilities:					
Financial liabilities designated at fair value through profit or loss	14,231	54	1	295	14,581
Derivative financial liabilities	3,164	2,613	44	868	6,689
Due to banks and other financial institutions (ii)	923,402	71,114	8,885	12,641	1,016,042
Due to customers	9,453,123	92,503	20,128	25,015	9,590,769
Subordinated bonds	75,000	—	—	—	75,000
Certificates of deposit and notes payable	—	—	—	1,156	1,156
Others	180,355	4,882	320	6,260	191,817
Total liabilities	10,649,275	171,166	29,378	46,235	10,896,054
Net position	461,893	147,396	8,950	50,859	669,098
Credit commitments	899,353	204,149	5,366	32,689	1,141,557

(i) Includes reverse repurchase agreements.

(ii) Includes repurchase agreements.

(In RMB millions, unless otherwise stated)

31 December 2008

	RMB	US$ (equivalent to RMB)	HK$ (equivalent to RMB)	Others (equivalent to RMB)	Total
Assets:					
Cash and balances with central banks	1,658,512	28,534	2,014	2,406	1,691,466
Due from banks and other financial institutions (i)	185,506	110,152	8,178	12,713	316,549
Financial assets held for trading	25,294	68	—	—	25,362
Financial assets designated at fair value though profit or loss	—	144	—	—	144
Derivative financial assets	9,849	2,828	43	1,271	13,991
Loans and advances to customers	4,144,998	112,541	17,056	15,360	4,289,955
Investments	2,890,650	82,149	16,306	66,505	3,055,610
Property and equipment	85,929	196	10	85	86,220
Others	98,128	7,841	109	790	106,868
Total assets	9,098,866	344,453	43,716	99,130	9,586,165
Liabilities:					
Financial liabilities held for trading	—	4,268	—	—	4,268
Financial liabilities designated at fair value through profit or loss	17	1,468	211	589	2,285
Derivative financial liabilities	6,045	3,869	113	976	11,003
Due to banks and other financial institutions (ii)	553,000	65,825	6,991	11,190	637,006
Due to customers	7,909,087	117,864	27,424	23,357	8,077,732
Subordinated bonds	35,000	—	—	—	35,000
Others	199,333	5,996	500	5,559	211,388
Total liabilities	8,702,482	199,290	35,239	41,671	8,978,682
Net position	396,384	145,163	8,477	57,459	607,483
Credit commitments	647,068	163,786	1,959	38,283	851,096

(i) Includes reverse repurchase agreements.

(ii) Includes repurchase agreements.

(iii) Interest rate risk

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

The Group manages its interest rate risk by:

- regularly monitoring the macroeconomic factors that may have impact on the PBOC benchmark interest rates;
- optimising the differences in timing between contractual maturities and repricing of interest-generating assets and interest-bearing liabilities; and
- managing the deviation of the pricing of interest-generating assets and interest-bearing liabilities from the PBOC benchmark interest rates.

(In RMB millions, unless otherwise stated)

A principal part of the Group's management of interest rate risk is to monitor the sensitivity of projected net interest income under varying interest rate scenarios (simulation modelling). The Group aims to mitigate the impact of prospective interest rate movements which could reduce future net interest income, while balancing the cost of such hedging on the current revenue.

The following tables demonstrate the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Group's net interest income and equity.

The sensitivity of the net interest income is the effect of the assumed changes in interest rates on the net interest income, arising from the financial assets and financial liabilities held at year end that are subject to repricing within the coming year, including the effect of hedging instruments. The sensitivity of equity is the effect of the assumed changes in interest rates on other comprehensive income, calculated by revaluing fixed rate available-for-sale financial assets held at year end, including the effect of any associated hedges.

Group

	Sensitivity of net interest income		Sensitivity of equity	
Change in basis points	2009	2008	31 December 2009	31 December 2008
+100 basis points	(17,273)	(16,116)	(16,505)	(9,143)
-100 basis points	17,273	16,116	17,385	9,536

Bank

	Sensitivity of net interest income		Sensitivity of equity	
Change in basis points	2009	2008	31 December 2009	31 December 2008
+100 basis points	(16,667)	(15,688)	(16,353)	(8,915)
-100 basis points	16,667	15,688	17,234	9,308

The interest rate sensitivities set out in the tables above are for illustration only and are based on simplified scenarios. The figures represent the effect of the pro forma movements in net interest income and equity based on the projected yield curve scenarios and the Group's current interest rate risk profile. This effect, however, does not incorporate actions that would be taken by management to mitigate the impact of interest rate risk. The projections above also assume that interest rates of all maturities move by the same amount and, therefore, do not reflect the potential impact on net interest income and equity in the case where some rates change while others remain unchanged.

(In RMB millions, unless otherwise stated)

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

31 December 2009

	Less than three months	Three months to one year	One to five years	More than five years	Non-interest-bearing	Total
Assets:						
Cash and balances with central banks	1,527,200	—	—	—	165,848	1,693,048
Due from banks and other financial institutions (i)	484,948	157,487	690	—	1,002	644,127
Financial assets held for trading	4,443	4,601	5,903	3,900	129	18,976
Financial assets designated at fair value through profit or loss	69	139	774	189	—	1,171
Derivative financial assets	—	—	—	—	5,758	5,758
Loans and advances to customers	1,761,803	3,821,371	—	—	—	5,583,174
Investments	397,263	1,751,016	869,172	557,091	40,762	3,615,304
Property and equipment	—	—	—	—	95,684	95,684
Others	4,708	—	—	—	123,103	127,811
Total assets	4,180,434	5,734,614	876,539	561,180	432,286	11,785,053
Liabilities:						
Financial liabilities designated at fair value through profit or loss	14,674	333	824	—	—	15,831
Derivative financial liabilities	—	—	—	—	7,773	7,773
Due to banks and other financial institutions (ii)	979,377	57,480	—	—	837	1,037,694
Due to customers	6,572,045	2,359,489	655,590	9,611	174,542	9,771,277
Subordinated bonds	9,000	18,500	10,500	37,000	—	75,000
Certificates of deposit and notes payable	1,472	—	—	—	—	1,472
Others	—	—	—	—	197,072	197,072
Total liabilities	7,576,568	2,435,802	666,914	46,611	380,224	11,106,119
Interest rate mismatch	(3,396,134)	3,298,812	209,625	514,569	N/A	N/A

(i) Includes reverse repurchase agreements.

(ii) Includes repurchase agreements.

(In RMB millions, unless otherwise stated)

31 December 2008

	Less than three months	Three months to one year	One to five years	More than five years	Non-interest-bearing	Total
Assets:						
Cash and balances with central banks	1,557,854	—	—	—	135,170	1,693,024
Due from banks and other financial institutions (i)	313,776	15,873	1,445	—	762	331,856
Financial assets held for trading	12,100	14,930	3,975	1,158	19	32,182
Financial assets designated at fair value through profit or loss	414	662	144	239	—	1,459
Derivative financial assets	—	—	—	—	15,721	15,721
Loans and advances to customers	1,505,061	2,930,950	—	—	—	4,436,011
Investments	236,136	462,106	1,892,257	415,419	37,172	3,043,090
Property and equipment	—	—	—	—	86,800	86,800
Others	—	—	—	—	117,003	117,003
Total assets	3,625,341	3,424,521	1,897,821	416,816	392,647	9,757,146
Liabilities:						
Financial liabilities held for trading	4,268	—	—	—	—	4,268
Financial liabilities designated at fair value through profit or loss	2,537	5,024	5	—	—	7,566
Derivative financial liabilities	—	—	—	—	13,612	13,612
Due to banks and other financial institutions (ii)	606,258	43,593	453	—	598	650,902
Due to customers	5,381,543	2,098,647	590,151	6,070	147,035	8,223,446
Subordinated bonds	9,000	—	13,000	13,000	—	35,000
Certificates of deposit	726	—	—	—	—	726
Others	—	—	—	—	214,996	214,996
Total liabilities	6,004,332	2,147,264	603,609	19,070	376,241	9,150,516
Interest rate mismatch	(2,378,991)	1,277,257	1,294,212	397,746	N/A	N/A

(i) Includes reverse repurchase agreements.

(ii) Includes repurchase agreements.

(In RMB millions, unless otherwise stated)

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

31 December 2009

	Less than three months	Three months to one year	One to five years	More than five years	Non-interest-bearing	Total
Assets:						
Cash and balances with central banks	1,521,085	—	—	—	164,989	1,686,074
Due from banks and other financial institutions (i)	487,244	158,806	752	—	361	647,163
Financial assets held for trading	1,958	2,720	5,704	3,859	—	14,241
Financial assets designated at fair value through profit or loss	—	—	148	—	—	148
Derivative financial assets	—	—	—	—	4,781	4,781
Loans and advances to customers	1,741,641	3,650,884	—	—	—	5,392,525
Investments	391,466	1,746,998	855,581	555,042	62,157	3,611,244
Property and equipment	—	—	—	—	93,678	93,678
Others	—	—	—	—	115,298	115,298
Total assets	4,143,394	5,559,408	862,185	558,901	441,264	11,565,152
Liabilities:						
Financial liabilities designated at fair value through profit or loss	14,561	20	—	—	—	14,581
Derivative financial liabilities	—	—	—	—	6,689	6,689
Due to banks and other financial institutions (ii)	974,145	41,622	—	—	275	1,016,042
Due to customers	6,416,404	2,336,044	654,611	9,210	174,500	9,590,769
Subordinated bonds	9,000	18,500	10,500	37,000	—	75,000
Certificates of deposit and notes payable	1,156	—	—	—	—	1,156
Others	—	—	—	—	191,817	191,817
Total liabilities	7,415,266	2,396,186	665,111	46,210	373,281	10,896,054
Interest rate mismatch	(3,271,872)	3,163,222	197,074	512,691	N/A	N/A

(i) Includes reverse repurchase agreements.

(ii) Includes repurchase agreements.

(In RMB millions, unless otherwise stated)

31 December 2008

	Less than three months	Three months to one year	One to five years	More than five years	Non-interest-bearing	Total
Assets:						
Cash and balances with central banks	1,556,884	—	—	—	134,582	1,691,466
Due from banks and other financial institutions (i)	299,041	15,936	1,445	—	127	316,549
Financial assets held for trading	5,887	14,363	3,954	1,158	—	25,362
Financial assets designated at fair value through profit or loss	—	—	144	—	—	144
Derivative financial assets	—	—	—	—	13,991	13,991
Loans and advances to customers	1,478,684	2,811,271	—	—	—	4,289,955
Investments	231,831	456,871	1,891,436	414,975	60,497	3,055,610
Property and equipment	—	—	—	—	86,220	86,220
Others	—	—	—	—	106,868	106,868
Total assets	3,572,327	3,298,441	1,896,979	416,133	402,285	9,586,165
Liabilities:						
Financial liabilities held for trading	4,268	—	—	—	—	4,268
Financial liabilities designated at fair value through profit or loss	1,150	1,130	5	—	—	2,285
Derivative financial liabilities	—	—	—	—	11,003	11,003
Due to banks and other financial institutions (ii)	601,506	35,043	453	—	4	637,006
Due to customers	5,246,257	2,088,425	589,975	6,044	147,031	8,077,732
Subordinated bonds	9,000	—	13,000	13,000	—	35,000
Others	—	—	—	—	211,388	211,388
Total liabilities	5,862,181	2,124,598	603,433	19,044	369,426	8,978,682
Interest rate mismatch	(2,289,854)	1,173,843	1,293,546	397,089	N/A	N/A

(i) Includes reverse repurchase agreements.

(ii) Includes repurchase agreements.

(d) Capital management

The Group's objectives on capital management are:

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

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of its activities. In order to maintain or adjust the capital structure, the Group may adjust its profit distribution policy, issue or redeem own shares, long-term subordinated bonds, convertible bonds and hybrid instruments.

Capital adequacy and the use of regulatory capital are monitored regularly by the Group's management based on regulations issued by the CBRC. The required information is filed with the CBRC by the Group and the Bank bi-annually and quarterly.

The CBRC requires each bank to maintain the capital adequacy ratio and core capital adequacy ratio not below the minimum of 8% and 4% respectively. In addition, those individual banking subsidiaries or branches incorporated outside Mainland China are also directly regulated and supervised by their local banking supervisors. There are certain differences in the capital adequacy requirements of different countries.

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

The Group computes the capital adequacy ratio and core capital adequacy ratio in accordance with the "Regulations Governing Capital Adequacy of Commercial Banks" and related regulations promulgated by the CBRC. The requirements pursuant to these regulations may have significant differences comparing to those applicable in Hong Kong and other countries.

The capital adequacy ratios and related components of the Group are computed in accordance with the statutory financial statements of the Group prepared under the PRC GAAP. During the year, the Group has complied in full with all its externally imposed capital requirements.

(In RMB millions, unless otherwise stated)

	2009	2008
Core capital adequacy ratio	**9.90%**	**10.75%**
Capital adequacy ratio	**12.36%**	**13.06%**
Components of capital base		
Core capital:		
Share capital	334,019	334,019
Reserves (i)	283,061	205,668
Minority interests	5,041	3,955
Total core capital	622,121	543,642
Supplementary capital:		
General provisions for loan impairment	97,994	82,834
Subordinated bonds	75,000	35,000
Other supplementary capital	—	4,164
Total supplementary capital	172,994	121,998
Total capital base before deductions	795,115	665,640
Deductions:		
Goodwill	(24,621)	(20,579)
Unconsolidated equity investments (ii)	(19,559)	(19,499)
Others (iii)	(18,979)	(5,529)
Net capital base	731,956	620,033
Net core capital base	586,431	510,549
Risk weighted assets and market risk capital adjustment	5,921,330	4,748,893

(i) Pursuant to the Administrative Measures of Capital Adequacy Ratios of Commercial Banks issued by the CBRC, reserves include valid portion of capital reserve and undistributed profits, surplus reserve and general provision.

(ii) Pursuant to the Administrative Measures of Capital Adequacy Ratios of Commercial Banks issued by the CBRC, 100% or 50% of unconsolidated equity investments were deducted when calculating the net capital base and net core capital base respectively.

(iii) Included in the amount were asset securitisation risk exposure deducted according to relevant regulations issued by the CBRC, and subordinated debts deducted which were issued by other commercial banks and purchased by the Bank after 1 July 2009 according to the Notice on Improving Capital Supplement Mechanism of Commercial Banks issued by the CBRC.

50. FAIR VALUE OF FINANCIAL INSTRUMENTS

Determination of fair value and fair value hierarchy

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments:

Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities;

Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly; and

Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

(In RMB millions, unless otherwise stated)

(a) Financial instruments recorded at fair value

The following table shows an analysis of financial instruments recorded at fair value by level of the fair value hierarchy:

Group

31 December 2009

	Level 1	Level 2	Level 3	Total
Financial Assets:				
Financial assets held for trading				
Equity investments	129	—	—	129
Debt securities	2,401	16,446	—	18,847
	2,530	16,446	—	18,976
Financial assets designated at fair value through profit or loss				
Debt securities	675	496	—	1,171
Derivative financial assets				
Exchange rate contracts	—	2,560	297	2,857
Interest rate contracts	—	923	1,828	2,751
Other derivative contracts	—	150	—	150
	—	3,633	2,125	5,758
Available-for-sale financial assets				
Equity investments	2,595	—	—	2,595
Debt securities	40,328	897,409	7,688	945,425
	42,923	897,409	7,688	948,020
	46,128	917,984	9,813	973,925
Financial Liabilities:				
Financial liabilities designated at fair value through profit or loss				
Structured deposits	—	14,581	—	14,581
Certificates of deposit	—	1,250	—	1,250
	—	15,831	—	15,831
Derivative financial liabilities				
Exchange rate contracts	—	3,666	303	3,969
Interest rate contracts	—	1,603	2,062	3,665
Other derivative contracts	—	139	—	139
	—	5,408	2,365	7,773
	—	21,239	2,365	23,604

(In RMB millions, unless otherwise stated)

Bank

31 December 2009

	Level 1	Level 2	Level 3	Total
Financial Assets:				
Financial assets held for trading				
Debt securities	—	14,241	—	14,241
Financial assets designated at fair value through profit or loss				
Debt securities	148	—	—	148
Derivative financial assets				
Exchange rate contracts	—	1,983	297	2,280
Interest rate contracts	—	722	1,779	2,501
	—	2,705	2,076	4,781
Available-for-sale financial assets				
Equity investments	954	—	—	954
Debt securities	17,773	890,182	7,686	915,641
	18,727	890,182	7,686	916,595
	18,875	907,128	9,762	935,765
Financial Liabilities:				
Financial liabilities designated at fair value through profit or loss				
Structured deposits	—	14,581	—	14,581
Derivative financial liabilities				
Exchange rate contracts	—	3,210	303	3,513
Interest rate contracts	—	1,163	2,013	3,176
	—	4,373	2,316	6,689
	—	18,954	2,316	21,270

The following is a description of the determination of fair value for financial instruments which are recorded at fair value using valuation techniques. These incorporate the Group's estimate of assumptions that a market participant would make when valuing the instruments.

Financial investments

Financial investments valued using a valuation technique consist of certain debt securities and asset-backed securities. The Group values the securities using valuation models which use discounted cash flow analysis which incorporates either only observable data or both observable and non-observable data. Observable inputs include assumptions regarding current rates of interest; unobservable inputs include assumptions regarding expected future default rates, prepayment rates and market liquidity discounts.

A majority of the debt securities classified as Level 2 are RMB bonds. The fair value of these bonds are determined based on the valuation results provided by China Government Securities Depository Trust & Clearing Co., Ltd., which are determined based on a valuation technique for which all significant inputs are observable market data.

(In RMB millions, unless otherwise stated)

Derivatives

Derivatives valued using a valuation technique with market observable inputs are mainly interest rate swaps, currency swaps and forward foreign exchange contracts. The most frequently applied valuation techniques include forward pricing and swap models, using present value calculations. The models incorporate various inputs including the credit quality of counterparties, foreign exchange spot and forward rates and interest rate yield curves.

Derivatives valued using a valuation technique with significant non-market observable inputs are primarily certain structured products. These derivatives are traded over the counter and are valued using models which calculate present value such as the binomial model for options. The models incorporate various non-observable assumptions such as market rate volatilities.

Other liabilities designated at fair value through profit or loss

For unquoted other liabilities designated at fair value through profit or loss, a discounted cash flow model is used based on a current interest rate yield curve appropriate for the remaining term to maturity adjusted for market liquidity and credit spreads.

(b) Movement in level 3 financial instruments measured at fair value

The following table shows a reconciliation of the opening and closing amount of level 3 financial assets and liabilities which are recorded at fair value:

Group

	As at 1 January 2009	Total gains/ (losses) recorded in profit or loss	Total gains recorded in other comprehensive income	Disposals	Settlements	Transfers to level 2 from level 3	As at 31 December 2009
Financial Assets:							
Derivative financial assets							
Exchange rate contracts	877	(222)	—	—	(358)	—	297
Interest rate contracts	5,125	(2,007)	—	—	(1,290)	—	1,828
	6,002	(2,229)	—	—	(1,648)	—	2,125
Available-for-sale financial assets							
Debt securities	27,749	(518)	311	(15,110)	(4,000)	(744)	7,688
	33,751	(2,747)	311	(15,110)	(5,648)	(744)	9,813
Financial Liabilities:							
Derivative financial liabilities							
Exchange rate contracts	(877)	216	—	—	358	—	(303)
Interest rate contracts	(5,402)	2,041	—	—	1,299	—	(2,062)
	(6,279)	2,257	—	—	1,657	—	(2,365)

(In RMB millions, unless otherwise stated)

Bank

	As at 1 January 2009	Total gains/ (losses) recorded in profit or loss	Total gains recorded in other comprehensive income	Disposals	Settlements	Transfers to level 2 from level 3	As at 31 December 2009
Financial Assets:							
Derivative financial assets							
Exchange rate contracts	877	(222)	—	—	(358)	—	297
Interest rate contracts	5,084	(2,015)	—	—	(1,290)	—	1,779
	5,961	(2,237)	—	—	(1,648)	—	2,076
Available-for-sale financial assets							
Debt securities	27,737	(507)	310	(15,110)	(4,000)	(744)	7,686
	33,698	(2,744)	310	(15,110)	(5,648)	(744)	9,762
Financial Liabilities:							
Derivative financial liabilities							
Exchange rate contracts	(877)	216	—	—	358	—	(303)
Interest rate contracts	(5,360)	2,048	—	—	1,299	—	(2,013)
	(6,237)	2,264	—	—	1,657	—	(2,316)

Losses on level 3 financial instruments included in the profit or loss for the year comprise:

	2009					
	Group			Bank		
	Realised	Unrealised	Total	Realised	Unrealised	Total
Total losses in the profit or loss for the year	120	370	490	120	360	480

(c) Transfers between level 1 and 2

During the year, the Group had no transfers between level 1 and level 2 of the fair value hierarchy for financial assets and liabilities which were recorded at fair value.

(In RMB millions, unless otherwise stated)

(d) Fair value of financial assets and liabilities not carried at fair value

The following table summarises the carrying values and the fair values of receivables, held-to-maturity investments and subordinated bonds for which their fair values have not been presented or disclosed above:

	Group		Bank	
	Carrying value	Fair value	Carrying value	Fair value
31 December 2009:				
Receivables	1,132,379	1,133,843	1,132,379	1,133,843
Held-to-maturity investments	1,496,738	1,511,251	1,501,067	1,515,599
Subordinated bonds	75,000	71,875	75,000	71,875
31 December 2008:				
Receivables	1,162,769	1,169,135	1,162,769	1,169,135
Held-to-maturity investments	1,314,320	1,361,027	1,319,106	1,365,809
Subordinated bonds	35,000	35,166	35,000	35,166

Subject to the existence of an active market, such as an authorised securities exchange, the market value is the best reflection of the fair value of financial instruments. As there is no available market value for certain of the financial assets and liabilities held and issued by the Group, the discounted cash flow method or other valuation methods described below are adopted to determine the fair values of these assets and liabilities:

(i) The receivables are non-transferable. The fair values of those receivables relating to the restructuring of the Bank are estimated on the basis of the stated interest rates and the consideration of the relevant special clauses of the instruments evaluated in the absence of any other relevant observable market data, and the fair values approximate to their carrying amounts. The fair values of receivables other than those relating to the restructuring of the Bank are estimated on the basis of pricing models or discounted cash flows.

(ii) The fair values of held-to-maturity investments and subordinated bonds are determined with reference to the available market values. If quoted market prices are not available, then fair values are estimated on the basis of pricing models or discounted cash flows.

All of the above-mentioned assumptions and methods provide a consistent basis for the calculation of the fair values of the Group's assets and liabilities. However, other institutions may use different assumptions and methods. Therefore, the fair values disclosed by different financial institutions may not be entirely comparable.

Those financial instruments for which their carrying amounts are the reasonable approximations of their fair values because, for example, they are short term in nature or repriced at current market rates frequently, are as follows:

Assets	Liabilities
Balances with central banks	Due to banks and other financial institutions
Due from banks and other financial institutions	Repurchase agreements
Reverse repurchase agreements	Due to customers
Loans and advances to customers	Other financial liabilities
Other financial assets	

51. EVENTS AFTER THE REPORTING PERIOD

(a) Acquisition of shares in The Bank of East Asia (Canada) and disposal of shares in ICEA

On 4 June 2009, the Bank entered into two agreements with The Bank of East Asia, Limited ("BEA") on acquiring equity interest in The Bank of East Asia (Canada) from BEA, and on disposing equity interest in ICEA to BEA ("acquiring and disposing"), separately. According to the agreements, the Bank would dispose 15 million issued ordinary shares, representing a 75% equity interest in ICEA to BEA, for a consideration of HK$372 million (equivalent to approximately RMB328 million at the exchange rate on 31 December 2009). At the same time, the Bank would acquire a 70% issued ordinary shares in The Bank of East Asia (Canada) from BEA, at a consideration of CA$80.25 million (equivalent to approximately RMB519 million at the exchange rate on 31 December 2009). One year after the completion of the acquisition, the Bank will have an option to acquire an additional 10% equity interest in The Bank of East Asia (Canada) from BEA, and BEA will have an option to require the Bank to purchase all the remaining shares of The Bank of East Asia (Canada) held by BEA. The above transactions are inter-conditional. The completion of the above transactions took place on 28 January 2010. As at the date of approval of these financial statements, the Bank holds 70% of the issued and outstanding common shares of The Bank of East Asia (Canada) and the Bank have disposed of all its shareholding in ICEA.

(b) The acquisition of ACL Bank Public Company Limited

On 27 November 2009, the second extraordinary general meeting of the Bank approved the implementation of the voluntary tender offer for all the outstanding ordinary shares and preferred shares (if applicable) of Thailand's ACL Bank Public Company Limited ("ACL Bank") and the delisting offer for the shares of ACL Bank by the Bank. As at 2 March 2010, this acquisition project has obtained all the necessary regulatory approval in relation to the voluntary tender offer. As at the date of the approval of these financial statements, the Bank has submitted a voluntary tender offer for all the shares of ACL Bank, and the offer period has not yet concluded. The estimated maximum amount of consideration in relation to this acquisition was THB18,290 million approximately (equivalent to RMB3,746 million approximately at the exchange rate on 31 December 2009).

(c) The profit distribution plan

A final dividend of RMB0.17 per share, equivalent to approximately RMB56,783 million, was approved after the appropriation of statutory surplus reserve and general reserve at the board of directors' meeting held on 25 March 2010, and is subject to the approval of the Bank's shareholders at the forthcoming annual general meeting. The dividend payable was not recognised as a liability as at 31 December 2009.

52. COMPARATIVE AMOUNTS

Certain comparative amounts have been reclassified to conform with the current year's presentation.

53. APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 25 March 2010.

(In RMB millions, unless otherwise stated)

(a) Differences between the financial statements prepared under IFRSs and those prepared in accordance with PRC GAAP

A reconciliation of differences between the financial statements prepared under IFRSs and those prepared in accordance with PRC GAAP is set out below.

	2009	2008
Profit for the year attributable to equity holders of the parent company under PRC GAAP	128,599	110,766
Adjustment of revaluation surplus on assets disposed of or impaired	46	75
Profit for the year attributable to equity holders of the parent company under IFRSs	128,645	110,841

	31 December 2009	31 December 2008
Equity attributable to equity holders of the parent company under PRC GAAP	673,893	603,183
Reversal of revaluation surplus	—	(508)
Equity attributable to equity holders of the parent company under IFRSs	673,893	602,675

During the Group's restructuring, the Group performed revaluation on certain assets pursuant to relevant requirements, with the revaluation surplus recognised in the capital reserve in the financial statements prepared under PRC GAAP. Under IFRSs, certain assets were carried at cost and the revaluation surplus was reversed. Upon disposal or when such assets are impaired, adjustments on recognition of the revaluation surplus and impairment loss were reversed accordingly. In addition, for the available-for-sale equity investments included in these assets, when they meet the specific conditions to be measured at fair value under IFRSs, the adjustments on reversal of revaluation surplus were made to the investment revaluation reserve.

(b) Liquidity ratios

	As at 31 December 2009	Average for the year ended 31 December 2009	As at 31 December 2008	Average for the year ended 31 December 2008
RMB current assets to RMB current liabilities	30.70%	29.33%	33.30%	31.14%
Foreign currency current assets to foreign currency current liabilities	61.14%	71.16%	83.48%	83.69%

The above liquidity ratios are calculated in accordance with the formula promulgated by the China Banking Regulatory Commission (the "CBRC") and based on the financial information prepared in accordance with PRC GAAP.

The Hong Kong Banking (Disclosure) 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.

(In RMB millions, unless otherwise stated)

(c) Foreign currency concentrations other than RMB

	US$	HK$	Others	Total
As at 31 December 2009				
Spot assets	395,439	136,495	73,867	605,801
Spot liabilities	(240,045)	(122,858)	(65,500)	(428,403)
Forward purchases	156,039	12,186	31,852	200,077
Forward sales	(315,368)	(8,135)	(39,980)	(363,483)
Net option position	(242)	(3)	252	7
Net long/(short) position	(4,177)	17,685	491	13,999
Net structural position	197	333	36,267	36,797
As at 31 December 2008				
Spot assets	399,428	128,357	84,492	612,277
Spot liabilities	(269,386)	(109,909)	(53,810)	(433,105)
Forward purchases	161,629	8,863	29,381	199,873
Forward sales	(281,214)	(13,177)	(59,274)	(353,665)
Net option position	(1)	4	(7)	(4)
Net long position	10,456	14,138	782	25,376
Net structural position	289	301	28,421	29,011

The net option position is calculated using the delta equivalent approach required by the Hong Kong Monetary Authority. 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:

- fixed assets and premises, net of depreciation charges;
- capital and statutory reserves of overseas branches; and
- investments in overseas subsidiaries and related companies.

(In RMB millions, unless otherwise stated)

(d) Cross-border claims

The Group is principally engaged in business operations within Mainland China, and regards all claims on third parties outside Mainland China as cross-border claims.

Cross-border claims include loans and advances to customers, balances with central banks, amounts due from banks and other financial institutions, debt securities held for trading, financial assets designated at fair value through profit or loss, held-to-maturity investments and available-for-sale debt securities.

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.

	Banks and other financial institutions	Public sector entities	Others	Total
As at 31 December 2009:				
Asia Pacific excluding Mainland China	43,932	10,242	128,820	182,994
— of which attributed to Hong Kong	21,743	6,234	96,005	123,982
Europe	46,055	1,429	21,650	69,134
North and South America	32,918	9,536	16,163	58,617
	122,905	21,207	166,633	310,745
As at 31 December 2008:				
Asia Pacific excluding Mainland China	78,947	4,570	132,305	215,822
— of which attributed to Hong Kong	36,794	1,097	97,946	135,837
Europe	66,368	396	25,443	92,207
North and South America	47,577	19,373	6,989	73,939
	192,892	24,339	164,737	381,968

(In RMB millions, unless otherwise stated)

(e) Loans and advances to customers

(i) Analysis by industry sector

31 December 2009

	Gross loans and advances to customers	Loans and advances covered by collateral	Overdue loans and advances to customers*	Loans and advances individually assessed to be impaired	Allowance for impairment losses Individually assessed	Collectively Assessed	Total
Transportation, storage and postal services	826,557	258,743	8,450	11,207	4,954	16,634	21,588
Manufacturing	826,066	311,484	33,287	34,894	22,753	15,161	37,914
Production and supply of electricity, gas and water	548,541	121,609	5,423	6,541	2,939	4,582	7,521
Water, environment and public utility management	510,942	114,693	220	333	205	10,550	10,755
Real estate	474,710	331,231	6,922	7,097	3,412	11,119	14,531
Leasing and commercial services	305,233	93,616	1,242	1,343	808	5,065	5,873
Wholesale, retail and lodging	283,974	165,377	11,893	12,439	7,213	6,621	13,834
Mining	108,139	8,336	322	357	272	812	1,084
Science, education, culture and sanitation	67,520	11,149	870	1,132	712	605	1,317
Construction	65,280	25,089	1,295	1,330	937	549	1,486
Others	152,297	48,487	1,900	1,704	1,295	1,224	2,519
Subtotal for corporate loans and advances	4,169,259	1,489,814	71,824	78,377	45,500	72,922	118,422
Personal mortgage and business loans	1,027,032	960,381	32,307	—	—	20,073	20,073
Others	202,537	149,785	10,059	—	—	4,586	4,586
Subtotal for personal loans and advances	1,229,569	1,110,166	42,366	—	—	24,659	24,659
Discounted bills	329,798	329,798	—	—	—	2,371	2,371
Total for loans and advances to customers	5,728,626	2,929,778	114,190	78,377	45,500	99,952	145,452
Current market value of collateral held against the covered portion of overdue loans and advances *							103,481
Covered portion of overdue loans and advances*							53,384
Uncovered portion of overdue loans and advances*							60,806

* Please see section (e) (ii) for the detail of the definition of overdue loans and advances to customers.

31 December 2008

	Gross loans and advances to customers	Loans and advances covered by collateral	Overdue loans and advances to customers*	Loans and advances individually assessed to be impaired	Allowance for impairment losses Individually assessed	Collectively assessed	Total
Transportation, storage and postal services	707,482	222,993	8,233	9,517	4,497	12,261	16,758
Manufacturing	777,249	327,846	45,869	45,251	29,196	12,959	42,155
Production and supply of electricity, gas and water	516,771	98,357	7,131	7,672	2,877	8,973	11,850
Water, environment and public utility management	275,649	74,411	858	1,781	572	4,806	5,378
Real estate	386,141	282,284	8,892	8,051	3,807	9,645	13,452
Leasing and commercial services	203,977	65,278	1,505	1,887	938	3,360	4,298
Wholesale, retail and lodging	204,272	109,294	13,655	14,000	8,384	3,180	11,564
Mining	87,894	16,078	450	461	277	1,478	1,755
Science, education, culture and sanitation	71,036	11,757	1,747	1,965	881	1,225	2,106
Construction	61,843	23,917	1,587	1,575	949	1,545	2,494
Others	104,319	16,293	2,878	2,651	1,681	1,347	3,028
Subtotal for corporate loans and advances	3,396,633	1,248,508	92,805	94,811	54,059	60,779	114,838
Personal mortgage and business loans	729,611	696,671	46,501	—	—	15,133	15,133
Others	119,434	66,687	9,418	—	—	3,317	3,317
Subtotal for personal loans	849,045	763,358	55,919	—	—	18,450	18,450
Discounted bills	326,316	326,316	—	—	—	2,695	2,695
Total for loans and advances to customers	4,571,994	2,338,182	148,724	94,811	54,059	81,924	135,983
Current market value of collateral held against the covered portion of overdue loans and advances*							149,023
Covered portion of overdue loans and advances*							95,322
Uncovered portion of overdue loans and advances*							53,402

* Please see section (e) (ii) for the detail of the definition of overdue loans and advances to customers.

(In RMB millions, unless otherwise stated)

The amount of new impairment loss charged to the income statement and the amount of impaired loans and advances written off during the year are set out below:

	2009		2008	
	New impairment loss	Write-offs of impaired loans	New impairment loss	Write-offs of impaired loans
Transportation, storage and postal services	12,222	22	10,995	74
Manufacturing	15,008	7,629	18,065	7,443
Production and supply of electricity, gas and water	1,387	194	9,533	400
Water, environment and public utility management	14,245	1	4,232	51
Real estate	5,861	603	10,289	536
Leasing and commercial services	4,565	74	2,921	3
Wholesale, retail and lodging	11,705	1,697	5,582	2,420
Mining	81	99	1,217	135
Science, education, culture and sanitation	399	94	1,170	20
Construction	281	34	2,373	74
Others	1,347	812	651	761
Subtotal for corporate loans and advances	67,101	11,259	67,028	11,917
Personal mortgage and business loans	9,703	334	8,608	273
Others	2,438	273	1,397	183
Subtotal for personal loans and advances	12,141	607	10,005	456
Discounted bills	2,371	—	2,695	—
Total for loans and advances to customers	81,613	11,866	79,728	12,373

(In RMB millions, unless otherwise stated)

(ii) Overdue loans and advances to customers

	31 December 2009	31 December 2008
Gross loans and advances to customers of the Group which have been overdue with respect to either principal or interest for periods of:		
Between 3 and 6 months	4,175	9,231
Between 6 and 12 months	11,090	8,487
Over 12 months	61,823	70,162
	77,088	87,880
As a percentage of the total gross loans and advances to customers:		
Between 3 and 6 months	0.1%	0.2%
Between 6 and 12 months	0.2%	0.2%
Over 12 months	1.1%	1.5%
	1.4%	1.9%

The definition of overdue loans and advances to customers is set out as follows:

Loans and advances with a specific repayment date are classified as overdue when the principal or interest is overdue.

For loans and advances repayable by regular installments, if part of the installments is overdue, the whole amounts of these loans would be classified as overdue.

(iii) Overdue and impaired loans and advances to customers by geographical distribution

31 December 2009

	Overdue loans and advances to customers			Impaired loans and advances to customers		
	Gross amount	Individually assessed to be impaired	Individually assessed allowance for impairment losses	Individually assessed	Individually assessed allowance for impairment losses	Collectively assessed allowance for impairment losses
Head Office	3,411	93	32	108	57	1,635
Yangtze River Delta	17,129	11,197	5,994	12,739	7,209	24,357
Pearl River Delta	15,791	8,368	5,289	8,770	5,543	15,106
Bohai Rim	21,419	13,891	8,268	14,493	8,982	19,796
Central China	18,622	10,706	5,458	13,923	6,879	14,151
Western China	22,603	14,511	7,221	16,666	8,885	17,454
Northeastern China	13,120	9,377	6,893	10,093	7,180	6,466
Overseas and others	2,095	802	387	1,585	765	987
	114,190	68,945	39,542	78,377	45,500	99,952

(In RMB millions, unless otherwise stated)

31 December 2008

	Overdue loans and advances to customers			Impaired loans and advances to customers		
	Gross amount	Individually assessed to be impaired	Individually assessed allowance for impairment losses	Individually assessed	Individually assessed allowance for impairment losses	Collectively assessed allowance for impairment losses
Head Office	2,943	319	250	319	250	1,725
Yangtze River Delta	21,030	10,654	5,874	14,057	7,664	20,683
Pearl River Delta	22,941	12,309	7,070	12,797	7,474	12,192
Bohai Rim	28,564	16,179	9,821	16,605	10,482	15,841
Central China	24,656	13,654	7,282	14,581	8,309	11,303
Western China	29,243	18,215	8,328	22,109	10,526	13,958
Northeastern China	17,402	12,694	8,408	13,279	8,922	5,531
Overseas and others	1,945	684	277	1,064	432	691
	148,724	84,708	47,310	94,811	54,059	81,924

(iv) Rescheduled loans and advances to customers

	31 December 2009		31 December 2008	
		% of total loans and advances		% of total loans and advances
Rescheduled loans and advances	15,611	0.3%	25,246	0.6%
Less: Rescheduled loans and advances overdue for more than three months	(11,106)	(0.2%)	(18,984)	(0.4%)
Rescheduled loans and advances overdue for less than three months	4,505	0.1%	6,262	0.2%

(f) Overdue placements with banks and other financial institutions

	31 December 2009	31 December 2008
Gross placements with banks and other financial institutions of the Group which have been overdue with respect to either principal or interest for a period of:		
Over 12 months	28	36
As a percentage of total gross placements with banks and other financial institutions:		
Over 12 months	0.04%	0.03%

(In RMB millions, unless otherwise stated)

(g) Non-bank Mainland China exposures

	31 December 2009	31 December 2008
On-balance sheet exposure	6,652,463	5,466,374
Off-balance sheet exposure	1,098,085	805,117
	7,750,548	6,271,491
Individually assessed allowance for impairment losses	44,810	53,787

Save as disclosed above, exposures to other non-bank counterparties outside Mainland China where the credit is granted for use in Mainland China are considered insignificant to the Group.

List of Domestic and Overseas Branches and Offices

Domestic Institutions

ANHUI PROVINCIAL BRANCH
Address: No. 189 Wuhu Road, Hefei City, Anhui Province, China
Postcode: 230001
Tel: 0551-2869178/2868101
Fax: 0551-2868077

BEIJING MUNICIPAL BRANCH
Address: Tower B, Tianyin Mansion, No. 2 Fuxingmen South Street, Xicheng District, Beijing, China
Postcode: 100031
Tel: 010-66410579
Fax: 010-66410579

CHONGQING MUNICIPAL BRANCH
Address: No. 9 Jiangnan Road, Nan'an District, Chongqing, China
Postcode: 400060
Tel: 023-62918002/62918047
Fax: 023-62918059

DALIAN BRANCH
Address: No. 5 Zhongshan Square, Dalian City, Liaoning Province, China
Postcode: 116001
Tel: 0411-82378888/82819593
Fax: 0411-82808377

FUJIAN PROVINCIAL BRANCH
Address: No. 108 Gutian Road, Fuzhou City, Fujian Province, China
Postcode: 350005
Tel: 0591-88087812/88087815/88087000
Fax: 0591-83353905

GANSU PROVINCIAL BRANCH
Address: No. 408 Qingyang Road, Chengguan District, Lanzhou City, Gansu Province, China
Postcode: 730030
Tel: 0931-8432532
Fax: 0931-8435166

GUANGDONG PROVINCIAL BRANCH
Address: No. 123 Yanjiangxi Road, Guangzhou City, Guangdong Province, China
Postcode: 510120
Tel: 020-81308130/81308123
Fax: 020-81308789

GUANGXI AUTONOMOUS REGION BRANCH
Address: No. 15-1 Jiaoyu Road, Nanning City, Guangxi Autonomous Region, China
Postcode: 530022
Tel: 0771-5316617
Fax: 0771-5316617/2806043

GUIZHOU PROVINCIAL BRANCH
Address: No. 41 Ruijin Middle Road, Guiyang City, Guizhou Province, China
Postcode: 550003
Tel: 0851-8620000/8620018
Fax: 0851-5963911/8620017

HAINAN PROVINCIAL BRANCH
Address: Tower A, No. 3 Heping South Road, Haikou City, Hainan Province, China
Postcode: 570203
Tel: 0898-65355774
Fax: 0898-65342986

HEBEI PROVINCIAL BRANCH
Address: Tower B, Zhonghua Shangwu Tower, No. 188 Zhongshan West Road, Shijiazhuang City, Hebei Province, China
Postcode: 050051
Tel: 0311-66001888/66000001
Fax: 0311-66001889/66000002

HENAN PROVINCIAL BRANCH
Address: No. 99, Jingsan Road, Zhengzhou City, Henan Province, China
Postcode: 450011
Tel: 0371-65776888
Fax: 0371-65776889

HEILONGJIANG PROVINCIAL BRANCH
Address: No. 218 Zhongyang Road, Daoli District, Harbin City, Heilongjiang Province, China
Postcode: 150010
Tel: 0451-84698074/84698116
Fax: 0451-84698115

HUBEI PROVINCIAL BRANCH
Address: No. 372 Jiefang Road, Wuchang District, Wuhan City, Hubei Province, China
Postcode: 430060
Tel: 027-88726049/88726073
Fax: 027-88726077

HUNAN PROVINCIAL BRANCH
Address: No. 619 Furong Middle Road Yi Duan, Changsha City, Hunan Province, China
Postcode: 410011
Tel: 0731-84428833/84420000
Fax: 0731-84430039

JILIN PROVINCIAL BRANCH
Address: No. 136 Tongzhi Street, Chaoyang District, Changchun City, Jilin Province, China
Postcode: 130061
Tel: 0431-88965747/88965533
Fax: 0431-88923808

JIANGSU PROVINCIAL BRANCH
Address: No. 408 Zhongshan South Road, Nanjing City, Jiangsu Province, China
Postcode: 210006
Tel: 025-52858000/52858999
Fax: 025-52858111

JIANGXI PROVINCIAL BRANCH
Address: No. 233, Fuhe North Road, Nanchang City, Jiangxi Province, China
Postcode: 330008
Tel: 0791-6695117/6695018
Fax: 0791-6695230

LIAONING PROVINCIAL BRANCH

Address: No. 88 Nanjing North Street, Heping District, Shenyang City, Liaoning Province, China
Postcode: 110001
Tel: 024-23414525/23414313
Fax: 024-23414520

INNER MONGOLIA AUTONOMOUS REGION BRANCH

Address: No. 105 Xilin North Road, Huhehot City, Inner Mongolia Autonomous Region, China
Postcode: 010050
Tel: 0471-6940192/6940297
Fax: 0471-6940591/6940048

NINGBO BRANCH

Address: No. 218 Zhongshan West Road, Ningbo City, Zhejiang Province, China
Postcode: 315010
Tel: 0574-87361162
Fax: 0574-87361190

NINGXIA AUTONOMOUS REGION BRANCH

Address: No. 901 Huanghe East Road, Jinfeng District, Yinchuan City, Ningxia Autonomous Region, China
Postcode: 750002
Tel: 0951-6073345/5029739
Fax: 0951-5042348

QINGDAO BRANCH

Address: No. 25 Shandong Road, Shinan District, Qingdao City, Shandong Province, China
Postcode: 266071
Tel: 0532-85809988-621031
Fax: 0532-85814711

QINGHAI PROVINCIAL BRANCH

Address: No. 2 Shengli Road, Xining City, Qinghai Province, China
Postcode: 810001
Tel: 0971-6146733/6146734
Fax: 0971-6146733

SHANDONG PROVINCIAL BRANCH

Address: No. 310 Jingsi Road, Jinan City, Shandong Province, China
Postcode: 250001
Tel: 0531-66681114/87943363
Fax: 0531-87941749

SHANXI PROVINCIAL BRANCH

Address: No. 145 Yingze Street, Taiyuan City, Shanxi Province, China
Postcode: 030001
Tel: 0351-6248888/6248011
Fax: 0351-6248004

SHAANXI PROVINCIAL BRANCH

Address: No. 395 Dongxin Street, Xi'an City, Shaanxi Province, China
Postcode: 710004
Tel: 029-87602608/87602630
Fax: 029-87602999

SHANGHAI MUNICIPAL BRANCH

Address: No. 9 Pudong Avenue, Pudong New District, Shanghai, China
Postcode: 200120
Tel: 021-58885888
Fax: 021-58886888

SHENZHEN BRANCH

Address: North Block Financial Center, No. 5055 Shennan East Road, Luohu District, Shenzhen City, Guangdong Province, China
Postcode: 518015
Tel: 0755-82246400
Fax: 0755-82062761

SICHUAN PROVINCIAL BRANCH

Address: No. 45 Zongfu Road, Jinjiang District, Chengdu City, Sichuan Province, China
Postcode: 610016
Tel: 028-82866000
Fax: 028-82866025

TIANJIN MUNICIPAL BRANCH

Address: No. 123 Weidi Road, Hexi District, Tianjin, China
Postcode: 300074
Tel: 022-28400033/28401380
Fax: 022-28400123

XIAMEN BRANCH

Address: No. 17 Hubin North Road, Xiamen City, Fujian Province, China
Postcode: 361012
Tel: 0592-5292000
Fax: 0592-5054663/5057427

XINJIANG AUTONOMOUS REGION BRANCH

Address: No. 231 Remin Road, Tianshan District, Urumuqi, Xinjiang Autonomous Region, China
Postcode: 830002
Tel: 0991-5981888/5981207
Fax: 0991-2337527

TIBET AUTONOMOUS REGION BRANCH

Address: No. 31 Jinzhu Mid-Rd., Lhasa, Tibet Autonomous Region
Postcode: 850000
Tel: 0891-6898019/6898002
Fax: 0891-6898001

YUNNAN PROVINCIAL BRANCH

Address: Bank Mansion, No. 395 Qingnian Road, Kunming City, Yunnan Province, China
Postcode: 650021
Tel: 0871-3136172/3178888
Fax: 0871-3134637

ZHEJIANG PROVINCIAL BRANCH

Address: No. 150 Zhonghe Middle Road, Hangzhou City, Zhejiang Province, China
Postcode: 310009
Tel: 0571-87803888
Fax: 0571-87808207

ICBC Credit Suisse Asset Management Co., Ltd.

Address: Bank of Beijing Building, 17 C Financial Street, Xicheng District, Beijing, China
Postcode: 100140
Tel: 010-66583333
Fax: 010-66583158

ICBC Financial Leasing Co., Ltd.

Address: E5AB, Finance Street, No. 20 Plaza East Road, Economic Development Zone, Tianjin
Postcode: 300457
Tel: 022-66283766
Fax: 022-66283766

CHONGQING BISHAN ICBC RURAL BANK CO., LTD.

Address: No.1 Aokang Avenue, Bishan County, Chongqing
Postcode: 402760
Tel: 023-85297704
Fax: 023-85297709

ZHEJIANG PINGHU ICBC RURAL BANK CO., LTD.

Address: No.258 Chengnan West Road, Pinghu, Zhejiang
Postcode: 314200
Tel: 0573-85139616
Fax: 0573-85139626

Overseas Institutions

Industrial and Commercial Bank of China Limited, Hong Kong Branch

Address: 33/F, ICBC Tower, 3 Garden Road, Central, Hong Kong
Email: hilda.chow@icbcasia.com
Tel: +852-25881188
Fax: +852-28787784
SWIFT: ICBKHKHH

Industrial and Commercial Bank of China Limited, Seoul Branch

Address: 16 Floor, Taepeongno Bldg., #310 Taepeongno 2-ga, Jung-gu, Seoul, 100-767, Korea
Email: icbcseoul@kr.icbc.com.cn
Tel: +822-37886670
Fax: +822-7553748
SWIFT: ICBKKRSE

Industrial and Commercial Bank of China Limited, Busan Branch

Address: 1st Floor, Samsung Fire & Marine Insurance Bldg., #1205-22 Choryang-1 dong, Dong-Gu, Busan, 601-728, Korea
Email: busanadmin@kr.icbc.com.cn
Tel: +8251-4638868
Fax: +8251-4636880
SWIFT: ICBKKRSE

Industrial and Commercial Bank of China Limited, Tokyo Branch

Address: 2-1Marunouchi1-Chome, Chiyoda-Ku Tokyo, 100-0005, Japan
Email: icbctokyo@icbc.co.jp
Tel: +813-52232088
Fax: +813-52198502
SWIFT: ICBKJPJT

Industrial and Commercial Bank of China Limited, Singapore Branch

Address: 6 Raffles Quay #12-01, Singapore 048580
Email: icbcsg@icbc.com.sg
Tel: +65-65381066
Fax: +65-65381370
SWIFT: ICBKSGSG

Industrial and Commercial Bank of China Limited, Hanoi City Branch

Address: Daeha Business Center, No.360, Kim Ma Str.,Ba Dinh Dist., Hanoi, Vietnam
Email: weiyong@vn.icbc.com.cn
Tel: +84-462698888
Fax: +84-462699800
SWIFT: ICBKVNVN

Industrial and Commercial Bank of China Limited, Doha Branch

Address: Office 702, 7/F, QFC Tower, Diplomatic Area, West Bay, Doha, Qatar
Email: dboffice@dxb.icbc.com.cn, office@doh.icbc.com.cn
Tel: +974-4968076
Fax: +974-4968080
SWIFT: ICBKQAQA

Industrial and Commercial Bank of China Limited, Abu Dhabi Branch

Address: 9th floor & Mezzanine floor AKAR properties, Al Bateen Tower C6 Bainuna Street, Al Bateen Area Abu Dhabi United Arab Emirates

Industrial and Commercial Bank of China Limited, Sydney Branch

Address: Level 1, 220 George Street, Sydney NSW 2000, Australia
Email: Info@icbc.com.au
Tel: +612-94755588
Fax: +612-92333982
SWIFT: ICBKAU2S

Industrial and Commercial Bank of China Limited, Frankfurt Branch

Address: Bockenheimer Anlage 15, 60322 Frankfurt am Main, Germany
Email: icbc@icbc-ffm.de
Tel: +4969-50604700
Fax: +4969-50604708
SWIFT: ICBKDEFF

Industrial and Commercial Bank of China Limited, Luxembourg Branch

Address: 8-10, Avenue Marie-Thérès, L-2132 Luxembourg B.P.278 L-2012 Luxembourg
Email: icbc@icbc.lu
Tel: +352-2686661
Fax: +352-26866666
SWIFT: ICBKLULL

Industrial and Commercial Bank of China Limited, New York Branch

Address: 725 Fifth Avenue, 20th Floor, New York, NY, 10022, USA
Email: info@us.95588.com
Tel: +1-2128387799
Fax: +1-2128386688
SWIFT: ICBKUS33

Industrial and Commercial Bank of China (Asia) Limited
Address: 33/F, ICBC Tower,
3 Garden Road, Central,
Hong Kong
Email: hilda.chow@icbcasia.com
Tel: +852-25881188
Fax: +852-28787784
SWIFT: UBHKHKHH

Industrial and Commercial East Asia Finance Holdings Limited
Address: 22/F, China Overseas
Building, 139 Hennessy
Road, Wanchai,
Hong Kong
Tel: +852-31018888
Fax: +852-31019191

ICBC International Holdings Limited
Address: Level 18, Three Pacific
Place, 1 Queen's Road
East, Hong Kong
Email: info@icbci.com.hk
Tel: +852-26833888
Fax: +852-26833900
SWIFT: ICILHKHH

Industrial and Commercial Bank of China (Macau) Limited
Address: 18th Floor, ICBC Tower,
Macau Landmark,
555 Avenida da Amizade,
Macau
Email: icbc@mc.icbc.com.cn
Tel: +853-28555222
Fax: +853-28338064
SWIFT: ICBKMOMX

PT. Bank ICBC Indonesia
Address: TCT ICBC Tower,
Jl. MH.Thamrin No.81,
Jakarta Pusat, Indonesia
Email: icbc@icbc.co.id
Tel: +62-2131996088
Fax: +62-2131996016
SWIFT: ICBKIDJA

Industrial and Commercial Bank of China (Almaty) Joint Stock Company
Address: 110 Furmanov Avenue,
Almaty, Kazakhstan,
050000
Email: office@icbcalmaty.kz
Tel: +7727-2596391
Fax: +7727-2596400
SWIFT: ICBKKZKX

Industrial and Commercial Bank of China (Middle East) Limited
Address: 19/F, Al Kifaf Tower,
Sheikah Zayed Road,
Dubai, U.A.E
Email: dboffice@dxb.icbc.com.cn
Tel: +971-47031111
Fax: +971-47031199
SWIFT: ICBKAEAD

Industrial and Commercial Bank of China, (London) Limited
Address: 36 King Street, London
EC2V 8BB, UK
Email: admin@icbclondon.com
Tel: +4420-73978888
Fax: +4420-73978899
SWIFT: ICBKGB2L

Industrial and Commercial Bank of China Luxembourg S.A.
Address: 8-10, Avenue Marie-
Thérès, L-2132
Luxembourg B.P.278
L-2012 Luxembourg
Email: icbc@icbc.lu
Tel: +352-2686661
Fax: +352-26866666
SWIFT: ICBKLULU

ZAO Industrial and Commercial Bank of China (Moscow)
Address: Serebryanicheskaya
Naberejnaya Street build.
29, First floor, room 46-1,
109028, Moscow, Russia
Email: icbcmoscow@yahoo.com.cn
Tel: +7495-2873099
Fax: +7495-2873098
SWIFT: ICBKRUMM

Definitions

HIBOR	Hong Kong Interbank Offered Rate
LIBOR	London Interbank Offered Rate
SHIBOR	Shanghai Interbank Offered Rate
Allianz	Allianz Group
the Bank/the Group/ICBC	Industrial and Commercial Bank of China Limited; or Industrial and Commercial Bank of China Limited and its subsidiaries.
Articles of Association of the Bank	The Articles of Association of Industrial and Commercial Bank of China Limited
Standard Bank	Standard Bank Group Limited
MOF	Ministry of Finance of the People's Republic of China
Seng Heng Bank	Seng Heng Bank Limited
BEA	The Bank of East Asia, Limited
Goldman Sachs	The Goldman Sachs Group, Inc.
ICEA	Industrial and Commercial East Asia Finance Holdings Limited
Company Law	Company Law of the People's Republic of China
ICBC (Almaty)	Industrial and Commercial Bank of China (Almaty) Joint Stock Company
ICBC (Macau)	Industrial and Commercial Bank of China (Macau) Limited
ICBC International	ICBC International Holdings Limited
ICBC (Luxembourg)	Industrial and Commercial Bank of China Luxembourg S.A.
ICBC (London)	Industrial and Commercial Bank of China, (London) Limited
ICBC (Malaysia)	Industrial and Commercial Bank of China (Malaysia) Berhad
ICBC (Moscow)	ZAO Industrial and Commercial Bank of China (Moscow)
ICBC Credit Suisse Asset Management	ICBC Credit Suisse Asset Management Co., Ltd.
ICBC (Asia)	Industrial and Commercial Bank of China (Asia) Limited
ICBC (Indonesia)	PT. Bank ICBC Indonesia
ICBC (Middle East)	Industrial and Commercial Bank of China (Middle East) Limited
ICBC Leasing	ICBC Financial Leasing Co., Ltd.
IFRSs	The International Financial Reporting Standards promulgated by the International Accounting Standards Board, which comprise the International Accounting Standards
State Council	The State Council of the People's Republic of China
Huijin	Central Huijin Investment Ltd.
American Express	American Express Company
PBOC	The People's Bank of China
SSE	Shanghai Stock Exchange
SSF	National Council for Social Security Fund
SEHK	The Stock Exchange of Hong Kong Limited
Hong Kong Listing Rules	Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
Securities and Futures Ordinance of Hong Kong	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
PRC GAAP	Accounting Standards for Business Enterprises and the Application Guidance thereof promulgated by the Ministry of Finance in 2006, as well as other relevant regulations
CBRC	China Banking Regulatory Commission
CSRC	China Securities Regulatory Commission

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