中国建设银行
China Construction Bank

2009 Annual Report

China Construction Bank Corporation
(A joint stock limited company incorporated in the People's Republic of China with limited liability)
Stock Code: 939

Progress with our customers, prosper with the society

INTRODUCTION

Headquartered in Beijing, China Construction Bank Corporation has an operation history of over 50 years. The Bank was listed on Hong Kong Stock Exchange in October 2005 (stock code: 939) and listed on the Shanghai Stock Exchange in September 2007 (stock code: 601939). At the end of 2009, the market capitalisation of the Bank reached about US$201,400 million, ranking 2nd among listed banks in the world. The Bank had a network of 13,384 branches and sub-branches in Mainland China, maintained overseas branches in Hong Kong, Singapore, Frankfurt, Johannesburg, Tokyo, Seoul, New York and Ho Chi Minh City, and a representative office in Sydney, and established multiple subsidiaries, such as CCB Asia, CCB International, CCB London, CCB Principal Asset Management, CCB Financial Leasing, and Jianxin Trust. A total of about 300,000 associates provide comprehensive financial services to its customers.

Contents

Financial Highlights

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

(Expressed in millions of RMB unless otherwise stated)	**2009**	2008	Change (%)	2007	2006	2005
For the year						
Net interest income	**211,885**	224,920	(5.80)	192,775	140,368	116,551
Net fee and commission income	**48,059**	38,446	25.00	31,313	13,571	8,455
Other operating income	**9,370**	6,381	46.84	(3,371)	(2,346)	3,708
Operating income	**269,314**	269,747	(0.16)	220,717	151,593	128,714
Operating expenses	**(105,146)**	(99,193)	6.00	(92,327)	(66,662)	(58,092)
Impairment losses	**(25,460)**	(50,829)	(49.91)	(27,595)	(19,214)	(15,258)
Profit before tax	**138,725**	119,741	15.85	100,816	65,717	55,364
Net profit	**106,836**	92,642	15.32	69,142	46,319	47,096
Net profit attributable to equity shareholders of the Bank	**106,756**	92,599	15.29	69,053	46,322	47,103
As at 31 December						
Net loans and advances to customers	**4,692,947**	3,683,575	27.40	3,183,229	2,795,976	2,395,313
Total assets	**9,623,355**	7,555,452	27.37	6,598,177	5,448,511	4,585,742
Deposits from customers	**8,001,323**	6,375,915	25.49	5,329,507	4,721,256	4,006,046
Total liabilities	**9,064,335**	7,087,890	27.88	6,175,896	5,118,307	4,298,065
Total equity attributable to equity shareholders of the Bank	**555,475**	465,966	19.21	420,977	330,109	287,579
Issued and paid-in capital	**233,689**	233,689	—	233,689	224,689	224,689
Core capital	**491,452**	431,353	13.93	386,403	309,533	284,307
Supplementary capital	**139,278**	86,794	60.47	83,900	68,736	64,584
Total capital base after deductions	**608,233**	510,416	19.16	463,182	374,395	348,104
Risk-weighted assets	**5,197,545**	4,196,493	23.85	3,683,123	3,091,089	2,562,153
Per share (In RMB)						
Basic and diluted earnings per share	**0.46**	0.40	15.00	0.30	0.21	0.24
Interim cash dividend declared during the year	**—**	0.1105	—	0.067	—	NA
Final cash dividend proposed after the balance sheet date	**0.202**	0.0837	141.34	0.065	0.092	0.015
Special cash dividend declared during the year	**—**	—	NA	0.072716	—	NA
Net assets per share	**2.39**	2.00	19.50	1.81	1.47	1.28

	2009	2008	Change +/(-)	2007	2006	2005
Financial ratios (%)						
Profitability indicators						
Return on average assets[1]	**1.24**	1.31	(0.07)	1.15	0.92	1.11
Return on average equity	**20.87**	20.68	0.19	19.50	15.00	21.75
Net interest spread	**2.30**	3.10	(0.80)	3.07	2.69	2.70
Net interest margin	**2.41**	3.24	(0.83)	3.18	2.79	2.78
Net fee and commission income to operating income	**17.84**	14.25	3.59	14.19	8.95	6.57
Cost-to-income ratio	**39.04**	36.77	2.27	41.83	43.97	45.13
Loan-to-deposit ratio	**60.24**	59.50	0.74	61.40	60.87	61.37
Capital adequacy indicators						
Core capital adequacy ratio[2]	**9.31**	10.17	(0.86)	10.37	9.92	11.08
Capital adequacy ratio[2]	**11.70**	12.16	(0.46)	12.58	12.11	13.59
Total equity to total assets	**5.81**	6.19	(0.38)	6.40	6.06	6.27
Asset quality indicators						
Non-performing loan ratio	**1.50**	2.21	(0.71)	2.60	3.29	3.84
Allowances to non-performing loans	**175.77**	131.58	44.19	104.41	82.24	66.78
Allowances to total loans	**2.63**	2.91	(0.28)	2.72	2.70	2.57

1. Calculated by dividing net profit by the average of total assets at the beginning and end of the year.

2. Calculated in accordance with the guidelines issued by the CBRC.

Corporate Information

Legal name and abbreviation in Chinese	中國建設銀行股份有限公司 (abbreviated as "中國建設銀行")
Legal name and abbreviation in English	China Construction Bank Corporation (abbreviated as "CCB")
Legal representative	Guo Shuqing
Authorised representatives	Zhang Jianguo Chan Mei Sheung
Secretary to the Board	Chen Caihong Contact Address: No. 25, Financial Street, Xicheng District, Beijing Telephone: 86-10-66215533 Facsimile: 86-10-66218888 Email: ir@ccb.com
Company secretary	Chan Mei Sheung
Qualified accountant	Yuen Yiu Leung
Registered address and postcode	No. 25, Financial Street, Xicheng District, Beijing 100033
Internet website	www.ccb.com
Email address	ir@ccb.com
Principal place of business in Hong Kong	44–45/F, Tower One, Lippo Centre, 89 Queensway, Admiralty, Hong Kong
Newspapers for information disclosure	China Securities Journal and Shanghai Securities News
Website of the Shanghai Stock Exchange for publishing the annual report prepared in accordance with PRC GAAP	www.sse.com.cn
Website of Hong Kong Stock Exchange for publishing the annual report prepared in accordance with IFRS	www.hkex.com.hk
Place where copies of this annual report are kept	Board of directors office of the Bank
Listing stock exchanges, stock abbreviations and stock codes	A-share: Shanghai Stock Exchange Stock abbreviation: 建設銀行 Stock code: 601939 H-share: The Stock Exchange of Hong Kong Limited Stock abbreviation: CCB Stock code: 939

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

RANKINGS AND AWARDS

The Banker	Ranked 12th in the "Top 1000 World Banks" Ranked 9th in the "Top 500 Global Financial Brands"
Fortune	Ranked 125th among the "Fortune Global 500"
Financial Times	Ranked 13th among the "FT Global 500"
福布斯 Forbes	Ranked 23rd in the "World's 2000 Biggest Public Companies 2009"
亚洲周刊 Yazhou Zhoukan	Ranked 3rd among the "Top 300 Asian Banks" One of the "Most Profitable Banks in China"
China Enterprise Confederation	Ranked 6th among the "Top 500 Enterprises of China"
Global Finance	Ranked 2nd among the "200 Biggest Emerging Market Banks" Best Corporate Lending, Domestic Bank Best Mortgage Loans Bank
21世纪经济报道	Ranked 3rd in the "Asian Bank Competitiveness Rankings" Best Customer Satisfaction Bank in Asia Excellent Financial Management Bank of the Year Excellent Private Banking Team of the Year
Euromoney	Best Bank in China
亚洲货币 Asiamoney	Best Domestic Bank in China
Outstanding China Enterprise Awards	Best Retail Bank in China
World Finance	Best Banking Group 2009, China and Hong Kong

Achievement Award for Risk Management in China

The Asset China's Most Promising Companies 2009
(Banking & Finance Group)
Best Subcustodian Bank, China

International Society of Six Sigma Professionals (ISSSP)

The Asia-Pacific Six Sigma Leadership Award

Corporate Governance Asia Recognition Award 2009

Best Risk Management Bank Award in China
Best Chinese E-bank Award

Silver Award in 2008 Vision Awards Annual Report Competition

Most Popular Car Owner Award
Excellence Award in Credit Card Business
Excellence Supporting Award for Olympic Platinum Visa Card

Best Auto Card Award
Best Product Design Award
Best Marketing Award

Best Fund Distributor Bank in China
Best Information Disclosure Website among Chinese Listed Companies

Best Financial Management Brand
Excellent Financial Management Centre

Best Corporate Social Responsibility Award
Best Asset Custodian Award
Best Small and Medium-sized Enterprise Service Award
Best Investment Banking Award

和讯 hexun.com	Best Online Banking Best Mobile Banking
金融界 JRJ.com	Best Security Award for Online Banking Best Risk Management Award for Mobile Banking
理财周报	Best Risk Control Private Banking Best Financial Management Product of the Banks Credit Card Brand with Highest Growing Potential
CECA 中国电子商务协会	Best Online Banking in China
China UnionPay	CUP Card Top Award for Comprehensive Business CUP Card Contribution Award for Overseas Business
Asian Sustainability Rating	Ranked 1st among the Chinese Banks in the Asian Sustainable Development Banks 2009
China Children and Teenagers' Fund	Best Unit with Greatest Passion for Children 2008
China News Weekly 中国红十字会 RED CROSS SOCIETY OF CHINA	The Most Responsible Enterprise in China's 30 Years of Reform and Opening Up
China Foundation for Poverty Alleviation	China Foundation for Poverty Alleviation-Special Contribution Award of the 20th anniversary
Working Committee on Corporate Citizenship of China Association of Social Workers	Excellent Corporate Citizenship of the 5th session of the committee award Most Social Responsible Entrepreneur in China in 2009
银行家 The Chinese Banker	Best Social Responsibility Award

HISTORICAL STOCK PRICES

	H-shares (HKD)			A-shares (RMB)		
	Year end closing price	Maximum Price in the Year	Minimum Price in the Year	Year end closing price	Maximum Price in the Year	Minimum Price in the Year
2009	6.67	7.46	3.62	6.19	6.75	3.67
2008	4.25	7.29	2.50	3.83	10.21	3.46
2007	6.61	8.97	3.96	9.85	11.58	6.45
2006	4.90	5.12	2.65	—	—	—

DIVIDEND RECORDS

	H-share Holders (RMB/Share)			A-share Holders (RMB/Share)		
	Interim Dividend	Final Dividend	Special Dividend	Interim Dividend	Final Dividend	Special Dividend
2009	—	0.202	—	—	0.202	—
2008	0.1105	0.0837	—	0.1105	0.0837	—
2007	0.067	0.065	0.072716	—	0.065	—
2006	—	0.092	—	—	—	—

Chairman's Statement

Dear shareholders,

In face of the complex economic and financial environment of 2009, the Group responded to various challenges by upholding its principle of proactive and prudent operations, further promoting business transformation, and fully upgrading customer services and risk management, and achieved multiple successes.

In 2009, our operating results again set impressively high records, with profitability indicators leading all the other global market players. The Group realised a net profit of RMB106,836 million, an increase of 15.32% over the previous year. Net fee and commission income rose by 25.00% year-on-year to RMB48,059 million, with its share in operating income rising to 17.84%. The return on average assets and the return on average equity were 1.24% and 20.87% respectively. The net interest margin stood at 2.41%. The board of directors of the Group recommended a cash dividend of RMB0.202 per share.

Our business grew at a reasonable pace in 2009. Besides providing good financial services to our customers and communities, we achieved balanced and sound lending by following our credit policy standards and not exceeding the risk limit. We innovated more financial products, improved credit resources allocations and enhanced financial service capabilities in various areas. We continued to leverage our traditional strength in infrastructure lending and housing finance. Infrastructure lending increased by 29.57%, or RMB351,411 million while residential mortgage loans rose by 41.35%, or RMB249,384 million. We also vigorously developed emerging businesses relating to small businesses, "agriculture, farmers and rural areas", and people's livelihood projects. Agriculture-related loans rose by 38.25%, or RMB163,096 million. The Group launched the "Minben Tongda" branded services for four major livelihood areas — education, medical care and health, social security and environmental protection, with related loans increasing by 48.56%.

With the New York branch and the subsidiary bank in London successively opening in 2009, the Group preliminarily achieved its goal of participating in 24-hour market transactions around the world. By establishing an agency relationship with more than 1,300 banks in nearly 130 countries and regions, we expanded our service channels with these agencies' network and notably raised our global customer service capability. In addition, the Group successfully acquired AIG Finance (Hong Kong) Ltd., acquired a controlling stake in Hefei Xingtai Trust Co. Ltd., and was granted approval to set up six rural banks, thus further optimising our diversified operating platform.

The Group has always adhered to its customer-focused philosophy, and actively built a specialised and differentiated customer service system, with improved service quality and customer satisfaction. In 2009, the Group completed the second phase transformation at 1,200 retail outlets after the first phase transformation of all outlets. Consequently, the average time customer service managers spent on customers increased by more than 30% on average. The Group set up 928 new, specialised operation centres for small business lending, wealth management, investment banking and annuity to provide customers with comprehensive financial services. We accelerated self-service facilities and e-banking building. With 36,000 Automatic Teller Machines (ATM) in operation, the Group surpassed its competitors around the world. The total number of transactions via self-service and e-banking channels was more than twice as big as that via physical outlets.

While achieving rapid business growth, the Group also reinforced its risk management. We further promoted credit structure adjustments, strengthened post-lending management and credit risk control, and continued to refine the management framework and policy system for market and operational risks, thus further enhancing our comprehensive risk control capability. We continued to outperform other large Chinese banks in asset quality as evidenced by declines in both the balance and ratio of non-performing loans. Our allowances to non-performing loans reached 175.77%.

The Group's remarkable performance was well recognised by the regulatory authorities, market and banking industry. The regulatory authorities approved of the Group's contribution in promoting economic development, preventing risk and regulating the pace of growth during the year. In 2009, we ranked 9th in *The Banker's* "Top 500 Global Financial Brands" and ranked 23rd in Forbes' "World's 2000 Biggest Public Companies 2009". We were named "Best Bank in China" by *Euromoney*, "Best Banking Group in China and Hong Kong" by World Finance, and "Best Domestic Bank in China" by *Asiamoney*.

While attaining excellent operating results, the Group has remained fully committed to its social responsibility as a financial institution. We have strived to improve our corporate image and promote harmony in society. The Group earnestly implemented the "green credit" policy and gave the environment criteria "veto power" in credit approvals. We continued to contribute to poverty alleviation programmes, donating RMB60 million to set up the "CCB Scholarships and Grants for College Students from Ethnic Minorities" in 2009. In addition, we continued working on a series of other social welfare programmes, including the construction and maintenance of the Hope Primary School, and the sponsorship programmes for impoverished high school students and for impoverished mothers of heroes & exemplary workers. The Group's efforts and practices in fulfilling its corporate social responsibility have gained wide recognition in the community. In CSR Asia's 2009 ranking, we ranked first among domestic Chinese banks for the second year in a row.

The Group's achievements are hard earned. I owe all this to the support and trust of our customers and shareholders, and the hard work of the Board, the board of supervisors, the management and all our staff. To these people, I would like to express my sincere gratitude.

Looking ahead to 2010, the economic and financial development at home and abroad is still full of uncertainties. The Group will still encounter many difficulties and challenges in its reform and development. Nevertheless, we will persist in adopting a sound operating strategy, strengthen capital planning and constraints, put greater emphasis on risk control and fundamental management, relentlessly pursue reform and innovation, further improve the specialisation and sophistication level of operating management, and strive to achieve a more impressive performance.

Guo Shuqing
Chairman

26 March 2010

President's Report

Dear Shareholders,

2009 was a very challenging year for the Chinese economy. Despite the complicated macro-economic environment, CCB maintained a prudent approach for its operations in line with the state's macro-economic policy of maintaining growth, boosting domestic demand, and adjusting economic structure. A proper balance was struck among business development, risk prevention and structural adjustments. Further, we achieved various operating goals and laid foundation for our sustainable development.

YEAR IN REVIEW 2009

Higher-than-expected profitability

In 2009, the Group achieved a net profit of RMB106,836 million, representing an increase of 15.32%. With return on average assets of 1.24% and return on average equity of 20.87%, the Bank remained one of the most profitable large commercial banks in the world.

Because of the PBC's series of interest rate cuts by the end of 2008, the Group's net interest income dropped by RMB13,035 million year-on-year. However, thanks to enhanced product innovation, increased marketing, and upgraded investment trading strategies, non-interest income soared by 28.11%, including a 25.00% rise in net fee and commission income. Braving challenges during the economic downturn, we continued to generate an operating income at a level comparable with 2008. Operating expenses climbed by 6.00% only as a result of improved overall cost management and reduced general administrative expenses.

The Group's total assets surged by 27.37% year-on-year to RMB9,623,355 million. Gross loans and advances to customers amounted to RMB4,819,773 million, 27.04% higher than that at the end of 2008. Loans were largely extended to infrastructure industries, highly-rated corporate customers, prime small businesses, and the personal mortgage sector. Total liabilities increased by 27.88% year-on-year to RMB9,064,335 million. Given an enlarged and solid customer base, deposits from customers grew by 25.49% to RMB8,001,323 million.

The non-performing loan ratio slid to 1.50%, a decrease of 0.71 percentage points over the previous year, as the Group continued to maintain good asset quality amid rapid business expansion. The allowances to non-performing loan ratio was 175.77%, a sharp rise of 44.19 percentage points over the previous year, reflecting the Group's prudent provisioning approach and its strong risk resistance capability. The Group's capital adequacy ratio was 11.70%, within the management targets.

Coordinated business development

During 2009, notwithstanding the global economic crisis, volatile markets and intensified competition, the Group seized development opportunities arising from the challenging operating environment, and attained satisfactory results in various business segments.

Remarkable performance in corporate banking

The profit before tax from corporate banking was RMB84,157 million, up 24.92% over 2008, accounting for 60.66% of the Group's total profit. The Group prudently controlled loan size and pace of growth, and adjusted loan structure to ensure its asset quality. We were first-movers in taking advantage of the state's macroeconomic policy adjustments and gained market and risk management advantages by completing a number of prime customer-targeted marketing campaigns and quality project reserve by the end of the first quarter of 2009. The Group continued to be a leading market player in infrastructure lending, while proactively growing its small enterprise lending business.

The Group pioneered innovative, integrated "Minben Tongda" branded financial service products with a focus on livelihood concerns such as education, medical care and health, social security, and environmental protection. In addition, our custodial services for enterprise annuities, investments, and securities investment funds developed in leaps and bounds. Targeting at small and medium-sized customers, the Group's self-developed new standardised enterprise annuities product "Yangyile" recorded rapid growth. We promoted small unsecured loans "Chengdaitong" at 22 branches, while granting small business margin loans at 7 branches on a trial basis. The Group extended RMB4,780 million in online banking loans to a total of 1,890 customers on an exclusive, pilot basis. Furthermore, the Group granted RMB12,500 million in Merger&Acquisition (M&A) loans to a total of 28 enterprises, outperforming its competitors.

Fast growth of personal banking

Personal banking made a profit before tax of RMB23,311 million, a rise of 15.12% over 2008, accounting for 16.80% of the Group's total profit before tax. Personal loans rose by 32.49% to RMB1,088,459 million, accounting for 22.58% of gross loans and advances to customers. Of these, residential mortgage loans increased by 41.35% to RMB852,531 million, with a non-performing ratio of 0.42%, 0.40 percentage points lower than at the end of the previous year. Personal deposits grew by 20.79% to RMB3,584,726 million, which provided the Group with a stable source of funds. The Group's credit card business development remained sound with the total number of cards issued expanding to 24.24 million and the total spending through these cards surging to RMB292,781 million for the year.

We significantly expanded our high-end customer base by 50% and the size of financial assets by 49% year-on-year. The Group had 131 wealth management centres and 4 private banking centres, in addition to its 4008895533 direct telephone banking services serving only individual high-end customers across the Bank. This formed a high-end customer service network with a focus on wealth management and private banking services.

After successfully transforming its retail outlets from a transaction and accounting focus to marketing and service-oriented functions, the Group proceeded to promote the transformation of VIP customer services from a product-driven approach to a customer-need-driven approach at 1,200 retail outlets. These outlets under the second-phase transformation recorded a rise of 14 percentage points in product sales by customer service managers, as well as a boost of VIP customer satisfaction.

Steady development in treasury business

The Group's investment portfolios grew fast. In the deployment of RMB funds, the Group improved its asset disposition and exercised stringent credit risk control. In the deployment of foreign currency funds, the Group mitigated exposures to credit risk from foreign currency debt securities, prudently conducted inter-bank lending business, and downsized foreign currency portfolios. We became an increasingly active trader and a more influential market player. The Group outperformed its competitors in terms of various business indicators, including the overall volume of government and policy bank bond underwriting, inter-bank bond market making, government bond sales, and the RMB/foreign exchange market trading. Our gold business developed rapidly, with an increase of 98.73% in aggregate trading volume and an increase of 62.54% in income. Moreover, the Group's branded physical gold business for individual customers continued to command the largest market share.

Income from investment banking business rose to RMB9,799 million, up 48.22% year-on-year. The Group provided its customers with financing of RMB304,300 million through equity investments, debt financing and trust loans. As a pioneer in the market, we launched a comprehensive, diverse financial service package known as "Financial Total Solution" (FITS). The Group achieved rapid progress in M&A and restructuring financial advisory services, which brought about a nearly 40-fold increase in business income year-on-year.

Strengthened risk management

The Group continued to give top priority to risk management. We refined our credit policies and stepped up credit structure adjustments in light of the changing operating environment. There were strengthened post-lending management, stringent credit approval processes, and quickened disposal of non-performing assets. Greater risk control was exercised over bond investments and customer-driven derivative trading. A market risk measurement system was put in place alongside improved market risk exposure limit management under the New Capital Accord. Operational risk management was reinforced in key areas in addition to increased self-assessment activities. Risk management and internal control mechanisms for overseas branches were enhanced. The building and application of risk management technology tools achieved marked effect, while various schemes were implemented at an accelerated speed under the New Capital Accord. In 2009, the Bank was awarded "Achievement Award for Risk Management in China" by *The Asian Banker* and "Best Bank in Risk Management in China" by *The Economic Observer*.

As part of our ongoing commitments to internal control, the Group has initially developed a unique, scientific and tight internal control system required in modern commercial banks. The Group will further develop and upgrade its internal control system as part of its management capability enhancement programme.

Accelerated business process development

The Group gauged the needs of internal and external customers by way of the "Voice of the Customer", the "Customer Reception Day", and the "Voice of the Internal Process Users". Business processes were then refined and standardised. During the year, 349 business process optimisation and standardisation projects were completed. As a result, income from operations increased, operating expenses dropped, and the handling time for banking business was shortened, while the average customer satisfaction level rose by 17 percentage points and the average error rate in handling business slid by nearly 15 percentage points. Moreover, the Group conducted training sessions with a focus on learning, practice, and application, and formed the first professional business process management team among peers.

Effective strategic cooperation

The Group achieved fruitful results in its strategic cooperation with Bank of America. We together implemented 11 strategic collaborative projects covering corporate banking, wealth management, human resources management, risk management, electronic banking, and information technology. Through the high net worth customer event-driven relationship management project, we stepped up more accurate marketing and closer relations campaigns targeting at wealth management and private banking customers. The small enterprise customer acquisition and sales process improvement project enabled us to not only enhance our existing credit rating and approval tools, but heighten our ability to identify, and promote products to, small business target customers. Through the website sales process optimisation project, the Group improved and updated web pages on its fund products for enhancing customer experience. In 2009, we partnered with Bank of America in over 60 experience-sharing projects. In addition, the Group's 24 mid-level management staff participated 3 sessions of on-the-job training in the U.S.

OUTLOOK FOR 2010

From 2010, the world economy is on track for a rebound, but remains volatile. Despite an economic upturn, China is still facing a lot of difficulties and challenges. The Chinese government is tasked mainly with transforming development modes and managing inflation expectation. That means the state's macro-economic policies will become more flexible and well-targeted. Against this backdrop, we will enhance judgement and sensitivity over government policies and markets. We will play a dual role of serving the national economy and expanding our banking activities. By capitalising on the changing economic development modes, we will transform its existing operations and upgrade its development capabilities with a view to a sustainable business growth.

- enhance capital restraint and risk management. Gross loan volume will be subject to control and a balanced loan extension will be maintained. In adopting credit structure adjustments policy of "promoting some loans while curtailing others, advancing the superior while exiting the inferior”, we will continue to focus on infrastructure lending and personal residential mortgage businesses in which we enjoy traditional advantage, while expanding new strategic loan business such as small business loans, factoring, and online banking. Post-lending management and risk control will also be strengthened.

- upgrade specialisation and sophistication level by reform and innovation. With continued functional integration for corporate banking, a specialised and differentiated customer service system will take form. We will complete further transformation of retail outlets, reinforce centralised management of middle and back office operations, and increase front-desk customer service personnel.

- strengthen growing fee-based business by increasing product research and development, refining business strategies, and boosting marketing and training activities in order to widen the share of net fee and commission income.

- strengthen the building of customer base and adjustment of customer structure. We will target corporate customers varied with establishment size in corporate banking, and improve our abilities of identifying affluent and high net worth customers and enhancing cross-selling and management in personal banking.

- develop and improve its electronic banking services. We will see the enhancement of customer experience as the core of its electronic banking channel, enlarge the customer base in electronic banking, provide more access to these services and increase our competitiveness in this segment.

- enhance its pricing and cost management ability. We will implement differentiated pricing according to factors such as customer contribution, and reduce costs by launching business process optimisation and resource integration projects and leveraging the information technology, electronics and internet development.

In 2010, faced with challenges, we will grasp the opportunity to forge ahead, with outstanding results in return for shareholders and society. In addition, I would like to express my thanks to the staff for their hard work and efforts, as well as to directors and supervisors for their strong support. I sincerely hope that our customers will, as always, continue to support and care for the Group’s development.

Zhang Jianguo
Vice chairman, executive director and president
26 March 2010

FINANCIAL REVIEW

In 2009, the world economy was on track for a rebound, thanks to massive economic stimulus packages. However, the economic turnaround was not secure enough. The United States, the Eurozone, and Japan were slow in economic recovery, all facing record-high unemployment rates. In contrast, emerging market economies, Asian economies in particular, enjoyed a more noticeable economic upturn. As reported by the International Monetary Fund, the global economy grew by -0.8% during the year, down 3.8 percentage points from 2008.

Under extremely complicated economic environment both at home and abroad, the Chinese government adhered to proactive fiscal policies and moderately loose monetary policies. In response to the global financial crisis, wide-ranging stimulus packages were also underway and modified on an ongoing basis. As a result, China became one of the first to achieve overall economic recovery. China achieved faster GDP growth rates each quarter during the year, and China's GDP increased by 8.7% to RMB33.5 trillion over 2008.

In general, the Chinese financial market performed in a sound manner in 2009, with ample liquidity. Money market transactions were active and interest rates bottomed out. The overall bond yield curve rose gradually, while the bond issuance size grew rapidly. Share trading volume expanded significantly with sharp rises in share indices. The insurance sector maintained steady growth and the foreign exchange market remained stable. Money supply and credit grew rapidly. At the end of 2009, the outstanding broad money M2 rose by 27.7% to RMB60.6 trillion, and the narrow money M1 rose by 32.4% to RMB22.0 trillion. Loans made in RMB soared by 31.7% to RMB40.0 trillion over the previous year.

As an established state-owned commercial bank in China, we made overall planning and all-round consideration, and struck a proper balance among business development, risk prevention and structure adjustments. Thanks to these initiatives, the Group achieved better-than-expected results.

Income Statement Analysis

In 2009, the Group recorded profit before tax of RMB138,725 million, up 15.85% over the previous year. Net profit was RMB106,836 million, 15.32% higher than that of the previous year. The double-digit increases of profit before tax and net profit were brought about mainly by the following: First, we were actively engaged in service and product innovation. Net fee and commission income continued to surge by RMB9,613 million, or 25.00%, over 2008. Second we reinforced risk management and improved asset quality. Impairment losses on assets dropped by RMB25,369 million, or 49.91%, over 2008. Third, we moderately increased credit supply. The average balance of interest-earning assets significantly rose by 26.86% over 2008, which, to some extent, offset negative effects of the PBC's drastic interest rate cuts at the end of 2008.

(In millions of RMB, except percentages)	**Year ended 31 December 2009**	Year ended 31 December 2008	**Change (%)**
Net interest income	**211,885**	224,920	(5.80)
Net fee and commission income	**48,059**	38,446	25.00
Other operating income	**9,370**	6,381	46.84
Operating income	**269, 314**	269,747	(0.16)
Operating expenses	**(105,146)**	(99,193)	6.00
Impairment losses	**(25,460)**	(50,829)	(49.91)
Share of profits less losses of associates and jointly controlled entities	**17**	16	6.25
Profit before tax	**138,725**	119,741	15.85
Income tax expense	**(31,889)**	(27,099)	17.68
Net profit	**106,836**	92,642	15.32

Net interest income

In 2009, the Group's net interest income was RMB211,885 million, a decrease of RMB13,035 million, or 5.80%, over the previous year.

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

	Year ended 31 December 2009			Year ended 31 December 2008		
(In millions of RMB, except percentages)	**Average balance**	**Interest income/ expense**	**Average yield/cost (%)**	Average balance	Interest income/ expense	Average yield/cost (%)
Assets						
Gross loans and advances to customers	**4,466,885**	**240,053**	**5.37**	3,520,537	251,943	7.16
Investment in debt securities[1]	**2,303,673**	**71,666**	**3.11**	2,193,646	79,877	3.64
Deposits with central banks	**1,248,222**	**18,511**	**1.48**	1,016,396	17,960	1.77
Deposits and placements with banks and non-bank financial institutions	**70,803**	**740**	**1.05**	77,759	1,971	2.53
Financial assets held under resale agreements	**720,596**	**8,493**	**1.18**	136,428	4,749	3.48
Total interest-earning assets	**8,810,179**	**339,463**	**3.85**	6,944,766	356,500	5.13
Total allowances for impairment losses	**(134,903)**			(112,408)		
Non-interest-earning assets	**232,659**			219,833		
Total assets	**8,907,935**	**339,463**		7,052,191	356,500	
Liabilities						
Deposits from customers	**7,365,802**	**110,976**	**1.51**	5,778,316	117,160	2.03
Deposits and placements from banks and non-bank financial institutions	**759,678**	**13,123**	**1.73**	606,592	11,124	1.83
Financial assets sold under repurchase agreements	**611**	**11**	**1.80**	18,468	571	3.09
Debt securities issued	**90,244**	**3,441**	**3.81**	51,332	2,426	4.73
Other interest-bearing liabilities	**752**	**27**	**3.59**	8,224	299	3.64
Total interest-bearing liabilities	**8,217,087**	**127,578**	**1.55**	6,462,932	131,580	2.03
Non-interest-bearing liabilities	**155,634**			146,025		
Total liabilities	**8,372,721**	**127,578**		6,608,957	131,580	
Net interest income		**211,885**			224,920	
Net interest spread			**2.30**			3.10
Net interest margin			**2.41**			3.24

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

During the year, the PBC lowered benchmark deposit and lending rates and relaxed the minimum limit for floating interest rates for residential mortgage loans alongside dropping market interest rates. This prompted a substantial year-on-year decrease in yields on major interest-earning assets such as loans and advances to customers, investments in debt securities and financial assets held under resale agreements. The proportion of the average balance of the low-yield financial assets held under resale agreements in total interest-earning assets also rose compared with last year. This resulted in a drop of 128 basis points in the average yield on overall interest-earning assets over 2008 to 3.85%.

Lower average costs of major liabilities such as deposits from customers and deposits and placements from banks and non-bank financial institutions over the previous year were partly offset by the increased proportion of the average balance of time deposits in total interest-bearing liabilities. This resulted in a drop of 48 basis points in the average cost of overall interest-bearing liabilities over 2008 to 1.55%.

As a result of the asymmetric interest rate cuts by the PBC and the mismatching repricing of loans and deposits, the decline in the average yield of interest-earning assets was higher than that of the average cost for interest-bearing liabilities. As a result, net interest spread fell by 80 basis points to 2.30% over 2008. Net interest income for the year slid by 5.80%, while the average balance of interest-earning assets grew by 26.86%, lowering net interest margin by 83 basis points to 2.41%.

Thanks to the gradual macroeconomic recovery, the bottoming out of market interest rates and the narrowing mismatch between loans and deposits repricing, the Group effectively contained the net interest margin contraction from the second half of 2009. In 2009, the Group's net interest margin was 2.41%, down by 2.03%, or 5 basis points only, over that of the first half of 2009; while net interest margin for the first half of 2009 dropped by 24.07%, or 78 basis points, over 2008.

The following table shows the effects of the movement of the average balances and average interest rates of the Group's assets and liabilities on the change in interest income or expense for 2009 versus 2008.

(In millions of RMB)	Volume factor[1]	Interest rate factor[1]	Change in interest income/expense
Assets			
Gross loans and advances to customers	59,058	(70,948)	(11,890)
Investment in debt securities	3,848	(12,059)	(8,211)
Deposits with central banks	3,732	(3,181)	551
Deposits and placements with banks and non-bank financial institutions	(163)	(1,068)	(1,231)
Financial assets held under resale agreements	8,683	(4,939)	3,744
Change in interest income	75,158	(92,195)	(17,037)
Liabilities			
Deposits from customers	28,012	(34,196)	(6,184)
Deposits and placements from banks and non-bank financial institutions	2,654	(655)	1,999
Financial assets sold under repurchase agreements	(391)	(169)	(560)
Debt securities issued	1,558	(543)	1,015
Other interest-bearing liabilities	(268)	(4)	(272)
Change in interest expenses	31,565	(35,567)	(4,002)
Change in net interest income	43,593	(56,628)	(13,035)

1. Change caused by both average balances and average interest rates (based on respective proportions of absolute values of volume factor and interest rate factor) has been allocated to volume factor and interest rate factor respectively.

Net interest income decreased by RMB13,035 million over the previous year, in which the increase of RMB43,593 million was due to the movement of average balances of assets and liabilities, and the decrease of RMB56,628 million was due to the movement of average yields or costs.

Interest income

The Group's interest income in 2009 was RMB339,463 million, a decrease of RMB17,037 million, or 4.78%, over 2008.

Interest income from loans and advances to customers

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

(In millions of RMB, except percentages)	**Year ended 31 December 2009**			Year ended 31 December 2008		
	Average balance	**Interest income**	**Average yield (%)**	Average balance	Interest income	Average yield (%)
Corporate loans	**3,141,020**	**184,420**	**5.87**	2,515,553	184,797	7.35
Short-term loans	**945,102**	**51,809**	**5.48**	844,425	60,829	7.20
Medium to long-term loans	**2,195,918**	**132,611**	**6.04**	1,671,128	123,968	7.42
Personal loans	**951,062**	**47,396**	**4.98**	771,646	54,345	7.04
Discounted bills	**244,878**	**5,156**	**2.11**	118,954	7,586	6.38
Overseas operations	**129,925**	**3,081**	**2.37**	114,384	5,215	4.56
Gross loans and advances to customers	**4,466,885**	**240,053**	**5.37**	3,520,537	251,943	7.16

Interest income from loans and advances to customers was RMB240,053 million, a decrease of RMB11,890 million, or 4.72%, over the previous year, mostly as a result of the sharp decline of average yield on loans and advances to customers, which was partly offset by the increase of the average balance. In these loans and advances, the average yields on corporate loans, personal loans and bill discounting business dropped by 148,206 and 427 basis points respectively over the previous year. In corporate loans, the average yields on short-term loans maturing within one year and medium to long-term loans decreased by 172 basis points to 5.48% and 138 basis points to 6.04% respectively over the previous year.

Interest income from investments in debt securities

The Group's interest income from investments in debt securities was RMB71,666 million, down by RMB8,211 million, or 10.28%, over 2008. This was mainly attributable to the lower yield on RMB-denominated debt securities investment portfolio amid falling market interest rates, and lower interest income from foreign currency-denominated debt securities investment due to reduced holdings.

Interest income from deposits with central banks

Interest income from deposits with central banks amounted to RMB18,511 million, a rise of RMB551 million, or 3.07%, over 2008. This was mainly because the average balance of deposits with central banks grew by 22.81% in line with a significant increase in deposits from customers.

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

Interest income from deposits and placements with banks and non-bank financial institutions decreased by RMB1,231 million to RMB740 million over 2008. This was largely due to an ongoing decrease of interest rates in the money market, which drove the average yield down by 148 basis points to 1.05%.

Interest income from financial assets held under resale agreements

Interest income from financial assets held under resale agreements rose by RMB3,744 million, or 78.84%, year-on-year to RMB8,493 million. This mainly resulted from the 428.19% increase in the average balance as the Group increased bonds and bills held under resale agreements to raise short-term fund utilisation efficiency.

Interest expense

In 2009, the Group's interest expense was RMB127,578 million, a decrease of RMB4,002 million, or 3.04%, over 2008.

Interest expense on deposits from customers

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

	Year ended 31 December 2009			Year ended 31 December 2008		
(In millions of RMB, except percentages)	**Average balance**	**Interest expense**	**Average cost (%)**	Average balance	Interest expense	Average cost (%)
Corporate deposits	**3,881,642**	**50,150**	**1.29**	3,068,572	53,646	1.75
Demand deposits	**2,515,095**	**15,662**	**0.62**	2,073,951	20,207	0.97
Time deposits	**1,366,547**	**34,488**	**2.52**	994,621	33,439	3.36
Personal deposits	**3,394,676**	**60,286**	**1.78**	2,641,783	61,725	2.34
Demand deposits	**1,275,657**	**4,719**	**0.37**	1,029,051	6,451	0.63
Time deposits	**2,119,019**	**55,567**	**2.62**	1,612,732	55,274	3.43
Overseas operations	**89,484**	**540**	**0.60**	67,961	1,789	2.63
Total deposits from customers	**7,365,802**	**110,976**	**1.51**	5,778,316	117,160	2.03

Interest expense on deposits from customers stood at RMB110,976 million, representing a decrease of RMB6,184 million, or 5.28%, over 2008. This resulted mainly from a fall of 52 basis points to 1.51% in the average cost of deposits, thanks to downward adjustments of the PBC's benchmark deposit rates, despite being partly offset by the average balance growth of deposits.

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

Interest expense on deposits and placements from banks and non-bank financial institutions reached RMB13,123 million, a rise of RMB1,999 million, or 17.96%, over 2008, largely because the average balance from banks and non-bank financial institutions increased amid the capital market rebound.

Interest expense on financial assets sold under repurchase agreements

Interest expense on financial assets sold under repurchase agreements sharply decreased year-on-year to RMB11 million. This was primarily because of a huge drop in the balance of these assets.

Net Fee and Commission Income

(In millions of RMB, except percentages)	**Year ended 31 December 2009**	Year ended 31 December 2008	Change in amount	Change (%)
Fee and commission income	**49,839**	40,056	9,783	24.42
Consultancy and advisory fees	**10,962**	6,998	3,964	56.64
Agency service fees	**9,840**	10,289	(449)	(4.36)
Bank card fees	**9,186**	7,153	2,033	28.42
Commission on trust and fiduciary activities	**6,672**	4,759	1,913	40.20
Settlement and clearing fees	**6,308**	4,797	1,511	31.50
Guarantee and credit commitment fees	**2,775**	3,102	(327)	(10.54)
Others	**4,096**	2,958	1,138	38.47
Fee and commission expenses	**(1,780)**	(1,610)	(170)	10.56
Net fee and commission income	**48,059**	38,446	9,613	25.00

The Group realised a net fee and commission income of RMB48,059 million, an increase of RMB9,613 million, or 25.00%, over 2008. The ratio of net fee and commission income to operating income rose by 3.59 percentage points over 2008 to 17.84%.

Consultancy and advisory fees increased by RMB3,964 million, or 56.64%, to RMB10,962 million. The Group provided customers with comprehensive, diversified financial advisory services based on their specific situation, as well as investment and financing needs. Income from this segment was RMB7,141 million, up by RMB2,182 million, or 44%, from 2008. Prompted by the implementation of major infrastructural projects all over China under the state's investment initiatives, the Group was increasingly involved in cost advisory and funding monitoring services for these projects. Income from cost advisory service soared by 106% to RMB3,579 million.

Agency service fees decreased by RMB449 million to RMB9,840 million over the previous year, largely because of a drastic decrease in fees from customer-driven foreign exchange trading and fund agency services amid the financial crisis and the high volatility of the domestic capital market.

Bank card fees grew by RMB2,033 million, or 28.42%, to RMB9,186 million. Fees from debit cards surged by 83%, largely due to the continued stable growth in the consumer spending and transactions through self-service facilities, following increased marketing efforts and resources invested, optimised customer base and improved card quality.

Commission on trust and fiduciary business rose by RMB1,913 million, or 40.20%, to RMB6,672 million. Thanks to the Group's improved business processes, enhanced operating efficiency, and increased product innovation, fees from the "Safe Deal" fund custody service, syndicated loans, and wealth management business climbed by 195%, 116%, and 31%, respectively.

Settlement and clearing fees climbed by RMB1,511 million, or 31.50%, to RMB6,308 million. Fees from corporate banking settlements rose by 90% to RMB2,876 million, largely because of the Group's proactive marketing and quality service.

Guarantee and credit commitment fees decreased by RMB327 million to RMB2,775 million, mainly because credit commitment services dwindled considerably as a result of policy adjustments.

Other fees increased by RMB1,138 million, or 38.47%, to RMB4,096 million, of which income from electronic banking grew by 66% to RMB1,889 million. These increases resulted primarily from the Group's expanded sales channels, fostered use of electronic access, improved business systems, and enhanced business service efficiency and quality.

Net Gain on Investment Securities

Net gain on investment securities was RMB4,471 million, largely because the Group timely adjusted its bond product mix and maturity profile to manage market risk and credit risk amid the warming-up financial market, and reaped gain by capitalising on market opportunities.

Other Net Operating Income

In 2009, the Group recorded other net operating income of RMB2,566 million, in which there was a net foreign exchange loss of RMB250 million, a net gain of RMB110 million on disposals of fixed assets, a net gain of RMB356 million on disposals of repossessed assets, and other income of RMB2,350 million.

The specific composition of foreign exchange exposures as at 31 December 2009 and the respective gains or losses for 2009 are set out below:

	As at 31 December 2009 Composition of foreign exchange exposures			Year ended 31 December 2009
(In millions of RMB)	On balance sheet	Off-balance sheet	Total	Foreign exchange gain or loss
Foreign currency assets and proprietary financial derivatives	58,542	(58,542)	–	(330)
Others	14,633	4,504	19,137	80
Net foreign exchange exposure	73,175	(54,038)	19,137	
Net foreign exchange gain				(250)

1. Foreign exchange exposures are expressed in RMB. Positive and negative figures represent long and short positions respectively.

2. Financial derivatives represent currency derivatives.

3. The net foreign exchange exposures represent the position shown in "Currency Concentrations" of the unaudited supplementary financial information.

Foreign currency assets and proprietary financial derivatives

In 2009, in order to minimise market risk associated with foreign currency business, the Group reduced relevant derivative transaction exposures, driving down the trading balance of foreign currency assets and proprietary financial derivatives. Net loss on foreign currency assets was RMB330 million, after taking into account the effect of the financial derivatives for hedging purposes. This was mainly because of a decrease in net gain on currency interest rate swap contracts, brought about by a drop of their trading balances when some of them expired consecutively during the year. Furthermore, changes of US dollar and RMB interest rate curves also led to revaluation loss on proprietary financial derivatives.

Other net exchange gains

In 2009, the Group realised other net exchange gains of RMB80 million. Net gain from customer-driven forex trading was RMB73 million, with a decrease from 2008. This was mainly due to reduced balances of customer-driven forex transactions as well as forward forex transactions caused by dwindling imports and exports as well as stable expectations for RMB revaluation.

Operating Expenses

(In millions of RMB, except percentages)	**Year ended 31 December 2009**	Year ended 31 December 2008
Staff costs	**51,138**	46,657
Premises and equipment expenses	**16,755**	14,957
Business tax and surcharges	**15,972**	15,793
Others	**21,281**	21,786
Total operating expenses	**105,146**	99,193
Cost-to-income ratio	**39.04%**	36.77%

In 2009, the total operating expenses increased by 6.00% year-on-year to RMB105,146 million, while the Group continued to strengthen cost controls and improve cost structures.

Staff costs rose by RMB4,481 million, or 9.60%, year-on-year to RMB51,138 million. The rise of cost was lower than those of profit before tax and net profit.

Premises and equipment expenses rose by RMB1,798 million, or 12.02%, to RMB16,755 million from 2008, largely because of fast growth of basic operating costs, including depreciation, rents, and property management fees, with the reinforced outlet transformation in recent years and rising rentals and property management fees.

Business tax and surcharges increased by RMB179 million, or 1.13%, year-on-year to RMB15,972 million.

The Group's other operating expenses fell by RMB505 million, or 2.32%, to RMB21,281 million, mainly because of the Group's effective cost management and control. With improved cost structures, meeting expenses and entertainment expenses dropped by 29.55% and 12.51%, respectively, over 2008, with assured basic expenditure for the support of business development.

The cost-to-income ratio climbed by 2.27 percentage points to 39.04% from 2008, as operating expenses recorded a slightly higher growth than that of operating income.

Provisions for Impairment Losses

(In millions of RMB)	**Year ended 31 December 2009**	Year ended 31 December 2008
Loans and advances to customers	**24,256**	36,246
Investments	**1,112**	13,237
Available-for-sale financial assets	**1,004**	10,756
Held-to-maturity investments	**76**	3,126
Debt securities classified as receivables	**32**	(645)
Fixed assets	**2**	28
Others	**90**	1,318
Total provisions for impairment losses	**25,460**	50,829

In 2009, the provisions for impairment losses totalled RMB25,460 million, a fall of RMB25,369 million from 2008. In this amount, the provisions for impairment losses on loans and advances to customers were RMB24,256 million; those on investments were RMB1,112 million; other provisions were RMB90 million, in which provisions for impairment losses on repossessed assets were RMB121 million.

Provisions for impairment losses on loans and advances to customers

During 2009, the Group incurred impairment losses of RMB24,256 million on loans and advances to customers, a decrease of RMB11,990 million from 2008, primarily due to improved credit asset quality amid the gradual economic upturn.

Provisions for impairment losses on investments

During 2009, provisions for impairment losses on investments decreased by RMB12,125 million to RMB1,112 million year-on-year. In this amount, the provisions for impairment losses on available-for-sale financial assets declined by RMB9,752 million over 2008. This was mainly because the foreign currency bond market bottomed out as the US economic recession slowed down and the Group reduced its holding of foreign currency bonds substantially.

Income Tax Expense

In 2009, the Group's income tax expense reached RMB31,889 million, an increase of RMB4,790 million from 2008. The Group's effective income tax rate was 22.99%, lower than the 25% statutory rate, largely because the interest income from the PRC government bonds held by the Group was non-taxable in accordance with tax regulations. Income tax expense details are set out in the note "Income Tax Expense" to the financial statements in this report.

Balance Sheet Analysis

Assets

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

	As at 31 December 2009		As at 31 December 2008	
(In millions of RMB, except percentages)	**Amount**	**% of total**	Amount	% of total
Gross loans and advances to customers	**4,819,773**		3,793,943	
Allowances for impairment losses on loans	**(126,826)**		(110,368)	
Net loans and advances to customers	**4,692,947**	**48.77**	3,683,575	48.75
Investment securities[1]	**2,559,928**	**26.60**	2,144,439	28.38
Cash and deposits with central banks	**1,458,648**	**15.16**	1,247,450	16.51
Deposits and placements with banks and non-bank financial institutions	**123,380**	**1.28**	49,932	0.66
Financial assets held under resale agreements	**589,606**	**6.13**	208,548	2.76
Financial assets at fair value through profit or loss	**18,871**	**0.20**	50,309	0.67
Interest receivable	**40,345**	**0.42**	38,317	0.51
Other assets[2]	**139,630**	**1.44**	132,882	1.76
Total assets	**9,623,355**	**100.00**	7,555,452	100.00

1. These comprise available-for-sale financial assets, held-to-maturity investments, and debt securities classified as receivables.

2. These comprise precious metals, positive fair value of derivatives, interests in associates and jointly controlled entities, fixed assets, intangible assets, goodwill, long-term lease prepayments, deferred tax assets and other assets.

As at 31 December 2009, the Group's total assets amounted to RMB9,623,355 million, an increase of RMB2,067,903 million, or 27.37%, over 2008. Gross loans and advances to customers grew by RMB1,025,830 million, or 27.04%, over the previous year. This was mainly because in line with the macroeconomic policy of securing growth and boosting domestic demand, the Group increased loans to prime projects and key customers under effective risk control. The Group also expanded loans to livelihood areas with great market potentials and robust customer demand. Investment securities increased by RMB415,489 million, largely due to increased holdings of government bonds, bonds issued by policy banks, and unsecured bonds with high ratings. The Group's cash and deposits with central banks increased by RMB211,198 million, or 16.93%, over the previous year, chiefly due to a rise of the statutory deposit reserve with the substantial increase in deposits from customers. Deposits and placements with banks and non-bank financial institutions rose by RMB73,448 million, mainly due to increases in deposits with banks and non-bank financial institutions. Financial assets held under resale agreements surged by RMB381,058 million and their proportion to total assets went up by 3.37 percentage points compared with 2008. This was primarily because the Group increased bonds and bills held under resale agreements in order to enhance fund utilisation efficiency.

Loans and advances to customers

(In millions of RMB, except percentages)	**As at 31 December 2009** Amount	% of total	As at 31 December 2008 Amount	% of total
Corporate loans	**3,351,315**	**69.53**	2,689,784	70.90
Short-term loans	**915,674**	**19.00**	855,397	22.55
Medium to long-term loans	**2,435,641**	**50.53**	1,834,387	48.35
Personal loans	**1,088,459**	**22.58**	821,531	21.65
Residential mortgage loans	**852,531**	**17.69**	603,147	15.90
Personal consumer loans	**78,651**	**1.63**	74,964	1.98
Other loans[1]	**157,277**	**3.26**	143,420	3.77
Discounted bills	**228,361**	**4.74**	163,161	4.30
Overseas operations	**151,638**	**3.15**	119,467	3.15
Gross loans and advances to customers	**4,819,773**	**100.00**	3,793,943	100.00

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

As at 31 December 2009, the Group's gross loans and advances to customers rose by RMB1,025,830 million, or 27.04% over 2008, to RMB4,819,773 million.

Corporate loans reached RMB3,351,315 million, an increase of RMB661,531 million, or 24.59%, over 2008. Corporate loans accounted for 69.53% of gross loans and advances to customers, 1.37 percentage points lower than that of the previous year. In this amount, infrastructure loans amounted to RMB1,539,898 million, with the new infrastructure loans accounting for 53.12% of the new corporate loans. This was mainly because the Group capitalised on its traditional strength in infrastructure financing, and extended loans to prime infrastructure projects to meet the strong demand for infrastructure loans triggered by the government policy of boosting domestic demand. Loans to key livelihood areas, such as education and health, rose by 48.56% to RMB190,412 million, much higher than the average growth of corporate loans.

The Group also reinforced credit structure adjustment and risk control, by studying general directions and development trends of various industries and adopting differentiated strategies, including entering, promoting, controlling, curtailing, and exiting, based on different regions, customers and industries. The proportion of loans to the following industries under strict control such as high pollution, high energy consumption and excess capacity industries, as well as real estate and manufacturing industries decreased by 2.89, 1.24, and 0.81 percentage points, respectively, from early 2009. By improving its credit entry and exit system and implementing stringent lending criteria and selecting the best possible customers, the balance of corporate loans under the "exit" category decreased by RMB76,700 million compared to the previous year. The proportion of loans to customers with internal credit ratings of A or above went up 2.64 percentage points to 91.98% compared to the previous year.

Personal loans increased by RMB266,928 million, or 32.49% over 2008, to RMB1,088,459 million, which accounted for 22.58% of gross loans and advances to customers with a rise of 0.93 percentage points. In this amount, the residential mortgage loans, mainly to finance self-occupied home purchases, rose by RMB249,384 million, or 41.35%; personal consumer loans grew by RMB3,687 million, or 4.92%; and other loans rose by RMB13,857 million, or 9.66%. Amid complicated market changes, the Group took active measures to avoid systemic risk in regional markets, and primarily met credit needs of premium personal customers.

Discounted bills increased by RMB65,200 million, or 39.96%, year-on-year to RMB228,361 million, largely to meet the short-term financing needs of targeted prime customers.

Loans and advances to overseas customers increased by RMB32,171 million, or 26.93% over 2008, to RMB151,638 million, which was largely attributable to the fast loan increase in Hong Kong.

Distribution of loans by type of collateral

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

	As at 31 December 2009		As at 31 December 2008	
(In millions of RMB, except percentages)	**Amount**	**% of total**	Amount	% of total
Unsecured loans	**1,291,942**	**26.81**	947,785	24.98
Guaranteed loans	**997,157**	**20.69**	811,228	21.38
Loans secured by tangible assets other than monetary assets	**2,062,981**	**42.80**	1,650,208	43.50
Loans secured by monetary assets	**467,693**	**9.70**	384,722	10.14
Gross loans and advances to customers	**4,819,773**	**100.00**	3,793,943	100.00

Allowances for impairment losses on loans and advances

	Year ended 31 December 2009			
		Allowances for impaired loans and advances		
(In millions of RMB)	**Allowances for loans and advances which are collectively assessed**	**which are collectively assessed**	**which are individually assessed**	**Total**
As at 1 January	**54,122**	**5,698**	**50,548**	**110,368**
Charge for the year	**21,094**	**25**	**19,296**	**40,415**
Release during the year	**—**	**(134)**	**(16,025)**	**(16,159)**
Unwinding of discount	**—**	**—**	**(1,270)**	**(1,270)**
Acquisition of subsidiaries	**412**	**4**	**—**	**416**
Transfers in/(out)	**—**	**(77)**	**(360)**	**(437)**
Write-offs	**—**	**(724)**	**(6,121)**	**(6,845)**
Recoveries	**—**	**46**	**292**	**338**
As at 31 December	**75,628**	**4,838**	**46,360**	**126,826**

In 2009, the Group maintained a prudent approach by making full provisions for impairment losses in strict accordance with accounting standards, after fully considering changes in the economic environment and impacts of macroeconomic adjustments. As at 31 December 2009, the allowances for impairment losses on loans and advances to customers increased by RMB16,458 million to RMB126,826 million from 2008, while the ratio of allowances to non-performing loans was 175.77%, up 44.19 percentage points year-on-year.

Investments

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

	As at 31 December 2009		As at 31 December 2008	
(In millions of RMB, except percentages)	**Amount**	**% of total**	Amount	% of total
Financial assets at fair value through profit or loss	**18,871**	**0.73**	50,309	2.29
Available-for-sale financial assets	**651,480**	**25.26**	550,838	25.10
Held-to-maturity investments	**1,408,873**	**54.64**	1,041,783	47.47
Debt securities classified as receivables	**499,575**	**19.37**	551,818	25.14
Total investments	**2,578,799**	**100.00**	2,194,748	100.00

As at 31 December 2009, total investments increased by RMB384,051 million to RMB2,578,799 million over 2008. Financial assets at fair value through profit or loss slid by RMB31,438 million, or 62.49%, chiefly attributable to a reduced holding of trading debt securities. Available-for-sale financial assets climbed by RMB100,642 million, in which available-for-sale debt securities investments increased by RMB91,384 million, mainly because the Group held more debt securities issued by the government, banks, non-bank financial institutions and other enterprises; available-for-sale equity investments rose by RMB9,258 million, primarily because of a surge in the fair value of the listed shares held through debt equity swaps in line with the domestic capital market recovery. Held-to-maturity investments increased by RMB367,090 million, largely due to an expanded holding of debt securities issued by the government, the PBC, and policy banks. Debt securities classified as receivables decreased by RMB52,243 million, mainly due to a full redemption of non-transferable PBC bills with a nominal value of RMB63,354 million specifically issued to China Construction Bank, upon maturity in June 2009.

Debt securities investments

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

	As at 31 December 2009		As at 31 December 2008	
(In millions of RMB, except percentages)	**Amount**	**% of total**	Amount	% of total
Debt securities investments in RMB	**2,492,869**	**97.77**	2,068,230	95.04
Debt securities investments in foreign currency	**56,859**	**2.23**	107,890	4.96
Total debt securities investments	**2,549,728**	**100.00**	2,176,120	100.00

Debt securities investments in foreign currency

The following table shows the composition of the US sub-prime mortgage loan backed securities held by the Group at the end of 2009.

(In million of US dollars)	Allowances for impairment losses	Carrying amount[1]
US sub-prime mortgage debts	**(269)**	**109**
First lien debt securities	**(189)**	**103**
Second lien debt securities	**(80)**	**6**
Related residential mortgage collateralised debt obligations (CDO)	**(453)**	**—**
Total	**(722)**	**109**

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

As at 31 December 2009, the carrying amount of the foreign currency debt securities investment portfolio held by the Group was US$8,328 million (or RMB56,859 million).

As at 31 December 2009, the carrying amount of US sub-prime mortgage loan backed securities held by the Group was US$109 million (or RMB741 million), accounting for 1.30% of the foreign currency debt securities investment portfolio. The allowances for impairment losses on such securities were US$722 million (or RMB4,927 million).

As at 31 December 2009, the carrying amount of the Alt-A bonds held by the Group was US$193 million (or RMB1,318 million), accounting for 2.32% of the foreign currency debt securities investment portfolio. The allowances for impairment losses on such securities were US$264 million (or RMB1,802 million).

The Group has prudently made provisions for impairment losses on the above debt securities investments based on their credit profile and market factors, and will continue to monitor any future changes in the US credit market.

Interest receivable

As at 31 December 2009, the Group's interest receivable was RMB40,345 million, an increase of RMB2,029 million, or 5.29%, over 2008. The allowances for impairment losses on interest receivable was RMB1 million, which was made in full against interest receivable arising from debt securities investments overdue for more than three years.

Liabilities

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

	As at 31 December 2009		As at 31 December 2008	
(In millions of RMB, except percentages)	**Amount**	**% of total**	Amount	% of total
Deposits from customers	**8,001,323**	**88.27**	6,375,915	89.96
Deposits and placements from banks and non-bank financial institutions	**812,905**	**8.97**	490,572	6.92
Financial assets sold under repurchase agreements	**—**	**—**	864	0.01
Debt securities issued	**98,644**	**1.09**	53,810	0.76
Other liabilities[1]	**151,463**	**1.67**	166,729	2.35
Total liabilities	**9,064,335**	**100.00**	7,087,890	100.00

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

As at 31 December 2009, the Group's total liabilities were RMB9,064,335 million, an increase of RMB1,976,444 million, or 27.88%, over 2008. Deposits from customers remained the Group's primary source of funding, and grew by RMB1,625,408 million, or 25.49%. Deposits from customers accounted for 88.27% of the total liabilities, down by 1.69 percentage points over 2008. Deposits and placements from banks and non-bank financial institutions increased by RMB322,333 million, or 65.71%. This was mainly because the deposits from securities brokerages and funds soared amid a capital market rebound. Debt securities issued increased by RMB44,834 million, mainly because the Bank issued an amount of RMB80 billion subordinated bonds in the national interbank bond market in 2009, and redeemed, at face value, subordinated bonds with a nominal value of RMB40 billion issued in 2004.

Deposits from customers

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

(In millions of RMB, except percentages)	**As at 31 December 2009**		As at 31 December 2008	
	Amount	**% of total**	Amount	% of total
Corporate deposits	**4,303,509**	**53.79**	3,337,046	52.33
Demand deposits	**2,960,155**	**37.00**	2,229,910	34.97
Time deposits	**1,343,354**	**16.79**	1,107,136	17.36
Personal deposits	**3,584,727**	**44.80**	2,967,747	46.55
Demand deposits	**1,435,348**	**17.94**	1,133,449	17.78
Time deposits	**2,149,379**	**26.86**	1,834,298	28.77
Overseas operations	**113,087**	**1.41**	71,122	1.12
Total deposits from customers	**8,001,323**	**100.00**	6,375,915	100.00

As at 31 December 2009, the Group's deposits from customers reached RMB8,001,323 million, an increase of RMB1,625,408 million, or 25.49%, year-on-year. Corporate deposits went up by RMB966,463 million, or 28.96% , higher than the 20.79% increase of personal deposits. This led to a rise of 1.46 percentage points in the proportion of corporate deposits in total deposits from customers to 53.79%. This was largely because of improved corporate liquidity in line with the economic upturn in China. Domestic demand deposits surged by 30.69%, higher than the 18.74% growth of time deposits. The proportion of domestic demand deposits in total deposits went up by 2.19 percentage points to 54.94%, as a result of an increasing share of demand deposits in corporate deposits.

Shareholders' Equity

(In millions of RMB)	**As at 31 December 2009**	As at 31 December 2008
Share capital	**233,689**	233,689
Capital reserve	**90,266**	90,241
Investment revaluation reserve	**13,163**	11,156
Surplus reserve	**37,421**	26,922
General reserve	**46,806**	46,628
Retained earnings	**136,112**	59,593
Exchange reserve	**(1,982)**	(2,263)
Equity attributable to equity shareholders of the Bank	**555,475**	465,966
Minority interests	**3,545**	1,596
Total equity	**559,020**	467,562

As at 31 December 2009, the Group's total equity reached RMB559,020 million, an increase of RMB91,458 million year-on-year. The ratio of total equity to total assets for the Group was 5.81%, a decrease of 0.38 percentage points compared to 2008.

Capital Adequacy Ratio

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

(In millions of RMB, except percentages)	**As at 31 December 2009**	As at 31 December 2008
Core capital adequacy ratio[1]	**9.31%**	10.17%
Capital adequacy ratio[2]	**11.70%**	12.16%
Components of capital base		
Core capital:		
Share capital	**233,689**	233,689
Capital reserve, investment revaluation reserve and exchange reserve[4]	**82,427**	83,202
Surplus reserve and general reserve	**84,227**	73,550
Retained earnings[3,4]	**87,564**	39,316
Minority interests	**3,545**	1,596
	491,452	431,353
Supplementary capital:		
General provision for doubtful debts	**48,463**	38,110
Positive changes in fair value of financial instruments at fair value through profit or loss	**10,815**	8,684
Long-term subordinated bonds	**80,000**	40,000
	139,278	86,794
Total capital base before deductions	**630,730**	518,147
Deductions:		
Goodwill	**(1,590)**	(1,527)
Unconsolidated equity investments	**(8,903)**	(5,682)
Others[5]	**(12,004)**	(522)
Total capital base after deductions	**608,233**	510,416
Risk weighted assets[6]	**5,197,545**	4,196,493

1. Core capital adequacy ratio is calculated by dividing the net amount of core capital, which is after deductions of 100% of goodwill, 50% of unconsolidated equity investments, and other items, by risk-weighted assets.

2. Capital adequacy ratio is calculated by dividing the total capital base after deductions by risk-weighted assets.

3. The dividend proposed after the balance sheet date has been deducted from retained earnings.

4. The investment revaluation reserve arising from the accumulated net positive changes in the fair value of available-for-sale financial assets is excluded from the core capital and 50% of the balance is included in the supplementary capital. In addition, the unrealised accumulated net positive changes in fair value of trading financial instruments, net of income tax, are excluded from the core capital and included in the supplementary capital.

5. Others mainly represent investments in those asset backed securities specified by the CBRC which required reduction.

6. The balances of risk-weighted assets include an amount equal to 12.5 times the Group's market risk capital.

The Group calculates its capital adequacy ratio in accordance with the *Administration Measures for Capital Adequacy Ratios of Commercial Banks* and related regulations promulgated by the CBRC. As at 31 December 2009, the Group's capital adequacy ratio was 11.70% and the core capital adequacy ratio was 9.31%, down 0.46 and 0.86 percentage points respectively over 2008.

The decrease in capital adequacy ratio was because the growth rate of risk-weighted assets exceeded that of total capital base after deductions. Risk-weighted assets increased by RMB1,001,052 million, or 23.85%, compared to 2008, which was mainly because of the growth of on-balance sheet assets and rapid growth of off-balance sheet business. Total capital base after deductions increased by RMB97,817 million, or 19.16%. Supplementary capital rose by RMB52,484 million over 2008, largely as a result of the Group's issuance of subordinated bonds in the national interbank bond market during the year.

Loan Quality Analysis

Distribution of Loans by the Five-Category Classification

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

	As at 31 December 2009		As at 31 December 2008	
(In millions of RMB, except percentages)	**Amount**	**% of total**	Amount	% of total
Normal	**4,546,843**	**94.33**	3,492,961	92.07
Special mention	**200,774**	**4.17**	217,100	5.72
Substandard	**21,812**	**0.45**	35,105	0.93
Doubtful	**42,669**	**0.89**	39,862	1.05
Loss	**7,675**	**0.16**	8,915	0.23
Gross loans and advances to customers	**4,819,773**	**100.00**	3,793,943	100.00
Non-performing loans	**72,156**		83,882	
Non-performing loan ratio		**1.50**		2.21

In response to the complicated macroeconomic environment, the Group stepped up credit structure adjustment, and conducted roll-over risk surveillance for credit assets during 2009. Risks were under proactive prevention and mitigation alongside strengthened early risk warning and tracking and post-lending management. The Group also expedited NPL disposal under favourable market conditions. As a result, credit asset quality continued to steadily improve. As at 31 December 2009, the Group's NPLs were RMB72,156 million, a decrease of RMB11,726 million from 2008, while the NPL ratio dropped by 0.71 percentage points to 1.50%. The proportions of substandard and doubtful loans continued to drop; special-mention loans dropped to 4.17%, 1.55 percentage points lower than in 2008.

Distribution of Loans and NPLs by Product Type

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

	As at 31 December 2009			As at 31 December 2008		
(In millions of RMB, except percentages)	**Loans**	**NPLs**	**NPL ratio (%)**	Loans	NPLs	NPL ratio (%)
Corporate loans	**3,351,315**	**57,178**	**1.71**	2,689,784	74,430	2.77
Short-term loans	**915,674**	**29,143**	**3.18**	855,397	37,700	4.41
Medium to long-term loans	**2,435,641**	**28,035**	**1.15**	1,834,387	36,730	2.00
Personal loans	**1,088,459**	**7,208**	**0.66**	821,531	8,840	1.08
Residential mortgage loans	**852,531**	**3,600**	**0.42**	603,147	4,931	0.82
Personal consumer loans	**78,651**	**1,329**	**1.69**	74,964	1,685	2.25
Other loans[1]	**157,277**	**2,279**	**1.45**	143,420	2,224	1.55
Discounted bills	**228,361**	**—**	**—**	163,161	—	—
Overseas operations	**151,638**	**7,770**	**5.12**	119,467	612	0.51
Total	**4,819,773**	**72,156**	**1.50**	3,793,943	83,882	2.21

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

As at 31 December 2009, the NPL ratio for corporate loans fell 1.06 percentage points year-on-year to 1.71%, and that for personal loans was 0.66%, 0.42 percentage points lower than in 2008. Non-performing loans for overseas operations increased due to the global financial crisis, but associated risks had no material impact on the overall risk profile of the Group.

Distribution of Loans and NPLs by Industry

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

(In millions of RMB, except percentages)	As at 31 December 2009				As at 31 December 2008			
	Loans	% of total	NPLs	NPL ratio (%)	Loans	% of total	NPLs	NPL ratio (%)
Corporate loans	**3,351,315**	**69.53**	**57,178**	**1.71**	2,689,784	70.90	74,430	2.77
Manufacturing	**803,302**	**16.67**	**21,413**	**2.67**	663,350	17.48	23,793	3.59
Production and supply of electric power, gas and water	**486,094**	**10.09**	**3,991**	**0.82**	452,472	11.93	6,672	1.47
Transportation, storage and postal services	**519,078**	**10.77**	**3,382**	**0.65**	426,803	11.25	5,359	1.26
Real estate	**358,651**	**7.44**	**9,322**	**2.60**	329,381	8.68	15,387	4.67
Leasing and commercial services	**303,380**	**6.29**	**1,829**	**0.60**	135,746	3.58	3,429	2.53
— Commercial services	**301,502**	**6.26**	**1,742**	**0.58**	135,105	3.56	3,264	2.42
Water, environment and public utilities management	**206,175**	**4.28**	**1,595**	**0.77**	132,426	3.49	2,159	1.63
Construction	**116,379**	**2.41**	**2,252**	**1.94**	116,551	3.07	2,375	2.04
Wholesale and retail trade	**146,693**	**3.04**	**7,391**	**5.04**	102,590	2.70	7,704	7.51
Mining	**104,019**	**2.16**	**394**	**0.38**	90,499	2.39	479	0.53
— Exploitation of petroleum and natural gas	**4,599**	**0.10**	**61**	**1.33**	18,083	0.48	16	0.09
Education	**93,351**	**1.94**	**1,117**	**1.20**	78,870	2.08	1,179	1.49
Telecommunications, computer services and software	**25,249**	**0.52**	**1,123**	**4.45**	25,943	0.68	715	2.76
— Telecommunications and other information transmission services	**22,450**	**0.47**	**189**	**0.84**	23,598	0.62	328	1.39
Others	**188,944**	**3.92**	**3,369**	**1.78**	135,153	3.57	5,179	3.83
Personal loans	**1,088,459**	**22.58**	**7,208**	**0.66**	821,531	21.65	8,840	1.08
Discounted bills	**228,361**	**4.74**	**—**	**—**	163,161	4.30	—	—
Overseas operations	**151,638**	**3.15**	**7,770**	**5.12**	119,467	3.15	612	0.51
Total	**4,819,773**	**100.00**	**72,156**	**1.50**	3,793,943	100.00	83,882	2.21

In 2009, the Group continued to refine its industry-specific lending and exit criteria, while further upgrading its industry limit management in a complicated economic environment. Both NPLs and NPL ratios for the wholesale and retail trade, real estate and manufacturing industries, which used to have higher NPL ratios, continued to decline. Compared with 2008, the NPLs for these industries decreased by RMB313 million, RMB6,065 million, and RMB2,380 million, respectively, with their NPL ratios down by 2.47, 2.07, and 0.92 percentage points, respectively.

Rescheduled Loans and Advances to Customers

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

(In millions of RMB, except percentages)	As at 31 December 2009 Amount	As at 31 December 2009 % of gross loans and advances	As at 31 December 2008 Amount	As at 31 December 2008 % of gross loans and advances
Rescheduled loans and advances to customers	**3,739**	**0.08**	3,376	0.09

Overdue Loans and Advances to Customers

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

(In millions of RMB, except percentages)	As at 31 December 2009 Amount	As at 31 December 2009 % of gross loans and advances	As at 31 December 2008 Amount	As at 31 December 2008 % of gross loans and advances
Overdue for no more than 3 months	**18,565**	**0.39**	39,014	1.03
Overdue for 3 months to 1 year	**17,296**	**0.35**	19,189	0.50
Overdue for 1 to 3 years	**21,710**	**0.45**	21,786	0.57
Overdue for over 3 years	**16,690**	**0.35**	18,065	0.48
Total overdue loans and advances to customers	**74,261**	**1.54**	98,054	2.58

Analysis of Off-Balance Sheet Items

The Group's off-balance sheet items include derivatives, commitments and contingent liabilities. Derivatives include interest rate contracts, exchange rate contracts, precious metal contracts and equity instrument contracts. Please refer to the note "Derivatives" in the "Financial Statements" of this annual report for the notional amounts and fair value of derivatives. Commitments and contingent liabilities include credit commitments, operating lease commitments, capital commitments, underwriting obligations, redemption obligations, outstanding litigation and disputes, and contingent liabilities. Among these, credit commitments were the most significant component, with an amount of RMB1,861,473 million as at 31 December 2009. Please refer to the note "Commitments and contingent liabilities" in the "Financial Statements" of this annual report for information on commitments and contingent liabilities.

Significant Accounting Estimates and Judgements

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

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

There is no difference in the net profit for the year ended 31 December 2009 or total equity as at 31 December 2009 between the Group's consolidated financial statements prepared under PRC GAAP and those prepared under IFRS.

BUSINESS REVIEW

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

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

	For the year ended 31 December 2009		For the year ended 31 December 2008	
(In millions of RMB, except percentages)	**Amount**	**% of total**	Amount	% of total
Corporate banking	**84,157**	**60.66**	67,368	56.26
Personal banking	**23,311**	**16.80**	20,249	16.91
Treasury business	**30,294**	**21.84**	31,510	26.32
Others and unallocated	**963**	**0.70**	614	0.51
Profit before tax	**138,725**	**100.00**	119,741	100.00

Corporate Banking

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

(In millions of RMB, except percentages)	For the year ended 31 December 2009	For the year ended 31 December 2008	Change (%)
Net interest income	**124,389**	126,010	(1.29)
Net fee and commission income	**19,884**	15,350	29.54
Other operating income	**389**	716	(45.67)
Operating income	**144,662**	142,076	1.82
Operating expenses	**(43,029)**	(42,824)	0.48
Provisions for impairment losses	**(17,476)**	(31,884)	(45.19)
Profit before tax	**84,157**	67,368	24.92
	As at 31 December 2009	As at 31 December 2008	
Segment assets	**3,879,101**	3,214,610	20.67

In 2009, the profit before tax from corporate banking gained a 24.92% increase over the previous year to RMB84,157 million, accounting for 60.66% of the Group's profit before tax, 4.40 percentage points higher than that of the previous year, as the Group's primary profit source. Net interest income from corporate banking decreased slightly by 1.29% over the previous year as a result of the interest rate cuts. Net fee and commission income came up with a significant rise of 29.54% to RMB19,884 million, benefiting from the robust growth of fee-based business products such as cost advisory and financial advisory services. The provisions for impairment losses declined sharply by 45.19%, as a result of the gradual recovery of macroeconomy and improvement in business operation. This contributed to the relatively fast growth of profit before tax from corporate banking during the year.

The Group adopted a sound and moderate corporate lending approach. During the year, the Group managed its lending volume, rhythm, structure, and quality in a more prudent manner compared with its peers. At the end of 2009, corporate loans totalled RMB3,351,315 million, an increase of RMB661,531 million or 24.59% compared to the end of 2008. The asset quality of the corporate loans remained sound, and the corporate NPLs totalled RMB57,178 million with a NPL ratio of 1.71%, a decrease of RMB17,252 million or 1.06 percentage points lower compared to the end of 2008.

Further credit structure upgrade was underway. In terms of product mix, infrastructure loans amounted to RMB1,539,898 million. These loans are mainly targeted at key areas and industries supported by the state. In terms of customer base, the Group continued to make loans to creditworthy customers. Loans to customers with internal credit ratings of A or above accounted for 91.98% of corporate loans, up 2.64 percentage points year-on-year. Under macroeconomic control measures, the growth of lending to industries with high pollution, high energy consumption and excess capacity slowed to 12.79%, while loans to real estate industry increased by 8.89% or RMB29,270 million, 15.70 percentage points lower than that of corporate loans.

Small enterprise business remained the focus for specialised operations, and emerging loan business grew fast. The Group newly built 140 small enterprise banking centres based on the “Credit Factory” model. The Group proactively promoted its supply-chain finance products, continued to improve the small enterprise rating related policies, and strengthened risk control and market research. The Group recorded advance factoring of RMB44 billion, and granted RMB12,500 million in M&A loans to 28 enterprises, outperforming its peers. The Group made RMB4,780 million in online banking loans to 1,890 entities. The Group promoted small unsecured loans “Chengdaitong” across the bank, and extended small enterprise margin loans at seven branches on a trial basis. Domestic trade financing “Neimaotong” of over RMB15 billion was also made available to nearly 1,000 foreign trade enterprise customers.

The contribution from fee-based business grew substantially. Compared to 2008, the Group’s net fee and commission income from corporate banking rose by 29.54% to RMB19,884 million, accounting for 41.37% of the Group’s net fee and commission income with an increase of 1.44 percentage points. Income from the three traditional products, i.e., cost advisory service, corporate banking RMB settlements, and domestic guarantees stood at RMB3,579 million, RMB2,876 million, and RMB912 million, respectively, altogether accounting for 37.05% of fee-based business income from corporate banking. The Group achieved accelerated growth of emerging fee-based business in syndicated loans and domestic factoring, generating an extra source of income for corporate fee-based business. Income from syndicated loans was RMB817 million, or a surge of 116%, while income from domestic factoring reached RMB492 million, or an over three-fold growth.

Institutional business experienced notable expansion. The Group pioneered with “Minben Tongda”, a financial services brand with a focus on livelihood areas such as education, medical care and health, social security, and environmental protection. “Minben Tongda” provided comprehensive financial services to customers on an innovative basis and achieved outstanding results across the bank. The Group introduced the first comprehensive social security service system among its peers with a total of 1,423,000 co-branded social security cards in issuance. In 2009, the Group issued 770,000 central budget civil cards, 1.5 times than that of 2008. Thanks to the innovative breakthroughs in fund custody of corporate bonds and trust loans, the “Safe Deal” custodial service for trading funds achieved a fee income of RMB1,358 million. Our insurance agency service enjoyed a larger market share compared with peers, generating an income of RMB2,748 million. The Group’s independent custodial service “Xincunguan” for securities settlement funds had the largest customer base and the highest fee income of RMB468 million among its peers. The Group continued to maintain the status of the largest agent bank for China Development Bank. The Group had business cooperation with 137 futures companies and 390,000 contracted customers in bank-futures account transfer, ranking first among its peers.

International business expanded in the tough period. Large-sized export credit projects (including export buyer’s credit, export seller’s credit, export credit refinancing) constantly made breakthroughs, bringing along the large-sized mechanical and electrical equipment export and overseas project contracting of multiple domestic enterprises. Financing guarantee for overseas business, “overseas financing guarantee” in particular, enjoyed market competitiveness with increasing brand effect. International settlement volume increased by 3.78% to US$465,097 million in the tough period, much faster than the growth rate of imports and exports trade over the corresponding period. The Group successfully launched new trade finance products such as “tax refund financing”, “supply chain financing”, “export credit insurance financing”, and first initiated the RMB settlement business for cross-border trade.

Asset custodial service continued to perform well. Assets under custody surged by 58.14% to RMB996,103 million, generating a fee income of RMB1,337 million. Securities investment funds under custody achieved a continuous increase in the market share to 24.67% for the fifth consecutive year, 0.65 percentage points higher over 2008. Moreover, the number of new funds for which the Group won approvals to provide custodial services and those for which the Group had started custodial services both had the highest market share of about 40%. Custodial services for securities investment funds for insurance, securities, and trust companies, as well as industrial investments, grew remarkably, with custody value doubling from 2008. Securities investment funds for securities, trust companies and industrial investments under custody rose by 295.98%, 185.70%, and 119.64% respectively over the previous year. Enterprise annuities funds under custody achieved record growth, reaching RMB21,259 million. The Group also pioneered overseas custodial services for specific customers, and was a market leader in terms of accounts and value of custodial services for individual customers. Custodial services for QFII and QDII grew steadily, with a respective growth of over 50% in value.

Enterprise annuities business increased its market share. The Group managed 1,925,400 personal enterprise annuities accounts, up 194.04% from 2008. Assets under trustship stood at RMB9,627 million, up 32.44% over 2008. The Group's safe, stable, and quality enterprise annuities services were well received by customers. Its new standardised enterprise annuities product "Yangyile" targeting at small and medium-sized enterprises developed rapidly, with 1,013 contracted customers. Access to enterprise annuities services via online and telephone banking was also made available to customers during the year. The Group upgraded its trustee, account management and plan sponsor systems for enterprise annuities to allow seamless information flow.

Personal Banking

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

(In millions of RMB, except percentages)	**For the year ended 31 December 2009**	For the year ended 31 December 2008	**Change (%)**
Net interest income	**62,817**	58,417	7.53
Net fee and commission income	**17,882**	15,286	16.98
Other operating income	**268**	870	(69.20)
Operating income	**80,967**	74,573	8.57
Operating expenses	**(53,492)**	(49,742)	7.54
Provisions for impairment losses	**(4,164)**	(4,582)	(9.12)
Profit before tax	**23,311**	20,249	15.12
	As at 31 December 2009	As at 31 December 2008	
Segment assets	**1,073,608**	863,351	24.35

Personal banking achieved profit before tax of RMB23,311 million with a year-on-year increase of 15.12%, with a slight decrease in its contribution to the Group's total profit before tax over 2008. Net interest income from personal banking increased by 7.53% due to the rapid growth in personal loans. Net fee and commission income recorded a rise of 16.98%, benefiting from the fast growth of personal bank card and electronic banking businesses. In addition, provisions for impairment losses on personal loans decreased by 9.12%. All these contributed to the growth in the profit of personal banking.

Personal deposits maintained fast growth momentum. As a result of vigorous marketing campaigns in peak seasons to attract more funds and customers, personal deposits rose by RMB616,979 million, or 20.79%, to RMB3,584,726 million over the end of 2008. Compared to the end of 2008, the number of individual high-end customers grew by 50%, while the size of financial assets under management rose by 49%.

Personal loans rose steadily alongside leading presence in residential mortgages. The Group focused on creating and improving the product chain and value chain of personal loans, developing new products and tapping new markets in all directions and at all levels, as well as upgrading loan service quality. The Group's specialised personal loan centres progressed in process optimisation and operation standardisation, as well as product and service differentiation to meet individual customer needs. Personal loans surged by 32.49% to RMB1,088,459 million. Of these, personal residential mortgages rose by 41.35% to RMB852,531 million, leading the market in terms of both the loan balance and increase amount. The Group also introduced personal business loans for private business owners in some specialised markets, while introducing rural loans to farmers on a trial basis in line with the government's policy of supporting rural areas.

The Group's entrusted housing finance business progressed steadily. The Group ranked first among competitors in terms of shares of provident housing fund deposits and loans. Provident housing fund deposits totalled RMB265,163 million. Provident housing fund loans amounted to RMB414,501 million. By way of innovative financial services and enhanced technology research and development, the Group increased housing fund deposit collection and provident fund loan advances to help finance the housing needs of low and medium-income groups. The Group proactively marketed and improved new products and services, including the small cross-branch payment, electronic services, and co-branded cards of provident housing funds, the entrusted withdrawal of provident housing funds and repayment of loans, and a product combining provident housing fund loans and commercial mortgages. These initiatives helped reinforce the Group's brand image as a mortgage financial service provider.

Bank card business developed in leaps and bounds. The Group issued a total of 252 million debit cards, edging down from 2008. However, the Group improved card quality and upgraded operation efficiency by getting rid of dormant cards. During the year, spending via debit cards reached RMB790,663 million, 77.24% higher than 2008, generating a fee income of RMB4,536 million, up 14.76% year-on-year. The number of wealth management cards totalled 4,895,000, an increase of 1,225,400 from the end of 2008. The number of issued credit cards totalled 24.24 million, an increase of 5.53 million, with total spending and loan balances surging to RMB292,781 million and RMB36,332 million respectively for the year, 85.41% and 58.49% higher than 2008. Asset quality remained sound.

Treasury Business

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

(In millions of RMB, except percentages)	**For the year ended 31 December 2009**	For the year ended 31 December 2008	**Change (%)**
Net interest income	**22,199**	40,628	(45.36)
Net fee and commission income	**9,518**	7,085	34.34
Net trading gain	**2,233**	3,213	(30.50)
Net gain arising from investment securities	**4,471**	(2,252)	(298.53)
Other operating loss	**(378)**	2,330	(116.22)
Operating income	**35,040**	47,366	(26.02)
Operating expenses	**(3,802)**	(2,857)	33.08
Provisions for impairment losses	**(944)**	(12,999)	(92.74)
Profit before tax	**30,294**	31,510	(3.86)
	As at 31 December 2009	As at 31 December 2008	
Segment assets	**4,449,759**	3,358,278	32.50

In 2009, the income and expenditure structure of the Group's treasury business came up with a distinct change caused by changes in the market environment. Treasury business generated a profit before tax of RMB30,294 million, a slight decrease of 3.85% over 2008. Net interest income dropped by 45.36% to RMB22,199 million as a result of the decline in market interest rates, which offset the growth of other incomes from treasury business and the decline of provisions for impairment losses. All these led to a slight profit decrease of treasury business. Nevertheless, with the gradual market recovery and investment portfolio adjustments, provisions for impairment losses on treasury business investments considerably declined by 92.74%.

Financial market business

The Group continued to improve risk management and control and enhance sophisticated business operation capability in line with its benefit-centred and market-oriented principles. The Group upgraded management by the above measures as well as by adjusting investment portfolio strategies on a timely basis.

In the deployment of RMB funds, the Group reinforced portfolio management by improving assets allocation, and exercised stringent credit risk control by enhancing investment management on unsecured debt securities. In the deployment of foreign currency funds, the Group mitigated the adverse impacts of the global financial crisis by capitalising on market opportunities to reduce credit risk exposures of foreign currency bonds, and further downsizing foreign currency portfolios. The Group prudently conducted interbank lending business to ensure the safety of foreign currency liquidity across the bank.

With increased efforts in trading and underwriting, the Group outperformed its competitors in terms of various business indicators with greater market presence. We ranked first in an overall ranking of PRC government bond underwriting, and outperformed our peers in terms of the underwriting amount of policy financial bonds issued by the Agricultural Development Bank of China and China Development Bank. In trading book operations, the Group was well poised for market opportunities and proactively reduced risk exposures. We also recorded better-than-market results with handsome income, while leading in both the inter-bank bond market making and government bond sales at branch outlets. We expanded our inter-bank pledge-based repo and lending transactions, and enhanced short-term fund utilisation efficiency. The trading volume of money market increased by RMB4.80 trillion to RMB11.78 trillion compared to 2008. The Group's gold business grew rapidly. A total of 919.77 tonnes of gold were traded, up 98.73% from 2008, generating an income of RMB382 million, up 62.54% from 2008. Moreover, the Group's branded physical gold business for individual customers continued to command the largest market share.

In 2009, given the declining imports and exports trade and stable expectation of RMB revaluation, income from customer-driven foreign exchange purchases and sales and foreign exchange trading reached RMB2,345 million, down 26% from 2008. The total volume of these transactions decreased by 15% year-on-year to US$221.4 billion, while the market share of customer-driven foreign exchange purchases and sales business increased by 0.21 percentage points year-on-year to 11.11%. Under reinforced risk control, the Group prudently conducted customer-driven derivative business, with a transaction balance of US$11,438 million, down US$1,616 million over 2008.

Investment banking

In 2009, in line with the state's macroeconomic policies and the market trend for industrial upgrades and adjustments, the Group's investment banking business progressed further in traditional key segments and achieved considerable growth in a number of innovative operations. Income from investment banking stood at RMB9,799 million, up RMB3,187 million, or 48.22%, over 2008.

In financial advisory services, the Group reaped an income of RMB7,046 million, up RMB2,177 million, or 44.71%, year-on-year. As a pioneer in the market, we launched a new financial service product known as "Financial Total Solution" (FITS). Depending on customer's specific situation and investment and financing demands, FITS can provide a comprehensive and diversified financial service package, comprising existing products and services from commercial banks, investment banks, a variety of funds, and wealth management programmes. In addition, the Group capitalised on business opportunities arising from the state's macroeconomic adjustments and industrial upgrades and integration to boost the M&A and restructuring financial advisory services, which brought about a nearly 40-fold income increase year-on-year.

Income from debt financing instrument underwriting surged by RMB444 million, or 191.38%, to RMB676 million from 2008. The Group underwrote 39 batches of short-term commercial papers and medium-term notes with an underwriting amount of RMB164,500 million, up RMB82,250 million, doubling that in the previous year. In 2009, the Group was also a lead underwriter or joint lead underwriter of medium-term notes issued by Shanghai, Guangdong, and Gansu governments as part of China's first-batch issues of regional government's medium-term notes for the year and enjoyed a large market share in these government financing projects.

In the wealth management business, the Group designed and issued 546 batches of various wealth management products in the series of "Daily Good Harvest", "Profit from Interest", "CCB Fortune", "Qiantu Financial Products" and "Qianyuan" with a balance of RMB177,800 million at the end of year, up 10%, generating an income of RMB2,281 million, up 31% over 2008. We proactively adjusted our development strategy for wealth management business by stepping up product innovation. In this respect, innovative wealth management products, such as certificated treasury bonds, alternative investment, and collective credit for small and medium-sized enterprises, were promptly launched. The Group also expanded the geographical coverage and issue volume of open-end asset portfolio wealth management products with high liquidity. These initiatives enriched the variety of the Group's wealth management products.

In the industry investment fund management business, the Group and CCB International achieved outstanding results. Partnering with related institutions, we incorporated several industry investment fund management companies for medical care and aviation sectors as well as in the Wanjiang area. The Group pioneered the industry investment fund business and successfully set up the first medical care private equity fund in Mainland China.

In September 2009, the Group, as a sponsor, completed payment of the principal and interest on the senior tranche of the "Jianyuan 2008-1" restructured asset securitisation project. Senior tranche investors received an annual investment yield of 6.08%, while surplus trust property was returned to equity tranche investors under relevant contracts.

Overseas Business and Subsidiaries

In 2009, the Group set up the equity investment and strategy cooperation department to assume the coordination and management responsibility of subsidiaries to comprehensively enhance management of subsidiaries and overseas branches. An overseas branches management sub-department under the international business department was set up and professional teams were organised to further standardise and enhance business operation of overseas branches with improved risk management.

Overseas Business

In 2009, the Group's overseas branches actively expanded fee-based business such as foreign exchange clearing and international settlement, further deepening the business cooperation between domestic and overseas branches to steadily step up the development of various businesses. As at 31 December 2009, the total assets of overseas branches amounted to RMB234,460 million, an increase of 92.82% over 2008.

The Group continued to make breakthroughs in its overseas network expansion. CCB London and the New York Branch officially opened for business on 1 June 2009 and 5 June 2009 respectively. The Group had a network of 60 overseas operating outlets, including seven overseas branches in Hong Kong, Singapore, Frankfurt, Johannesburg, Tokyo, Seoul and New York, one representative office in Sydney, three wholly-owned operating subsidiaries, i.e. CCB Asia, CCB International and CCB London, and 49 outlets of CCB Asia in Hong Kong and Macau. In addition, Ho Chi Minh City Branch was granted a banking license in December 2009.

On 10 August 2009, CCB Asia entered into a Share Acquisition Agreement with American International Group (AIG), pursuant to which CCB Asia acquired the entire shareholdings of AIG Finance (Hong Kong) Limited, a subsidiary of AIG in Hong Kong. AIG Finance (Hong Kong) Limited was renamed China Construction Bank (Asia) Finance Limited in November. This acquisition enabled the Group to acquire a complete credit card business platform, which helped facilitate its business layout in Hong Kong and Macau, improve its business structure and asset portfolio, and eventually provide its customers with more diversified financial services.

Major Subsidiaries

CCB Asia

CCB Asia is a licensed bank registered in Hong Kong and mainly engaged in providing a wide range of personal and commercial banking services to customers. As at the end of 2009, CCB Asia's total assets were RMB71,704 million, an increase of 50% over 2008; the profit before tax was RMB857 million, a rise of 167%, of which RMB473 million was a premium from the acquisition of AIG Finance (Hong Kong) Limited. CCB Asia's various loan balances totalled approximately RMB56,435 million, up 38% over 2008. This was largely attributable to the increase in commercial loans and residential mortgage loans. Due to the acquisition of AIG Finance (Hong Kong) Limited, CCB Asia's credit card loan balance increased by RMB3,266 million; and the balance of deposits from customers was approximately RMB46,440 million, up 31% over 2008.

In regard to enhancing cooperation between domestic and overseas branches, CCB Asia conducted the account-opening business by cooperating with seven domestic branches including Beijing branch and Shanghai branch, under the approval of the Hong Kong Monetary Authority. Leveraging its Cross Border Long Card to strengthen cooperation with Cinda International and China Life, CCB Asia provided its customers with channels to open overseas accounts and remit funds.

CCB London

CCB London took full advantage of its capital base to develop the asset business, including granting loans to local enterprises and participating in credit asset transfers under the trade finance business. Being a pioneer among its domestic competitors, CCB London worked with the head office to achieve uninterrupted trading of foreign exchange and gold between Beijing, London and New York. In addition, CCB London played a bridge role in leveraging domestic branches in sales and marketing. As at the end of 2009, CCB London's total assets were RMB623 million.

CCB International

In 2009, CCB International's core financial indicators continued to outperform other investment banks in Hong Kong, with profit before tax soaring 100% to RMB1,801 million; and provided its customers with direct financing of HK$419,200 million via initial public offering and refinancing. During the year, CCB International participated in and completed several IPO projects, including Peak Sport Products Co., Limited, 361 Degrees International Limited, Amber Energy Limited, and etc. CCB International's industry investment funds and Hong Kong public-offer funds also achieved initial success. Its medical care industry investment fund, being the first medical care fund in Mainland China, raised RMB2.6 billion during the initial stage. It took the lead in launching the China Policy Driven Fund, being a pioneer fund among the 34 funds recognised by the Securities and Futures Commission of Hong Kong.

CCB International received various awards in 2009, including the Best Investment Bank in China by *Economic Observer*, the Best Chinese Investment Bank in Hong Kong and the Best Private Equity Investment Institution by *Securities Times Daily* and the Best Private Equity Investment Institution in China by *China Venture*.

Sino-German Bausparkasse Corporation Limited

Sino-German Bausparkasse Corporation Limited has a capital base of RMB1 billion and is jointly held by the Bank with a 75.1% share and Bausparkasse Schwaebisch Hall with a 24.9% share. The corporation's business scope includes taking housing savings deposits, extending housing savings loans and residential mortgage loans, extending development loans in support of the development and construction of economic houses, low-rent houses, economic rent houses and price-limited houses. Sino-German Bausparkasse will gradually start the following business opeartions, including taking public deposits, issuing financial bonds, and acting as an agent in the issuance, redemption and underwriting of government bonds, money collection and payment, agency fund sales, insurance agency business, and domestic and overseas settlement. In 2009, the housing savings business steadily recovered and the residential mortgage loans business developed fast. Various loans increased by 1,172% to RMB2,555 million. As at the end of 2009, its total assets rose by 80% to RMB3,576 million over 2008.

CCB Principal Asset Management Co., Limited

CCB Principal Asset Management Co., Limited, established in September 2005, has a registered capital of RMB200 million, of which the Bank contributed 65%, and two other parties, Principal Financial Services, Inc and China Huadian Group Corporation, contributed 25% and 10% respectively. CCB Principal Asset Management Co., Limited is engaged in raising and sale of funds, asset management as well as other businesses permitted by the CSRC. In 2009, CCB Principal Asset Management Co., Limited successfully completed two sessions of fund-raising work, i.e., Jianxin Yield-enhancing debt securities fund, Jianxin Hushen-300 Index fund, and both funds operated smoothly. At the end of 2009, CCB Principal Asset Management managed 9 funds with a net value of RMB43.7 billion, up 16% over 2008, and recorded a net profit of RMB75.46 million, up 36% over 2008.

CCB Financial Leasing Corporation Limited

CCB Financial Leasing Corporation Limited was jointly established by the Bank and Bank of America in December 2007. The corporation has a registered capital of RMB4.5 billion, of which 75.1% was contributed by the Bank and 24.9% by Bank of America. CCB Financial Leasing Corporation Limited is one of the first innovative PRC financial leasing companies approved by the CBRC. It is mainly engaged in finance leasing, receiving security deposit from lessees, transferring rent receivables to commercial banks, issuing financial bonds, interbank lending, borrowing from financial institutions, and borrowing foreign exchange overseas. CCB Financial Leasing Corporation Limited continued to expand the scope of programmes and industries, and promoted product innovation. As at the end of 2009, its asset balance increased by 68% to RMB8,200 million, with a net profit of RMB124 million, up 17% over 2008.

Jianxin Trust Co., Limited

Jianxin Trust Co., Limited was jointly established by the Bank, Heifei Xingtai Holding Group Corporation Limited and Hefei Municipal State-owned Assets Holding Corporation Limited. It has a registered capital of RMB1,527.27 million, of which the Bank contributed 67%, and the two other parties contributed 27.5% and 5.5% respectively. Jianxin Trust Co., Limited officially started operation in July 2009 after the change of financial service certificate and business license was done. In accordance with the scope of business approved by the CBRC, Jianxin Trust Co., Limited is mainly engaged in trust business such as fund trust, movable and immovable property trust, marketable securities trust, investment funds, asset restructuring, M&A and project financing, corporate finance, financial advisory, securities underwriting, providing intermediary, consultancy, credit investigation, safe deposit box service as well as lending, investing and providing guarantees with equity fund. Various businesses of Jianxin Trust Co., Limited grew fast on the basis of the successful restructuring and a smooth transition. As at the end of 2009, its owned assets totalled RMB4,503 million, and trust assets totalled RMB27,555 million, achieving a net profit of RMB72.07 million.

Hunan Taojiang Jianxin Rural Bank Limited

Hunan Taojiang Jianxin Rural Bank Limited, the first rural bank sponsored by the Bank, was established in November 2008 with a registered capital of RMB50 million, of which RMB25.5 million was contributed by the Bank, with a 51% share. Based on the traditional financial products, Hunan Taojiang Jianxin Rural Bank Limited has specifically developed two series of new products, i.e. loans for agriculture, rural areas and farmers, and loans for small and medium-sized enterprises. As at the end of 2009, its assets totalled RMB326 million with a realised profit.

Zhejiang Cangnan Jianxin Rural Bank Co., Limited

Zhejiang Cangnan Jianxin Rural Bank Co., Limited, the first rural bank mainly sponsored by a state-owned commercial bank in the eastern coastal developed region of China, was established in May 2009 with a registered capital of RMB150 million, of which RMB52.5 million was contributed by the Bank, with a 35% share. Zhejiang Cangnan Jianxin Rural Bank Co., Limited provides financial services mainly for local farmers, agricultural development and economic development in rural areas, and local small-sized enterprises. As at the end of 2009, Zhejiang Cangnan Jianxin Rural Bank Co., Limited orderly conducted various businesses and its assets totalled RMB260 million.

Analysed by Geographical Segment

Affected by slower global economic growth in 2009, the proportion of profit before tax in export-oriented regions of the Yangtze River Delta and the Pearl River Delta fell by 3.71 and 0.46 percentage points, respectively, year-on-year. The western region recovered from the earthquake last year to see its share of profit before tax rising 8.77 percentage points.

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

	For the year ended 31 December 2009		For the year ended 31 December 2008	
(In millions of RMB, except percentages)	**Amount**	**% of total**	Amount	% of total
Yangtze River Delta	**29,035**	**20.93**	29,518	24.64
Pearl River Delta	**20,066**	**14.46**	17,861	14.92
Bohai Rim	**22,905**	**16.51**	18,580	15.52
Central	**20,408**	**14.71**	15,782	13.18
Western	**25,889**	**18.66**	11,838	9.89
Northeastern	**7,082**	**5.11**	5,434	4.54
Head office	**12,057**	**8.69**	18,395	15.36
Overseas	**1,283**	**0.93**	2,333	1.95
Profit before tax	**138,725**	**100.00**	119,741	100.00

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

	As at 31 December 2009		As at 31 December 2008	
(In millions of RMB, except percentages)	**Amount**	**% of total**	Amount	% of total
Yangtze River Delta	**1,136,447**	**23.58**	922,104	24.30
Pearl River Delta	**728,639**	**15.12**	544,999	14.36
Bohai Rim	**859,885**	**17.84**	691,638	18.23
Central	**782,763**	**16.24**	607,335	16.01
Western	**819,337**	**17.00**	635,905	16.76
Northeastern	**299,385**	**6.21**	233,468	6.15
Head office	**41,679**	**0.86**	39,027	1.03
Overseas	**151,638**	**3.15**	119,467	3.16
Gross loans and advances to customers	**4,819,773**	**100.00**	3,793,943	100.00

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

(In millions of RMB, except percentages)	**As at 31 December 2009**		As at 31 December 2008	
	Amount	**% of total**	Amount	% of total
Yangtze River Delta	**1,655,361**	**20.69**	1,330,657	20.86
Pearl River Delta	**1,256,578**	**15.71**	974,942	15.29
Bohai Rim	**1,486,628**	**18.58**	1,208,697	18.96
Central	**1,402,718**	**17.53**	1,101,653	17.28
Western	**1,420,149**	**17.75**	1,101,507	17.28
Northeastern	**600,838**	**7.51**	483,733	7.59
Head office	**65,963**	**0.82**	103,604	1.62
Overseas	**113,088**	**1.41**	71,122	1.12
Deposits from customers	**8,001,323**	**100.00**	6,375,915	100.00

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

	As at 31 December 2009					
	Assets (In millions of RMB)	**% of total**	**Number of branches[1]**	**% of total**	**Number of staff[1]**	**% of total**
Yangtze River Delta	**1,890,649**	**19.65**	**2,223**	**16.60**	**43,860**	**14.55**
Pearl River Delta	**1,462,959**	**15.20**	**1,673**	**12.49**	**35,950**	**11.92**
Bohai Rim	**1,675,219**	**17.41**	**2,183**	**16.30**	**51,918**	**17.22**
Central	**1,500,338**	**15.59**	**3,243**	**24.22**	**66,825**	**22.16**
Western	**1,508,896**	**15.68**	**2,693**	**20.11**	**62,230**	**20.64**
Northeastern	**642,640**	**6.68**	**1,366**	**10.20**	**34,602**	**11.48**
Head office	**4,418,463**	**45.91**	**3**	**0.02**	**5,697**	**1.88**
Overseas	**234,460**	**2.44**	**8**	**0.06**	**455**	**0.15**
Elimination	**(3,721,059)**	**(38.67)**				
Deferred tax assets	**10,790**	**0.11**				
Total	**9,623,355**	**100.00**	**13,392**	**100.00**	**301,537**	**100.00**

1. This represents the number of the Bank's staff.

Distribution Channels

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

Significant progress in service functions of branch outlets

Branch outlets are the Group's primary distribution channels. At the end of 2009, the Bank had 13,384 branches at various levels in Mainland China, including the head office, 38 tier-one branches, 296 tier-two branches, 7,413 sub-branches, 5,635 entities under the sub-branches and a specialised credit card centre based at the head office.

The Group selectively increased branch resources in key areas and major cities. At the end of 2009, three key regions of the Bank, i.e. Bohai Rim, Yangtze River Delta and Pearl River Delta, had 6,079 branch outlets, accounting for 45.42% of the total outlets. In 80 major cities, there were 7,732 branches, accounting for 57.77% of the total amount.

Driving forward channel building in full gear. The Group vigorously revamped its outlet building, embarking on a total of 2,772 branch outlet renovation projects, with its general outlet appearance notably improved. In addition, the Group enhanced the self-service zones in branches, with a total of 8,128 self-service banks in operation. To expand the scope of customer services and offer more efficient banking services to the customers, the Group operated 36,021 automatic teller machines (ATMs), representing an increase of 12.93% over the end of 2008.

Smooth retail outlet transformation with significant improvement in service. A total of 12,968 retail outlets have shifted from a transaction and accounting focus to marketing service oriented function, which effectively alleviated the long-standing issue of long queues and improved product sales and service quality at the outlet level. Based on the transformation of standard retail outlets, the Group initiated a second phase of outlet transformation on a pilot basis, which standardised the differentiated services provided to VIP customers and facilitated the shift of its service model from "product-driven" to "customer-driven". In 2009, the Group implemented the second phase of transformation in 1,200 outlets, with notable success. Following the transformation, the proportion of time spent serving VIP customers increased by 31 percentage points, and product sales by customer service managers considerably rose by 14 percentage points. VIP customer satisfaction improved significantly.

Electronic banking

In 2009, the Group saw the improvement of customer experience as the core of its electronic banking success. The Group continued to optimise service processes, further enriched the functions of electronic banking products and devoted itself to aggressive marketing efforts. Such refinements in channel building steadily improved customer satisfaction in electronic banking services.

Electronic banking maintained sound and rapid expansion in 2009. The ratio of transaction volume through electronic banking to that through front desk was 74.89%. The Group's online banking service had 39.59 million personal customers, an increase of 12.68 million over the previous year; and 690,000 corporate customers, an increase of 180,000 over the previous year. The transaction volumes of personal electronic banking and corporate electronic banking were RMB3.01 trillion, an increase of 118% over the previous year, and RMB32.95 trillion, an increase of 24% over the previous year, respectively. Online mobile phone banking achieved forward-leaping development; with a number of 14.28 million customers, an increase of 9.35 million over the previous year. Telephone banking business maintained a sound development. Registered customers for telephone banking reached 54.37 million, an increase of 34.44% over 2008, and the number of transactions reached 370.39 million, an increase of 43.01% over 2008.

The Group continued to push forward its electronic banking channel building, improve service processes and functions. For personal electronic banking, the Group launched principal functions such as notice deposits, scheduled interbank transfer, 24/7 interbank transfer and risk assessment on wealth management products. A personal electronic banking version designed specifically for high-end customers was also launched on a pilot basis. For corporate electronic banking, the Group launched principal functions such as specific factoring, time deposits, notice deposits, online payment, and commercial cards and civil cards for the military and armed police. And in mobile phone banking, the Group launched several principal functions, including enterprise annuity, futures market through train, account gold and 24/7 interbank transfer. To enhance the use of mobile phones as a channel for other services, the Group specifically developed special transfer services between mobile phones. A new international website was also launched, equipped with highlighted channels such as gold, wealth management, insurance, fortune, electronic banking, corporate internet banking, and an online store. With the provision of online enquiry services for all kinds of personal accounts except personal loan accounts and certificates of deposits, the Group led over its competitors in electronic banking. Its SMS notification system of financial services covered all kinds of accounts, with a focus on sending notices about changes of accounts. In addition, the introduction of multi-functional services strengthened the Group's competitiveness by enhancing customer experience, improving services and further enriching the electronic banking service system.

Information Technology

Under the premise of ensuring the security and stability of system operations, enrichment of information technology has enhanced the support effectiveness in the Group's product innovation, customer services and risk management. Application of latest technology and refinement of system structure also reduced system loads, improved operational efficiency, and lowered costs.

To refine and standardise the management of overseas branches, the Overseas Core Banking System (OCBS) was launched in the Hong Kong Branch in December 2009, covering management functions of general ledgers, deposits and loans, credit limits, and collaterals. To support the implementation of the New Basel Capital Accord, the Group planned and designed a complete risk management application structure, and established a customer credit-rating and retail pooling/scoring system. The Group realised dynamic valuation management of collaterals and set up a laboratory for risk measurement models. These all helped to gradually consolidate the data base of the Group's risk management. The Group also initiated a management accounting system to facilitate the measurement of risk-adjusted returns by customers and products.

To optimise, integrate and improve the system structure, and reduce the deployment of equipment at the branch level, the Group initiated nine integration projects in 2009. The Group first integrated its international settlement system and foreign exchange information reporting system. Trading routes between the head office and branches were then also integrated to unify access to cash-counter channels and the connection of service systems between the head office and branches. The number of operation and maintenance staff as well as equipment invested at the branch level will be greatly reduced after this integration. In addition, the Group completed the integration of its ATM and POS external card acquiring centres in Beijing and Shanghai, consolidating its external card acquiring transaction channel. To lower the operating expenses of the Group's external card business, the Group successfully consolidated management and centralised the control and maintenance of the acquiring-centre system. The Group also effectively integrated its server resources and controlled the growth of server resource demand by introducing advanced technology, such as virtualisation.

Staff and Human Resources Management

By the end of 2009, the Bank had 301,537 employees, of which 125,636, or 41.7%, had academic qualifications of bachelor's degrees and above. In addition, the Bank had 47,889 workers dispatched by labour leasing companies, and had to assume the expenses of 31,586 retired employees.

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

Category	Classification	Number of employees	% of total
Age	Below 30	55,052	18.26
	31 to 40	129,414	42.92
	41 to 50	86,765	28.77
	51 to 59	30,193	10.01
	60 and above	113	0.04
Academic qualification	Doctor's degree	286	0.09
	Master's degree	8,156	2.70
	Bachelor's degree	117,194	38.87
	Associate degree	118,769	39.40
	Post-secondary	29,649	9.83
	High school and below	27,483	9.11
Responsibilities	Corporate banking	36,743	12.19
	Personal banking	146,539	48.59
	Financial market business	258	0.09
	Finance and accounting	24,404	8.09
	Management	15,352	5.09
	Risk management, internal audit, legal and compliance	11,324	3.76
	Information technology	17,881	5.93
	Others	49,036	16.26
Total		301,537	100.00

In order to further improve the efficiency of human resources allocation and the supporting capability, and facilitate the standardisation and scientification of human resources management, the Bank learnt from other leading local and overseas banks. During the year, the Bank formulated *Opinions on Further Strengthening the Central Management of Human Resources* and some related measures. The Bank reinforced the central management of its human resources, and expedited the integration of its policies, mechanisms, processes and standards on human resources management. The cooperation system among various business lines was improved so as to strengthen the central management function in the planning, deployment, selection and appointment, evaluation, compensation and training of staff. The efficiency of human resource allocation and management was enhanced in response to the Bank's strategic transformation and management reforms of business lines. In addition, the Bank reinforced its mechanism of the recruitment and management of professional technicians, which provided talent and intellectual support for the core competitiveness of the Bank.

Adhering to the philosophy of standardising the remuneration mechanism and building a harmonious remuneration relationship, the Bank improved its remuneration management system and optimised the incentive and disciplinary mechanism by integrating its overall payroll policies, adopting the concept of target-oriented remuneration management mechanism and strengthening the guidance to the remuneration policies for frontline employees and key positions.

The Bank increased its investment in training resources and delivered large scale staff training in alignment with its strategic transformation and rapid business development. The training programmes organised by various business units not only included general training programmes for all employees, but also provided some specific training programmes for different groups of employees, especially for managers. The Bank also strengthened and accelerated training for its backup talents, technicians and frontline employees. In 2009, the Bank conducted 24,486 local and overseas training sessions, with a total enrolment of 1,310,000, representing an increase of 10.67% and 27.16% respectively over 2008.

RISK MANAGEMENT

In 2009, the Group further refined its risk management system and improved policy systems. It stepped up adjustments to its credit structure, accelerated the development and application of risk measurement tools, and strengthened post-lending management. The Group refined the market risk management framework and policies, and strengthened operational risk management infrastructure to enhance overall risk management through the implementation of the New Basel Capital Accord. As a result, the Group's overall effectiveness of risk management increased and asset quality improved steadily.

The Group stepped up the reform of its risk management system. It pushed forward its pre-lending parallel operation using an intensive and specialised risk management approach, rectified its post-lending parallel operation, and also refined its parallel operation structure. The Group established a market risk management framework consistent with the business development level of tier-one branches. It centralised the risk management of overseas branches under a single framework, and defined and reinforced overseas branches' risk management systems and frameworks.

In 2009, the Group accelerated the implementation of the New Basel Capital Accord. The new generation rating model for corporate customers was deployed across the Bank and the scorecards in retail business were widely used. The Group launched the development of a portfolio risk management system and improved the collateral management system on a gradual basis. Key progress was made in the development of market and operational risk information management systems. The Group seized the opportunity to implement the new Basel Capital Accord to develop an overall risk management system and enhance its competitiveness.

Risk Management Structure

The risk management committee under the Board is endowed with responsibilities to review the risk management and internal control policies, monitor and evaluate the respective implementations and effectiveness; to review risk and internal control reports and evaluate the risk and internal control situation on a periodic basis; to monitor and assess the organisational structure, reporting lines, working procedures and effectiveness for risk management departments, and to evaluate the performance of its senior management responsible for risk management.

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

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

At the head office level, the chief risk officer is responsible for the comprehensive organisation and operation of risk management under the leadership of the president. The Risk Management Department and the Credit Management Department, under the supervision of the chief risk officer, are responsible for establishing risk management policies, and performing risk measurement and analysis, credit approval and risk monitoring. Other departments at the head office perform their risk management duties within their respective scopes of duty.

At the branch level, there are risk supervisors in tier-one branches, who are responsible for organising the risk management and credit approval and report to the chief risk officer. There are risk heads at tier-two branches and risk managers at sub-branches, who are responsible for risk management in their respective branch or sub-branch. The risk management personnel have two reporting lines: the first reporting line is to risk management officers at higher levels, and the second being to managers of their respective entities or business units. Meanwhile, the Bank promoted flat organisational structure in branches in central cities, implemented centralised risk management system in cities where tier-one branches are located, integrated resources for risk management, and further enhanced the quality and efficiency of risk management. In 2009, the Bank established a risk management team responsible for the risk management of overseas branches, under the Risk Management Department. Members of the team were sent to the Overseas Branches Management sub-department to enhance the risk management level of overseas branches.

Credit Risk Management

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

In 2009, credit risk management made significant progress as the Group refined its risk management policies, adjusted its credit structure, strengthened post-lending management, and promoted the development and application of risk measurement tools.

Stringent policy baseline and further adjustment to credit structure. The Group adopted differentiated credit structure adjustment strategies (including promoting, securing, controlling, curtailing and exiting) for different regions, industries, customers and products. It stepped up credit structure adjustments of key areas including manufacturing, wholesale and retail trade, transportation and small enterprises. By using lists, the Group adopted stringent credit risk controls against industries with excess capacity and redundant construction. In addition, the Group developed guidelines on corporate and institutional customer selection and a risk policy baseline for the wealth management business, credit business with domestic financial institutions and bill financing business to ensure the stable business development.

Strengthening the overall control of credit business and post-lending management. The Group strengthened credit approval, and stringently enforced credit acceptance policies to ensure the quality of incremental loans. It promoted the use of a tracking and management system for corporate customers with early warning signs, improved the mechanism to deal with problem customers, and strengthened post-lending management. The Group also established a rolling risk inspection mechanism to perform on-going special inspection of targeted industries and customers, issue early warning signs, and implement effective measures to prevent risks. Focusing on large special-mention loans and NPLs, the Group exploited cash recovery, repossession, accelerated write-offs and other methods to step up NPL disposal.

Promotion of the development and application of risk measurement tools. The Group optimised its economic capital and credit risk limit management tools, and launched the development of a portfolio risk management system. The new generation rating model for corporate customers and the scorecards in retail business was deployed and widely used across the Bank. The Group also conducted special stress tests on credit risk as a support for operating decision-making. It developed a collateral management system to achieve procedural management of collaterals in both corporate and retail businesses. As risk management becomes notably more professional and sophisticated, it will better support the Group's strategic transformation, business development and risk control.

Strengthening management of key areas and weaknesses. The Group kept abreast of changes in the macroeconomic situation and strengthened the management of key risk areas. Stricter criteria in risk control were applied to projects related to government financing vehicles, capital management in fixed asset projects, real estate development financing, existing loans to secondary highway, M&A financing, restructuring financing, and bill financing businesses. Meanwhile, the Group focused on reinforcing risk management of off-balance sheet activities, wealth management products and overseas operations.

Refinement of credit risk management policies. The Group developed a new authorisation approach to differentiate and refine the authorisation process. It enforced the relevant regulatory requirements and reviewed credit risk management policies to ensure the smooth implementation of a new system that regulates fixed asset loans and project financing.

Concentration of Credit Risks

In 2009, the loans to the largest single borrower of the Group accounted for 3.09% of its net capital, while those to the ten largest customers accounted for 18.94% of its net capital. These indicators all complied with regulatory requirements.

Key regulatory indicators

Key regulatory indicators	**Regulatory standards**	**As at 31 December 2009**	As at 31 December 2008	As at 31 December 2007
Ratio of loans to the single largest customer (%)	≤10	**3.09**	3.68	4.70
Ratio of loans to the ten largest customers (%)	≤50	**18.94**	20.72	19.86

Concentration of borrowers

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

(In millions of RMB, except percentages)	**Industry**	**As at 31 December 2009** **Amount**	**% of total loans**
Customer A	Railway transport	**18,790**	**0.39**
Customer B	Production and supply of electricity and heat	**15,456**	**0.32**
Customer C	Road transport	**11,711**	**0.24**
Customer D	Public utility management	**11,611**	**0.24**
Customer E	Road transport	**10,761**	**0.22**
Customer F	Railway transport	**10,100**	**0.21**
Customer G	Road transport	**10,030**	**0.21**
Customer H	Road transport	**9,000**	**0.19**
Customer I	Public management and social organisation	**8,940**	**0.19**
Customer J	Road transport	**8,777**	**0.18**
Total		**115,176**	**2.39**

Liquidity Risk Management

Liquidity risk is the risk that funds are not available to meet liabilities as they fall due.

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

In 2009, thanks to the PBC's loose monetary policy, liquidity became relatively abundant in commercial banks. By strengthening daily fund deployment with early planning, the Group maintained reasonable surplus reserve rate.

To address excess liquidity and raise yields, the Group timely adjusted authorisation limits for balances with other banks and encouraged wider use of funds through multiple channels. The Bank and the PBC entered into a pledge agreement for the small-sum payment system. Under the agreement, the Bank was able to carry out settlement in the PBC's small-sum payment system with its held-to-maturity debt securities as pledge. This facilitated settlement, reduced surplus reserve, and expanded the utilisation of bond and money market funds.

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

	As at 31 December 2009							
(In millions of RMB)	Undated	Repayment on demand	Within 1 month	Between 1 and 3 months	Between 3 months and 1 year	Between 1 and 5 years	More than 5 years	Total
Assets								
Cash and deposits with central banks	1,152,799	305,849	–	–	–	–	–	1,458,648
Deposits and placements with banks and non-bank financial institutions	83	34,450	23,651	20,613	33,241	11,342	–	123,380
Financial assets held under resale agreements	–	–	194,531	259,155	135,920	–	–	589,606
Loans and advances to customers	27,877	34,097	181,801	346,437	1,172,502	1,447,143	1,483,090	4,692,947
Investments	43,857	–	33,951	137,787	845,525	725,327	794,143	2,580,590
Other assets	111,606	37,405	2,731	10,432	7,195	2,968	5,847	178,184
Total assets	1,336,222	411,801	436,665	774,424	2,194,383	2,186,780	2,283,080	9,623,355
Liabilities								
Borrowings from central banks	–	6	–	–	–	–	–	6
Deposits and placements from banks and non-bank financial institutions	–	622,129	39,231	12,257	29,937	109,351	–	812,905
Financial liabilities designated at fair value through profit or loss	–	2,359	–	5,580	–	–	53	7,992
Deposits from customers	–	4,806,603	374,168	684,135	1,708,954	416,806	10,657	8,001,323
Debt securities issued	–	–	1,241	3,774	7,623	6,113	79,893	98,644
Other liabilities	216	32,487	8,308	17,186	58,795	16,446	10,027	143,465
Total Liabilities	216	5,463,584	422,948	722,932	1,805,309	548,716	100,630	9,064,335
Net position in 2009	1,336,006	(5,051,783)	13,717	51,492	389,074	1,638,064	2,182,450	559,020
Net position in 2008	1,112,972	(3,597,916)	(80,320)	(64,323)	280,826	1,426,995	1,389,328	467,562

The Group regularly monitors the gap between its assets and liabilities for various maturities in order to assess its liquidity risk for different periods. As at 31 December 2009, the accumulated gap of various maturities of the Group was RMB559,020 million, an increase of RMB91,458 million. Despite the negative gap for repayment on demand totalling RMB5,051,783 million, the Group continued to enjoy a stable funding source with its strong and expansive deposit customer base and the relatively high proportion of core demand deposits.

Market Risk Management

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

In 2009, the Group strived to refine its market risk management system, market risk measurement tools and system and the related policies, and experienced steady improvement in market risk management level.

In 2009, based on regulatory requirements and internal management practices, the Group defined market risk management requirements at the branch level and established a market risk management system for both domestic and overseas branches, thus enhancing the level of market risk management.

Focusing on the risk management of businesses and products related to market risks, the Group formulated a policy baseline for risks of customer-driven derivatives, and specified requirements on customer selection, product classifications and risk mitigation. It developed administrative measures for debt securities investments, strengthened management of the issuer before, during and after investment, and drafted risk management rules for new products in financial market operations to reinforce source management. The Group also stepped up preparation for the implementation of an internal model approach for market risks under the New Basel Capital Accord, and has initially developed a comprehensive market risk measurement system for cooperation in counterparty risk measurements between the Group and its strategic investors.

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

The Group reviewed and refined its market risk limit system, enriched limit categories, and tightened stop-loss requirements, timely warnings and rigid controls. With an improved guiding effect and ease of use, the system became more sensitive to business movements and more effective in controlling risk.

Value at Risk Analysis

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

	2009				2008			
(In millions of RMB)	Year-end	Average	Maximum	Minimum	Year-end	Average	Maximum	Minimum
RMB trading portfolio								
Interest rate risk	13	16	24	8	9	14	26	3
RMB available-for-sale debt securities								
Interest rate risk	1,137	734	1,163	301	404	391	532	250
Foreign currency trading portfolio								
Interest rate risk	30	82	141	30	146	154	146	119
Foreign currency risk	63	455	1,123	63	1,120	691	1,120	626
Diversification	(30)	(58)	(115)	(30)	(104)	(113)	(104)	(120)
	63	479	1,149	63	1,162	732	1,162	625
Foreign currency available-for-sale debt securities								
Interest rate risk	143	168	330	106	329	462	672	313

Interest Rate Risk Management

According to changes in macroeconomic policies and financial markets, the Group proactively adopted effective measures to strengthen the interest rate risk management, timely adjusted and improved the internal and external pricing system, and optimised the internal fund transfer pricing of the financial market business. The Group also integrated the interest rate risk into bank-wide economic capital measurement system to better manage the interest rate risk. By virtue of using a variety of tools, the Group guided its focus on interest rate risk, strengthened long-term fixed interest rate deposit and loan management, and established an interest rate risk reserve system. In order to meet the requirements of the second pillar of the New Basel Capital Accord, the Group conducted the second phase project of Asset and Liability Management information system to optimise the risk management modules.

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

	As at 31 December 2009					
(In millions of RMB)	Total	Non-interest-bearing	Less than 3 months	Between 3 months and 1 year	Between 1 year and 5 years	More than 5 years
Assets						
Cash and deposits with central banks	1,458,648	48,520	1,410,128	–	–	–
Deposits and placements with banks and non-bank financial institutions	123,380	136	78,661	33,241	11,342	–
Financial assets held under resale agreements	589,606	–	453,686	135,920	–	–
Loans and advances to customers	4,692,947	–	2,258,105	2,378,007	21,726	35,109
Investments	2,580,590	30,862	277,299	985,178	613,303	673,948
Other assets	178,184	178,184	–	–	–	–
Total assets	9,623,355	257,702	4,477,879	3,532,346	646,371	709,057
Liabilities						
Borrowings from central banks	6	–	6	–	–	–
Deposits and placements from banks and non-bank financial institutions	812,905	–	673,617	29,937	109,351	–
Financial liabilities designated at fair value through profit or loss	7,992	2,359	5,633	–	–	–
Deposits from customers	8,001,323	41,763	5,824,497	1,710,949	415,971	8,143
Debt securities issued	98,644	–	11,394	4,616	24,719	57,915
Other liabilities	143,465	143,465	–	–	–	–
Total Liabilities	9,064,335	187,587	6,515,147	1,745,502	550,041	66,058
Repricing gap in 2009	559,020	70,115	(2,037,268)	1,786,844	96,330	642,999
Accumulated repricing gap in 2009			(2,037,268)	(250,424)	(154,094)	488,905
Repricing gap in 2008	467,562	35,774	(1,635,631)	1,446,950	254,594	365,875
Accumulated repricing gap in 2008			(1,635,631)	(188,681)	65,913	431,788

As at 31 December 2009, the Group's accumulated interest rate sensitive negative gap for a period less than one year was RMB250,424 million, an increase of RMB61,743 million compared to 2008. This was mainly because the increase of the negative gap for a period less than three months is higher than that of the positive gap for a period between three months to one year. The Group's interest rate sensitive negative gap for a period less than three months increased by RMB401,637 million, of which deposits from customers increased by RMB1,362,088 million, mainly because domestic liquidity became relatively abundant as a result of the moderately loose monetary policy.

Foreign Exchange Risk Management

In 2009, the Group launched the second phase of development of the asset and liability management system to optimise foreign exchange risk management and comply with requirements in internal management, external regulation and information disclosure. Certain functions were deployed to automatically measure the exchange risk exposure of the Bank on a daily basis, and the granularity and accuracy of risk measurement was notably enhanced.

Operational Risk Management

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

In 2009, the Group further standardised and strengthened operational risk management. It extended the scope of operational risk self-assessment with an emphasis on preventing risk in key areas and units of operations, and tightened the monitoring of operational risk arising from self-service equipment management and managers' duty fulfilment. The Group completed a consultation project for the operational risk management information system in order to develop three major tools for operational risk management. The Group also set to develop an operational risk management information system to build an information platform for operational risk management and comprehensive analysis. In introducing pilot management of incompatible positions, the Group regulated centralised management of these positions and focused on addressing problems of position segregation and deficient checks and balances. It enhanced the security inspection of infrastructure, including information systems, power supply equipment and office premises. The Group improved emergency planning and contingent drills to ensure the safe and steady operation of various businesses. The Group pushed forward business continuity management in an orderly manner and developed a plan to define the general objectives and specific tasks at each phase in the future from the perspectives of management policy, organisational structure, management tool and corporate-culture building.

Reporting and Monitoring of Non-compliance

By the end of 2009, six criminal offences committed by the Bank's employees, involving an amount of RMB43.33 million, had been reported to the head office. Of these, three cases involved a sum of RMB1 million or above, totalling RMB40.77 million.

Internal Audit

In order to promote the establishment of effective internal controls, risk management and sound corporate governance, the Group's internal audit department put forward suggestions for improvement on the basis of its audit. The department evaluated the effectiveness of internal controls and risk management, the efficiency of business operations, the effect of corporate governance, and economic responsibilities of key managers. The internal audit department plays a relatively independent role which is managed vertically and reports to the board of directors, its audit committee, and to the board of supervisors and senior management. There is an Audit Department at the head office and 39 audit units at tier-one branches responsible for managing and conducting audit projects.

In 2009, the internal audit department conscientiously performed its duties by improving the management mechanism, gradually strengthening its specialisation, and scientifically utilising information technology to enhance the relevance and effectiveness of audits.

Effective launch of audit projects. Focusing on key areas and major risks, the internal audit department launched a total of 25 categories of audit projects across the Bank, including audits of credit businesses, letters of guarantees, bank-wide market risk management, capital expenditures, the signing and execution of non-business contracts, and the data centre and development centre in the head office. The department also launched audits of branches and subsidiaries, including the business operation and management audit of Sino-German Bausparkasse Corporation and rural banks, and annual audits of overseas institutions. In continuously adding value to audits, the Group conducted management consultancy audit, including investigations into fundamental management, and the comprehensive business operation and management of tier-two branches/sub-branches. The board of directors, board of supervisors and senior management attached great importance to the audit findings, and urged the departments and branches to implement related rectifications and tighten risk management by optimising related rules, business processes, and IT systems to enhance business efficiency and effectiveness.

Gradual specialisation of internal audit. On the basis of establishing the 17 audit specialisations, which cover all special areas in the Bank, the internal audit department coordinated and guided professional teams to conduct researches on special topics. With a refined audit knowledge base and a reservoir of audit professionals, the sharing of research findings is promoted, which contributes to building a high quality professional audit team.

Scientific utilisation of information technology. The department continued to optimise its off-site audit system and audit management information system, and promoted off-site audit technology and methods. It established and trained a professional off-site audit team, and organised qualification tests for off-site audit system application capability. It also established a normalised audit monitoring system for credit business, liability and fee-based business, management of receipts and payment, and performance analysis.

Launch of audit evaluation on internal control. The Group revised its internal control audit evaluation tools and standards, and conducted an audit evaluation on tier-one branches' internal control in 2009. As entrusted by the audit committee of the Board, the internal audit department conducted the self-assessment on the Group's overall internal control.

PROSPECTS

The worst of the global financial crisis is over, and the global economy is expected to stay on the road to recovery in 2010. However, the foundation of recovery is still weak without strong internal growth drivers. Many countries are confronted with complicated situations and multiple dilemmas. For instance, improved economic indicators coexist with stubbornly high unemployment rates; some financial institutions make turnaround while other banks still hold excessive distressed assets amid credit crunch; surging stock, property and bulk commodity prices coexist with a weak real economy; inflationary risk induced by excessive liquidity couples with deflationary pressure resulting from insufficient demand; and the diminishing effects of stimulus policies coexist with weak domestic economic growth. This results in higher risks of sovereign debts in some countries, a need for a more robust global financial system, rising inflation in some regions, and escalating global trade protectionism. Thus, fluctuations in the path to economic recovery cannot be ruled out. Faced with such complicated environment, world governments shall adopt a more pragmatic approach by continuing to strengthen cooperation with each other in terms of international economic policies, and shifting the driving forces of economic growth from government policies to the market and private-sector to achieve steady development. The International Monetary Fund has projected that the growth of the global economy will gradually pick up to 3.9% in 2010.

The world's complicated and uncertain economic situation has great impact on China's development in 2010. While the external environment is far from optimistic, overall the Chinese economy has gradually regained vigour and confidence and is expected to maintain stable and relatively rapid growth. Its change in development patterns and adjustment in economic structure will produce favourable environment for long-term development, and urbanisation and an upgraded consumption structure are likely to further drive economic growth.

In 2010, the operations of commercial banks will certainly witness both opportunities and challenges. On the one hand, the change in China's development patterns and adjustment in economic structure will facilitate adjustments in the Group's credit structure. The environment for comprehensive operations will loosen, providing excellent opportunities for nurturing new, innovative types of businesses. The accelerated liberalisation of interest rates and exchange rates will also give the Group greater freedom in financial innovation. On the other hand, the path to global recovery is set to be slow and difficult. China still encounters the challenges of a complicated economic environment at home and abroad. The macro-economic policy will be more flexible and relevant.

To achieve optimal earnings for our shareholders and to contribute to society in 2010, the Group will consider both the current operations and long-term development, continue to reinforce infrastructure, strengthen risk management and internal controls, reasonably control loan growth with an estimated RMB loan increase of 17%, vigorously promote innovations in products and services, and proactively implement various initiatives.

Corporate Social Responsibility

In 2009, the Group explored new ways to show its continuous commitments to corporate social responsibility. It took part in 13 public welfare projects, with contributions totalling RMB72.74 million.

The Group has fully supported education development and continued with its poverty alleviation programmes. In 2009, the Group contributed RMB60 million to set up the "CCB Scholarships and Grants for College Students from Ethnic Minorities", and the programme has financially supported impoverished minority college students with high academic and ethical achievements, patriotism and contributions to national unity in 16 provinces and autonomous regions where ethnic minorities inhabit, including Inner Mongolia, Xinjiang, Tibet, Guangxi and Ningxia for five consecutive years. Meanwhile, the Group continued with the programmes "Build for the Future — CCB Sponsorship Programme for Impoverished High School Students", the construction and maintenance of the CCB Hope Primary School, the "Passion to Tibet — CCB & Jianyin Scholarships and Grants" and "CCB Tsinghua University Chair Professorship Fund", as well as other projects targeted at students from primary, secondary schools and universities in support of education development.

The Group donated RMB5 million to typhoon victims in Taiwan through the Association for Relations across the Taiwan Straits for a disaster relief and post-disaster reconstruction. It continued with the programme "Sponsorship Programme for Impoverished Mothers of Heroes & Exemplary Workers in China" and supported, for the third year, the "Green PC" poverty alleviation initiative hosted by the China Association of Poverty Alleviation and Development.

The Group continued to support environmental protection. It adhered to the "green credit" policy of "promoting some loans while curtailing others, supporting the superior while limiting the inferior", and gave the environment criteria "veto power" in credit approvals. It initiated extensive energy saving and emission reduction activities across the Bank, and actively participated in the global campaign of "Earth Hour".

The Group actively supported seminars and studies on the reinvigoration of the economy. Against the backdrop of global financial crisis, the Group sponsored the "Global Think Tank Summit 2009", "2009 Symposium on Building the Financial System of the 21st Century" and the "Spring Session for members of the International Finance Society 2009".

The Group has gained wide recognition for its practices and efforts in fulfilling corporate social responsibility. The Bank ranked 1st among Chinese banks in the Asian Sustainability Rating 2009 in Hong Kong. It was also ranked 1st among A-share listed banks in the CSR reports rating of A-share listed companies by the Running & Loving Consulting for Common Welfare, Det Norske Veritas (DNV) and China Social Entrepreneur Foundation (YouChange). In addition, the Group was awarded "Best Social Responsibility Enterprise Award for the 30 Years of Opening-up and Reform" by the Chinese Red Cross Foundation, the "Special Award for Contribution over 20 years" by the China Foundation for Poverty Alleviation, and the "Award for Leading CSR Enterprises for the 60 Years of Founding of the People's Republic of China" by the China Enterprise Reform and Development Society.

Changes in Share Capital and Particulars of Shareholders

CHANGES IN SHARES

Unit: share

	1 January 2009		Increase/(Decrease) during the reporting period					31 December 2009	
	Number of shares	Percentage (%)	Issuance of additional shares	Bonus issue	Shares converted from capital reserve	Others	Sub-total	Number of shares	Percentage (%)
(I) Shares subject to selling restrictions									
1. State-owned shares[1]	112,569,894,534	48.17	–	–	–	20,692,250,000	20,692,250,000	133,262,144,534	57.03
2. Shares held by state-owned legal persons[2]	20,692,250,000	8.85	–	–	–	(20,692,250,000)	(20,692,250,000)	–	–
3. Shares held by foreign investors[3]	25,580,153,370	10.95	–	–	–	–	–	25,580,153,370	10.95
(II) Shares not subject to selling restrictions									
1. RMB ordinary shares	9,000,000,000	3.85	–	–	–	–	–	9,000,000,000	3.85
2. Overseas listed foreign investment shares	58,940,447,096	25.22	–	–	–	200,000,000	200,000,000	59,140,447,096	25.31
3. Others[4]	6,906,339,000	2.96	–	–	–	(200,000,000)	(200,000,000)	6,706,339,000	2.87
(III) Total number of shares	233,689,084,000	100.00	–	–	–	–	–	233,689,084,000	100.00

1. H-shares of the Bank held by Huijin.

2. H-shares of the Bank held by Jianyin. In July 2009, Jianyin transferred its 20,692,250,000 H-shares of the Bank to Huijin for free.

3. H-shares of the Bank held by Bank of America.

4. As at 1 January 2009, the three promoters of the Bank, State Grid, Baosteel Group and Yangtze Power, held 2,706,339,000 H-shares, 3,000,000,000 H-shares and 1,200,000,000 H-shares of the Bank respectively; as at 31 December 2009, they held 2,706,339,000 H-shares, 3,000,000,000 H-shares and 1,000,000,000 H-shares of the Bank respectively.

5. Rounding errors may arise in the "Percentage (%)" of the table above.

Changes in Shares Subject to Selling Restrictions

Name of shareholder	Number of shares subject to restrictions at the beginning of the year	Number of shares released from restrictions during the year	Number of new shares subject to restrictions in the year	Number of shares subject to restrictions at the end of the year	Reason for restrictions	Date of release from restrictions
Huijin	112,569,894,534	—	20,692,250,000	133,262,144,534	The 5-year lock-up period since issuance of H-shares (27 October 2005)	27 October 2010
Jianyin[1]	20,692,250,000	20,692,250,000	—	—	—	—
Bank of America	25,580,153,370	—	—	25,580,153,370	The 25,580,153,370 H-shares acquired by exercise of the call options in 2008 shall not be transferred without the Bank's written consent before 29 August 2011.	29 August 2011

1. In July 2009, Jianyin transferred its 20,692,250,000 H-shares of the Bank to Huijin for free.

DETAILS OF SECURITIES ISSUANCE AND INITIAL PUBLIC OFFERING

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

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

Please refer to "Debt Securities Issued" in the notes of "Financial Statements" for information regarding issuance of subordinated bonds of the Bank in 2009.

NUMBER OF SHAREHOLDERS AND PARTICULARS OF SHAREHOLDINGS

At the end of the reporting period, the Bank had a total of 1,150,524 shareholders, of which 53,531 were holders of H-shares and 1,096,993 were holders of A-shares.

Unit: share

Total number of shareholders			1,150,524 (Total number of registered holders of A-shares and H-shares as at 31 December 2009)		
Particulars of shareholdings of the top ten shareholders					
Name of shareholder	**Nature of shareholder**	**Shareholding percentage (%)**	**Total number of shares held**	**Number of shares subject to selling restrictions**	**Number of shares pledged or frozen**
Huijin	State-owned	57.03	133,262,144,534 (H-shares)	133,262,144,534	None
	State-owned	0.06	144,747,455 (A-shares)	—	None
HKSCC Nominees Limited[1]	Foreign legal person	19.12	44,677,346,751 (H-shares)		Unknown
Bank of America[2]	Foreign legal person	10.95	25,580,153,370 (H-shares)	25,580,153,370	None
Fullerton Financial[1]	Foreign legal person	5.65	13,207,316,750 (H-shares)		None
Baosteel Group	State-owned	1.28	3,000,000,000 (H-shares)		None
	State-owned	0.13	298,000,465 (A-shares)		None
State Grid[1]	State-owned	1.16	2,706,339,000 (H-shares)		None
Yangtze Power[1]	State-owned	0.43	1,000,000,000 (H-shares)		None
Reca Investment Limited	Foreign legal person	0.34	800,000,000 (H-shares)		None
Lion Stock Fund	Domestic non-state-owned legal person	0.08	182,543,936 (A-shares)		None
CITIC Securities Co., Ltd.	Domestic non-state-owned legal person	0.06	141,483,335 (A-shares)		None

1. As at 31 December 2009, Fullerton Financial, State Grid and Yangtze Power held 13,207,316,750 H-shares, 2,706,339,000 H-shares and 1,000,000,000 H-shares of the Bank respectively, all of which were held under the name of HKSCC Nominees Limited. Except for the H-shares of the Bank held by Fullerton Financial, State Grid and Yangtze Power, HKSCC Nominees Limited held other 44,677,346,751 H-shares of the Bank.

2. In January and May 2009, Bank of America sold 5,623,655,000 H-shares and 13,509,319,346 H-shares of the Bank respectively. After that, the number of H-shares of the Bank held by Bank of America was 25,580,153,370, and these H-shares cannot be transferred without the Bank's written consent before 29 August 2011.

Particulars of shareholding of the top ten shareholders not subject to selling restrictions		
Name of shareholder	**Number of shares not subject to selling restrictions**	**Type of share**
HKSCC Nominees Limited[1]	44,677,346,751	H-share
Fullerton Financial[1]	13,207,316,750	H-share
Baosteel Group	3,000,000,000	H-share
	298,000,465	A-share
State Grid[1]	2,706,339,000	H-share
Yangtze Power[1]	1,000,000,000	H-share
Reca Investment Limited	800,000,000	H-share
Lion Stock Fund	182,543,936	A-share
Huijin	144,747,455	A-share
CITIC Securities Co., Ltd	141,483,335	A-share
Bosera Selected Stock Fund	129,999,824	A-share

1. As at 31 December 2009, Fullerton Financial, State Grid and Yangtze Power held 13,207,316,750 H-shares, 2,706,339,000 H-shares and 1,000,000,000 H-shares of the Bank respectively, all of which were held under the name of HKSCC Nominees Limited. Except for the H-shares of the Bank held by Fullerton Financial, State Grid and Yangtze Power, HKSCC Nominees Limited held other 44,677,346,751 H-shares of the Bank.

SUBSTANTIAL SHAREHOLDERS OF THE BANK

At the end of the reporting period, Huijin held 57.09% of the shares of the Bank. Huijin is the controlling shareholder of the Bank. Huijin is a wholly state-owned investment company established in accordance with the Company Law on 16 December 2003 with the approval of the State Council. Its registered capital and paid-in capital are both RMB552,117 million. Its legal representative is Mr. Lou Jiwei. Huijin makes equity investment in key state-owned financial institutions as authorized by the State Council, and exercises the contributor's rights and obligations in the Bank up to its contribution on behalf of the state to achieve preservation and appreciation of state-owned financial assets.

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

At the end of the reporting period, Bank of America directly held 10.95% of the shares of the Bank. Bank of America is a company registered in Delaware, headquartered in Charlotte, North Carolina. Its chairman is Mr. Walter E. Massey. As one of the largest bank holding companies and financial holding companies in the world, Bank of America provides comprehensive banking, investment, assets management and other financial and risk management products and services to individual customers, small and medium-sized enterprises and large companies. According to the audited balance sheet of Bank of America as at 30 September 2009, the shareholders' equity of Bank of America was US$257,683 million.

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

DATES ON WHICH SHARES SUBJECT TO SELLING RESTRICTIONS MAY COMMENCE TRADING

Unit: share

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

NUMBER OF SHARES HELD BY SHAREHOLDERS SUBJECT TO SELLING RESTRICTIONS AND THE CONDITIONS OF SELLING RESTRICTIONS

Unit: share

Number	Name of shareholder subject to selling restrictions	Number of shares subject to selling restrictions	Date on which shares may commence trading	Number of new tradeable shares	Selling restrictions
1	Huijin	133,262,144,534	27 October 2010	133,262,144,534	Lock-up period of H-shares
2	Bank of America	25,580,153,370	29 August 2011	25,580,153,370	Lock-up period of H-shares

Corporate Governance Report

The Bank is committed to maintaining high level corporate governance practice. In accordance with the Company Law, *Law of the People's Republic of China on Commercial Banks* and other laws and regulations, and regulations such as listing rules of the relevant stock exchanges, the Bank optimised its corporate governance structure and improved the rules on corporate governance in line with its corporate governance practices. During the reporting period, the Bank formulated work regulations on engaging external auditor made by the audit committee of the Board, and revised corporate governance policies, including annual report working rules of the audit committee of the Board and the measures for the management of connected transactions.

In 2009, the Bank rectified the problems arising from inspections by CSRC Beijing Bureau and self-examination by the Bank. It also further strengthened its work on corporate governance, risk management, investor relationship, information disclosure, connected transaction management and spokesperson system in accordance with the *Notice on the Corporate Governance of Listed Companies in 2009* issued by the CSRC. The Bank has complied with code provisions of the *Code on Corporate Governance Practices* as set out in Appendix 14 of Listing Rules of Hong Kong Stock Exchange. The Bank has also substantially complied with the recommended best practices therein. The Bank strictly abided by the laws and regulations and other provisions such as listing rules of relevant stock exchanges in respect of management of insider information, formulated regulations on shareholding and changes in shareholding of the Bank held by directors, supervisors, and senior management, and was committed to perfecting the insider information and insider management system. The Bank made provisions for accountability of related staff in information disclosure in the *Measures on Violations and Misconducts by the Staff of China Construction Bank*.

SHAREHOLDERS' GENERAL MEETING

Powers of Shareholders' General Meeting

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

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

Details of Shareholders' General Meetings Convened

On 26 March 2009, the Bank held the 2009 First Extraordinary General Meeting, which resolved on issuance of subordinated bonds, provision of corporate communications to the holders of H-shares via the Bank's own website.

On 11 June 2009, the Bank held the 2008 annual general meeting, which mainly resolved on the 2008 report of the board of directors, 2008 report of the board of supervisors, 2008 final financial accounts, 2009 fixed assets investment budget, profit distribution plans for the second half of 2008, 2008 final emoluments distribution plan for directors and supervisors, appointment of auditors of the Bank for 2009 and appointment of the executive director.

The shareholders' general meeting was held in compliance with relevant legal procedures, the resolutions of which were published on the websites of the stock exchanges, and on the China Securities Journal and Shanghai Securities News.

BOARD OF DIRECTORS

Responsibilities of the Board

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

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

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

In 2009, the Board strictly implemented the resolutions of shareholders' general meeting and matters authorised to the Board by the shareholders' general meeting, earnestly implemented the profit distribution plan for the second half of 2008, appointment of auditors for 2009, issuance of subordinated bonds and other plans reviewed and approved by the shareholders' general meeting.

Composition of the Board

At the end of 2009, the Board comprised 17 directors, including four executive directors, namely, Mr. Guo Shuqing, Mr. Zhang Jianguo, Ms. Xin Shusen and Mr. Chen Zuofu; seven non-executive directors, namely, Mr. Wang Yonggang, Mr. Wang Yong, Ms. Wang Shumin, Mr. Liu Xianghui, Mr. Zhang Xiangdong, Ms. Li Xiaoling and Mr. Gregory L. Curl; and six independent non-executive directors, namely, Lord Peter Levene, Mr. Song Fengming, Dame Jenny Shipley, Ms. Elaine La Roche, Mr. Wong Kai-Man and Mr. Tse Hau Yin, Aloysius.

Chairman and President

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

Appointment and Re-election of Directors

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

Upon appointment by the Bank's 2008 annual general meeting and approval of the CBRC, Mr. Chen Zuofu commenced his position as an executive director of the Bank from July 2009.

The term of office of some directors of the Bank will end on the date of the 2009 annual general meeting. The shareholders' general meeting of the Bank will consider related issues of the selection of directors.

Operation of the Board

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

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

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

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

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

We effected directors' liability insurance policy for all directors in 2009.

Compliance with Model Code for Securities Transactions by Directors

The Bank has adopted a code of practice in relation to securities transactions by directors and supervisors as set out in the *Model Code for Securities Transactions by Directors of Listed Issuers* in Appendix 10 of the Listing Rules of Hong Kong Stock Exchange. All directors and supervisors have confirmed that they have complied with the provisions of this code in the year ended 31 December 2009.

BOARD MEETINGS

In 2009, the Board convened nine meetings in total, including seven on-site meetings and two meetings by written resolutions. Major resolutions passed by the board meetings included the Bank's operational plan, fixed assets investment budget, financial reports, profit distribution, appointment of director and executive vice president, etc. Relevant information was disclosed pursuant to the provisions in relevant laws, regulations and listing rules of the listing venues. Individual attendance records of the directors in board meetings in 2009 are set out as follows:

Board members	Number of meetings attended/ Number of meetings during term of office	Number of meetings attended by proxy/ Number of meetings during term of office	Attendance rate (%)
Executive directors			
Mr. Guo Shuqing	9/9	0/9	100
Mr. Zhang Jianguo	9/9	0/9	100
Ms. Xin Shusen	9/9	0/9	100
Mr. Chen Zuofu	5/5	0/5	100
Non-executive directors			
Mr. Wang Yonggang	8/9	1/9	100
Mr. Wang Yong	9/9	0/9	100
Ms. Wang Shumin	9/9	0/9	100
Mr. Liu Xianghui	9/9	0/9	100
Mr. Zhang Xiangdong	9/9	0/9	100
Ms. Li Xiaoling	9/9	0/9	100
Mr. Gregory L. Curl	7/9	2/9	100
Independent non-executive directors			
Lord Peter Levene	8/9	1/9	100
Mr. Song Fengming	9/9	0/9	100
Dame Jenny Shipley	8/9	1/9	100
Ms. Elaine La Roche	8/9	1/9	100
Mr. Wong Kai-Man	8/9	1/9	100
Mr. Tse Hau Yin, Aloysius	9/9	0/9	100

Performance of Duties by Independent Directors

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

The attendance rates of independent non-executive directors of the Bank in attending both board meetings and board committee meetings in 2009 were 100%. Currently, the audit committee, nomination and compensation committee and related party transactions committee under the Board are all chaired by independent non-executive directors. During the session of board meetings, our independent non-executive directors enhanced their understanding about business development of subsidiaries by means of on-site investigation and informal discussion. The independent non-executive directors of the Bank gave their opinions actively on the board meetings, and provided valuable suggestions on the business development and significant decisions of the Bank, which promoted the scientific decision-making of the Board.

During the reporting period, the Bank's independent non-executive directors reviewed the continuing connected transactions and external guarantee given by the Bank. During the review of relevant matters by the Board, the independent non-executive directors did not raise any objections to the relevant matters.

Delegation by the Board

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

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

Accountability of the Directors in Relation to the Financial Report

The directors are responsible for overseeing the preparation of the financial report for each financial period to give a true and fair view of the Group's state of affairs, performance results and cash flow for that period. In preparing the financial report for the year ended 31 December 2009, the directors have selected appropriate accounting policies, applied them consistently, and made judgements and estimates that are prudent and reasonable.

During the reporting period, in accordance with the provisions of relevant laws, regulations and listing rules, the Bank has released 2008 annual report, the report for the first quarter of 2009, half-year report 2009, and the report for the third quarter of 2009 on time.

Independent Operating Capability of the Bank

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

Internal Transactions

The internal transactions of the Bank cover cross-shareholding, credit and guarantees, asset transfer, receivables and payables, service charges, and agency transactions between the Bank and subsidiaries as well as between the subsidiaries. The internal transactions of the Bank were in line with regulatory requirements, and did not bring about the negative impact upon the Group's sound operation.

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

Internal Control

The internal control objectives of the Bank are to reasonably ensure that its operations and management are in compliance with relevant laws and regulations, its assets are managed in a sound manner, and its financial reports and relevant information are truthful and complete, to enhance its operational efficiency and effect, and facilitate the fulfilment of its development strategy.

Under the principles of comprehensiveness, importance, checks and balances, adaptability and cost-effectiveness, the establishment and implementation of the Bank's internal control include the following factors: internal control environment, risk identification and assessment, control measures, information communication and feedback, and monitoring, evaluation and corrections in full consideration of provisions like the *Basic Standard for Enterprise Internal Control, Guidelines for Internal Control of Commercial Banks, and Guidelines on Internal Controls of Listed Companies of the Shanghai Stock Exchange*.

The board of directors, board of supervisors and senior management of the Bank attached great importance to internal controls. In 2009, the audit committee of the board of directors continued to carry out the bank-wide internal control self-assessment by drawing on work experience of the previous years. The Bank adjusted, supplemented and updated the implementation plan and assessment tools of internal control by integrating new requirements of the CBRC and other external regulatory institutions since the beginning of the year and new conditions of the Bank's business development and internal control. On that basis, the Bank assessed the integrity and effectiveness of internal control system by combining self-assessment of operational departments and business lines and check and validation of internal audit.

The assessment results showed that the Bank conscientiously implemented the state's macro-control policies, and adhered to the proactive and prudent business principles under complicated situation at home and abroad. In pursuit of business development, the Bank continued to strengthen internal control building, and conscientiously guard against operational risks to ensure the healthy development of various businesses. During the year, the Bank continued to improve corporate governance structure and fundamental system of corporate governance and corporate governance mechanism operated effectively. The Bank deepened the reform of organisational structure, strengthened subsidiaries and overseas institutions management, improved the specialisation, intensiveness, and sophistication of operation management in order to adapting the changing market conditions and customer needs. The Bank proactively carried out compliance-building activities, created a good cultural atmosphere to enhance awareness of compliance operation. The Bank improved risk management mechanism, promoted the implementation of the New Basel Capital Accord, refined risk policy system, deepened the application of risk measurement tools, strictly regulated credit structure and lending rhythm, strengthened controls on connected transactions and management on anti-money laundering in order to continuously improve the comprehensive risk management and control capabilities. The Bank sorted out, amended, and supplemented rules and regulations to improve integrity and applicability of these rules and regulations, promoted business process optimisation and standardisation to improve business development and risk control. The Bank refined the separation and check and balance mechanism for incompatible positions and standardised the unified management of the bank-wide incompatible positions. The Bank strengthened information system building to constantly enhance the machine control capability of business risks, continued to improve performance appraisal mechanism to continuously upgrade development quality and efficiency of institutions at various levels. The Bank further refined the information exchange mechanism, improved the level of information sharing and application to provide support for operation and management. The Bank continued to intensify inspection and supervision efforts, improved the bank-wide working mechanism and process of rectification to raise the level of internal control.

The Bank's internal control system and implementation were sound and effective, and no significant deficiencies were found in the design and implementation of internal control; some matters that had room for improvement did not constitute a material effect upon the overall operation and management. The Bank attached great importance to these matters, and would take further measures to continuous improvement.

COMMITTEES UNDER THE BOARD

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

Strategy Development Committee

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

The primary responsibilities of the strategy development committee include:

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

In 2009, the strategy development committee convened four meetings in total, carrying out in-depth analysis of the Bank's post-crisis development path, studying strategic cooperation and comprehensive operation, and spearheading the implementation of measures in connection with the strategic objectives.

Members of strategy development committee	Number of meetings attended/ Number of meetings during term of office	Number of meetings attended by proxy/ Number of meetings during term of office	Attendance rate (%)
Mr. Guo Shuqing	4/4	0/4	100
Mr. Wang Yonggang	4/4	0/4	100
Mr. Wang Yong	4/4	0/4	100
Ms. Wang Shumin	4/4	0/4	100
Lord Peter Levene	3/4	1/4	100
Mr. Liu Xianghui	4/4	0/4	100
Mr. Zhang Xiangdong	4/4	0/4	100
Mr. Zhang Jianguo	4/4	0/4	100
Dame Jenny Shipley	3/4	1/4	100
Ms. Elaine La Roche	3/4	1/4	100
Mr. Gregory L. Curl	4/4	0/4	100

In 2010, the strategy development committee will strengthen the research on major issues of business development strategy, further advance the implementation of strategic objective measures, carry out in-depth strategic cooperation and actively explore comprehensive operations.

Audit Committee

The audit committee consists of seven directors. Mr. Tse Hau Yin, Aloysius, an independent non-executive director, currently serves as chairman of the audit committee. Members include Ms. Wang Shumin, Mr. Song Fengming, Ms. Li Xiaoling, Ms. Elaine La Roche, Mr. Gregory L. Curl and Mr. Wong Kai-Man. Both Mr. Tse Hau Yin, Aloysius and Mr. Wong Kai-Man have certified public accountant qualifications in Hong Kong and United Kingdom. The composition of the audit committee of the Bank is in compliance with domestic and overseas regulatory requirements.

The primary responsibilities of the audit committee include:

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

In 2009, the audit committee convened seven meetings of the committee, reviewing the financial reports for 2008, the first half of 2009, and the first and third quarter of 2009. The audit committee actively pushed forward the internal control self-assessment in 2009, tracked the rectification against audit results found by internal and external audit and regulation. The audit committee reviewed the internal audit working plan, monitored and assessed the internal audit periodically, and assessed the 2009 internal audit work. The audit committee seriously monitored and evaluated the internal audit work, reviewed the work plan for annual financial report audit and the audit results, and urged the external auditors to issue audit report on time.

Pursuant to requirements by the CSRC, the audit committee amended its annual report working rules. According to the rules, the audit committee reviewed the financial report of the Bank, and communicated and discussed with the management as to the major accounting policies and accounting estimates. The audit committee reviewed the Bank's financial report again in respect to the initial audit opinions given by the external auditors, communicated with the management and external auditors, discussed matters such as the accounting standards and methods adopted in the financial statements, internal monitoring and financial report, and urged the auditors to submit the summary audit report to the Board. The audit committee reviewed and approved the 2009 financial report of the Bank, and submitted the proposal to the Board for consideration. The audit committee recommended reappointment of KPMG Huazhen as the domestic auditors of the Bank and its major domestic subsidiaries and KPMG as the international auditors of the Bank and its overseas subsidiaries for 2010.

The audit committee has formulated the process of engaging external auditors and standardised the process of engaging external auditors commissioned to audit and review the Bank's annual financial reports and other regular financial reports and to implement agreed procedural business.

The audit committee debriefed the set-up, function, personnel and training of the financial and accounting institution of the Bank from the senior management. The deployment of the Bank's financial and accounting staff was reasonable and appropriate training on accounting standards and system was conducted, which met the requirements of ever-improving the disclosure quality of financial reports.

Members of audit committee	Number of meetings attended/ Number of meetings during term of office	Number of meetings attended by proxy/ Number of meetings during term of office	Attendance rate (%)
Mr. Tse Hau Yin, Aloysius	7/7	0/7	100
Ms. Wang Shumin	7/7	0/7	100
Mr. Song Fengming	7/7	0/7	100
Ms. Li Xiaoling	7/7	0/7	100
Ms. Elaine La Roche	6/7	1/7	100
Mr. Gregory L. Curl	7/7	0/7	100
Mr. Wong Kai-Man	6/7	1/7	100

In 2010, the audit committee will further monitor the regular financial reports, continue to assess the internal control system, supervise and assess the independence of internal and external audits, improve the effectiveness of communication and cooperation between internal and external auditors, cooperate with external regulations, and continue to keep a close eye on the complementary guidelines of the *Basic Standard for Enterprise Internal Control* promulgated by the five government authorities and promote the bank-wide implementation of these guidelines.

Risk Management Committee

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

The primary responsibilities of the risk management committee include:

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

In 2009, the risk management committee convened four meetings. The risk management committee paid close attention to impact of global financial crisis and national macro-economic control policies to the Bank, strengthened comprehensive risk management; actively pushed forward the implementation of the New Basel Capital Accord, continued to monitor the measurement of risks, actively pushed forward reforms of risk management system, urged to set up and further advance risk management policy system, and strengthened the building of compliance risk management system and internal control system; periodically checked and evaluated the overall risks, attached great importance to risk management of all credit business, financial market business, fee-based business and information technology risk management, strengthened the accounts consolidation of the Group, strengthened risk management of overseas branches and intensified the efforts to prevent and control cases.

Members of risk management committee	Number of meetings attended/ Number of meetings during term of office	Number of meetings attended by proxy/ Number of meetings during term of office	Attendance rate (%)
Mr. Zhang Xiangdong	4/4	0/4	100
Mr. Wang Yong	4/4	0/4	100
Mr. Liu Xianghui	4/4	0/4	100
Mr. Chen Zuofu	2/2	0/2	100
Mr. Zhang Jianguo	4/4	0/4	100
Ms. Xin Shusen	4/4	0/4	100
Mr. Song Fengming	4/4	0/4	100
Mr. Wong Kai-Man	3/4	1/4	100
Mr. Tse Hau Yin, Aloysius	4/4	0/4	100

In 2010, the risk management committee will continue to conscientiously perform their duties, push forward implementation of the New Basel Capital Accord, fully improve the specialisation and sophistication of risk management, urge to establish and optimise risk management policy system. The committee will constantly promote the comprehensive risk management of credit risk, market risk and operational risk, advance to adjust and optimise credit structure, improve the quality of credit assets, strengthen the risk management of information technology, and deepen cases governance to further boost management on consolidation of the Group's accounts.

Nomination and Compensation Committee

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

The primary responsibilities of the nomination and compensation committee include:

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

The nomination and compensation committee convened five meetings in total in 2009. Regarding nomination, the nomination and compensation committee deliberated proposals for nominating executive vice president of the Bank and supplementing the members of the board committees. The committee also submitted proposal on candidates for executive director. Regarding compensation, the nomination and compensation committee organised the settlement scheme of the compensation to directors, supervisors and senior management for 2008 and studied detailed implementation rules for the distribution of compensation for directors, supervisors and senior management for 2009. Regarding the fundamental work, the nomination and compensation committee debriefed the remuneration policy for senior management and employees, cultivation mechanism for top talents and provided their opinions and suggestions.

Members of nomination and compensation committee	Number of meetings attended/ Number of meetings during term of office	Number of meetings attended by proxy/ Number of meetings during term of office	Attendance rate (%)
Ms. Elaine La Roche	4/5	1/5	100
Lord Peter Levene	4/5	1/5	100
Mr. Liu Xianghui	5/5	0/5	100
Mr. Song Fengming	5/5	0/5	100
Ms. Li Xiaoling	5/5	0/5	100
Dame Jenny Shipley	4/5	1/5	100
Mr. Gregory L. Curl	5/5	0/5	100
Mr. Tse Hau Yin, Aloysius	5/5	0/5	100

In 2010, the nomination and compensation committee will continue to accomplish the works in connection with nomination, further advance the remuneration and appraisal measures for directors, supervisors and senior management of the Bank in accordance with the national policies. The committee will propose the settlement of compensation for directors, supervisors and senior management for 2009 according to the operation results of the Bank and comprehensive consideration of various factors, and pay attention to the remuneration policy and the training and career development for the personnel of various levels of the Bank.

Related Party Transactions Committee

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

The primary responsibilities of the related party transactions committee include:

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

The related party transactions committee convened four meetings in total in 2009. The committee studied and revised the implementation measures on management of related party transactions, further advanced the building of internal policy system of related party transactions management, periodically debriefed reports on related party transactions and its management to understand issues arisen herein, and provided guidance to implementation of relevant rules and regulations; coordinated with internal audit of related party transactions and urged to implement rectification measures; closely watched over for development in domestic and overseas regulation over Banks, adjusted methods and working pattern.

Members of related party transactions committee	Number of meetings attended/ Number of meetings during term of office	Number of meetings attended by proxy/ Number of meetings during term of office	Attendance rate (%)
Mr. Song Fengming	4/4	0/4	100
Mr. Chen Zuofu	2/2	0/2	100
Ms. Xin Shusen	4/4	0/4	100
Mr. Wong Kai-Man	3/4	1/4	100
Mr. Tse Hau Yin, Aloysius	4/4	0/4	100

In 2010, the related party transactions committee will pay attention to the Bank's financial innovation position, study on potential new related parties and issues on control of related party transactions in advance; urge on optimization of information system, realise systematic function of automatic early warning, improve quality and efficiency of daily management of related party transactions.

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

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

The external guarantee business provided by the Bank has been approved by the People's Bank of China and the CBRC, and is part of the ordinary business of the Bank. With regard to the risks arising from guarantee business, the Bank stipulated specific management measures, operational processes and approval procedures, and carried out the business accordingly. The guarantee business of the Bank is mainly in the form of letter of guarantees. As at 31 December 2009, the balance of letter of guarantees issued by the Group was approximately RMB565,100 million.

BOARD OF SUPERVISORS

Responsibilities of the Board of Supervisors

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

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

Composition of the Board of Supervisors

As at the end of 2009, the board of supervisors consists of eight supervisors, including three shareholder representative supervisors, namely Mr. Xie Duyang, Ms. Liu Jin, and Mr. Jin Panshi, three employee representative supervisors, namely Ms. Cheng Meifen, Mr. Sun Zhixin and Mr. Shuai Jinkun, and two external supervisors, namely Mr. Guo Feng and Mr. Dai Deming.

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

CHAIRMAN OF THE BOARD OF SUPERVISORS

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

OPERATION OF THE BOARD OF SUPERVISORS

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

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

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

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

We effected supervisors' liability insurance policy for all the supervisors in 2009.

MEETINGS OF THE BOARD OF SUPERVISORS

The board of supervisors convened six meetings during the year 2009, among which, five were convened by on-site conference and one was convened by written resolution. For details, please refer to the "Report of the Board of Supervisors" of this annual report.

Individual attendance records of the supervisors in the meetings of the board of supervisors are set out as follows:

Members of the board of supervisors	Number of meetings attended/ Number of meetings during term of office	Number of meetings attended by proxy/ Number of meetings during term of office	Attendance rate (%)
Shareholder representative supervisors			
Mr. Xie Duyang	6/6	0/6	100
Ms. Liu Jin	6/6	0/6	100
Mr. Jin Panshi	6/6	0/6	100
Employee representative supervisors			
Ms. Cheng Meifen	6/6	0/6	100
Mr. Sun Zhixin	6/6	0/6	100
Mr. Shuai Jinkun	6/6	0/6	100
External supervisors			
Mr. Guo Feng	6/6	0/6	100
Mr. Dai Deming	6/6	0/6	100

COMMITTEES UNDER THE BOARD OF SUPERVISORS

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

Performance and Due Diligence Supervision Committee

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

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

- formulating the rules, work plans and proposals and implementation plan for supervision and examination in connection with the supervision of the performance and degree of diligence of the board of directors, senior management and their members; and implementing and organising the implementation of such rules, plans and proposals after the board of supervisors' approval;

- giving supervisory opinions on the performance of duties by the board of directors and senior management as well as their members; and

- formulating performance evaluation measures for the supervisors and organising the implementation of such measures, and proposing these measures to the board of supervisors for consideration.

In 2009, the performance and due diligence supervision committee convened four meetings and, based on the new situation and regulatory requirements, further researched and improved the annual supervision plan regarding performance and due diligence; expanded the scope of annual interviews for performance and due diligence as appropriate to receive various opinions and suggestions on a more comprehensive basis; formulated the annual work plan for performance and due diligence supervision, and organised its implementation upon approval of the board of supervisors; researched and proposed supervisory opinions on the performance and due diligence of the Board, senior management and their members on the basis of the supervision work; researched and proposed amendment of the contents of corporate governance documents relating to the performance and due diligence of the board of supervisors; and conducted assessment of the supervisors.

Members of the Performance and Due Diligence Supervision Committee	Number of meetings attended/ Number of meetings during term of office	Number of meetings attended by proxy/ Number of meetings during term of office	Attendance rate (%)
Mr. Xie Duyang	4/4	0/4	100
Ms. Liu Jin	3/4	1/4	100
Mr. Jin Panshi	4/4	0/4	100
Ms. Cheng Meifen	4/4	0/4	100
Mr. Sun Zhixin	4/4	0/4	100
Mr. Guo Feng	4/4	0/4	100

In 2010, the performance and due diligence supervision committee will pay close attention to the requirements and changes of external regulatory systems, strengthen its supervision of compliance, and continue to actively supervise the performance and due diligence of the members of the Board, senior management and their members, further optimise the ways and means of performance and due diligence supervision, and continuously improve and strengthen the supervisory work of the performance and due diligence.

Finance and Internal Control Supervision Committee

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

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

- formulating the rules, work plans and proposals in connection with the supervision of finance and internal control; and implementing or organising the implementation of such rules, plans, and proposals upon the approval of the board of supervisors;

- examining the annual financial reports and the profit distribution proposals prepared by the Board, and providing suggestions on such reports to the board of supervisors; and

- assisting the board of supervisors in organising the implementation of supervision and inspections on the finance and internal control of the Bank, as required by circumstances.

In 2009, the finance and internal control supervision committee convened six meetings, researched and formulated the work plan for annual finance and internal control supervision, and organised its implementation upon approval of the board of supervisors; reviewed the periodic financial reports, profit distribution plans and policies; conducted supervision on the internal control, acquisition and disposal of material assets, and related party transactions of the Bank; continuously strengthened the Bank's finance and internal control supervision by ways of off-site analysis and specific supervision, reviewing documents, debriefing special reports, and constantly communicating with the Bank's departments and external auditors.

Members of the Finance and Internal Control Supervision Committee	Number of meetings attended/ Number of meetings during term of office	Number of meetings attended by proxy/ Number of meetings during term of office	Attendance rate (%)
Mr. Dai Deming	6/6	0/6	100
Ms. Liu Jin	5/6	1/6	100
Mr. Jin Panshi	6/6	0/6	100
Ms. Cheng Meifen	6/6	0/6	100
Mr. Shuai Jinkun	6/6	0/6	100

In 2010, taking into account external regulatory requirements, the finance and internal control supervision committee will continue to pay attention to the key areas and major issues on the finance and internal control of the Bank, make more efforts in research and investigation, and continuously deepen the supervisory work for the finance and internal control of the Bank.

AUDITORS' REMUNERATION

At the 2008 annual general meeting of the Bank held on 11 June 2009, the shareholders approved the *Resolution for Appointment of the Auditors* and agreed to appoint KPMG Huazhen and KPMG as the auditors of the Bank for the year of 2009. The engagement term commenced from the approval of 2008 annual general meeting and will end at the next annual general meeting.

Auditors' fees for the audit of the financial report of the Group, including those of the Bank's overseas branches and subsidiaries, and other services paid to KPMG, KPMG Huazhen and other KPMG member firms by the Group for the year ended 31 December 2009 are set out as follows:

(In millions of RMB)	**2009**	2008
Fees for the audit of the financial statements	**135**	167
Other service fees	**6**	8

FURTHER INFORMATION

Effective Communication with Shareholders

The Bank attaches great importance to communication with shareholders, and exchanges opinions with shareholders through many channels such as shareholders' general meetings, results announcement conferences, road shows, receptions of visitors and telephone enquiries. In 2009, the Bank organised and arranged results announcement conferences and analysts' briefings during the period of annual and interim results publication. Relevant announcements of results are published on designated newspapers and websites for shareholders' review.

Shareholder Enquiries

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

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

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

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No. 25, Finance Street, Xicheng District, Beijing, China
Telephone: (8610) 6621 5533
Facsimile: (8610) 6621 8888
Email: ir@ccb.com

Board of directors office — Hong Kong Office
China Construction Bank Corporation
5th Floor, Tower One, Lippo Centre, 89 Queensway, Hong Kong
Telephone: (852) 2532 9637
Facsimile: (852) 2523 8185

This annual report is available on the following websites of the Bank (www.ccb.com), Shanghai Stock Exchange (www.sse.com.cn) and Hong Kong Stock Exchange (www.hkex.com.hk). If you have any queries on reading this annual report, please call our hotline at (8610) 6621 5533 or (852) 2532 9637.

Profiles of Directors, Supervisors and Senior Management

PARTICULARS OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Directors of the Bank

Name	Position	Gender	Age	Term of office
Guo Shuqing	Chairman, executive director	Male	53	June 2007 to 2009 annual general meeting
Zhang Jianguo	Vice chairman, executive director, president	Male	55	June 2007 to 2009 annual general meeting
Xin Shusen	Executive director, executive vice president, secretary of the discipline inspection committee	Female	60	July 2008 to 2010 annual general meeting
Chen Zuofu	Executive director, executive vice president	Male	55	July 2009 to 2011 annual general meeting
Wang Yonggang	Non-executive director	Male	53	June 2007 to 2009 annual general meeting
Wang Yong	Non-executive director	Male	48	June 2007 to 2009 annual general meeting
Wang Shumin	Non-executive director	Female	54	June 2007 to 2009 annual general meeting
Liu Xianghui	Non-executive director	Male	55	June 2007 to 2009 annual general meeting
Zhang Xiangdong	Non-executive director	Male	52	June 2007 to 2009 annual general meeting
Li Xiaoling	Non-executive director	Female	52	June 2007 to 2009 annual general meeting
Gregory L. Curl	Non-executive director	Male	61	June 2007 to 2009 annual general meeting
Lord Peter Levene	Independent non-executive director	Male	68	June 2007 to 2009 annual general meeting
Song Fengming	Independent non-executive director	Male	63	June 2007 to 2009 annual general meeting
Dame Jenny Shipley	Independent non-executive director	Female	58	November 2007 to 2009 annual general meeting
Elaine La Roche	Independent non-executive director	Female	60	June 2007 to 2009 annual general meeting
Wong Kai-Man	Independent non-executive director	Male	59	November 2007 to 2009 annual general meeting
Tse Hau Yin, Aloysius	Independent non-executive director	Male	62	June 2007 to 2009 annual general meeting

Supervisors of the Bank

Name	Position	Gender	Age	Term of office
Xie Duyang	Chairman of the board of supervisors	Male	61	June 2007 to 2009 annual general meeting
Liu Jin	Supervisor	Female	45	June 2007 to 2009 annual general meeting
Jin Panshi	Supervisor	Male	45	June 2007 to 2009 annual general meeting
Cheng Meifen	Employee representative supervisor	Female	54	June 2007 to 2009 annual general meeting
Sun Zhixin	Employee representative supervisor	Male	59	June 2007 to 2009 annual general meeting
Shuai Jinkun	Employee representative supervisor	Male	59	November 2008 to 2009 annual general meeting
Guo Feng	External supervisor	Male	47	June 2007 to 2009 annual general meeting
Dai Deming	External supervisor	Male	47	June 2007 to 2009 annual general meeting

Senior Management of the Bank

Name	Position	Gender	Age	Term of office
Zhang Jianguo	President	Male	55	July 2006 –
Xin Shusen	Executive vice president	Female	60	July 2005 – January 2010
	Secretary of the discipline inspection committee			September 2003 –
Chen Zuofu	Executive vice president	Male	55	July 2005 –
Fan Yifei	Executive vice president	Male	45	July 2005 –
Zhu Xiaohuang	Executive vice president	Male	53	June 2008 –
	Chief risk officer			April 2006 –
Hu Zheyi	Executive vice president	Male	55	March 2009 –
Pang Xiusheng	Executive vice president	Male	51	February 2010 –
	Chief financial officer			April 2006 –
Yu Yongshun	Chief audit officer	Male	59	July 2005 –
Chen Caihong	Secretary to the Board	Male	53	August 2007 –
Gu Jingpu	Controller of wholesale banking	Male	53	May 2006 –
Du Yajun	Controller of retail banking	Male	53	May 2006 –
Mao Yumin	Controller of investment and wealth management banking	Male	54	September 2007 –

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

COMPENSATION FOR DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT IN 2009

Unit: RMB'000

Name	Fees	Remuneration paid	Contribution by the employer to compulsory insurances, housing allowances, etc	Total (before tax)[1]	Other compensation or allowances from corporate shareholders or other connected entities
Guo Shuqing	—	600	306	906	None
Zhang Jianguo	—	576	306	882	None
Xie Duyang	—	564	304	868	None
Xin Shusen	—	492	264	756	None
Chen Zuofu	—	492	265	757	None
Wang Yonggang	—	—	—	—	Yes
Wang Yong	—	—	—	—	Yes
Wang Shumin	—	—	—	—	Yes
Liu Xianghui	—	—	—	—	Yes
Zhang Xiangdong	—	—	—	—	Yes
Li Xiaoling	—	—	—	—	Yes
Gregory L. Curl[2]	390	—	—	390	Yes
Lord Peter Levene	360	—	—	360	None
Song Fengming	440	—	—	440	None
Dame Jenny Shipley	360	—	—	360	None
Elaine La Roche	410	—	—	410	None
Wong Kai-Man	390	—	—	390	None
Tse Hau Yin, Aloysius	440	—	—	440	None
Liu Jin	—	354	224	578	None
Jin Panshi	—	354	224	578	None
Cheng Meifen[3]	26	—	—	26	None
Sun Zhixin[3]	26	—	—	26	None
Shuai Jinkun[3]	26	—	—	26	None
Guo Feng	250	—	—	250	None
Dai Deming	270	—	—	270	None
Fan Yifei	—	492	264	756	None
Zhu Xiaohuang	—	492	261	753	None
Hu Zheyi	—	492	261	753	None
Pang Xiusheng	—	438	230	668	None
Yu Yongshun	—	438	230	668	None
Chen Caihong	—	438	230	668	None
Gu Jingpu	—	438	230	668	None
Du Yajun	—	438	230	668	None
Mao Yumin	—	3,060	36	3,096	None

1. Full compensations for Chairman of the Board of Directors, President, Chairman of the Board of Supervisors, Executive Directors, some Supervisors and Senior Management members have not been finalised in accordance with the latest policies. Their remaining compensation details will be disclosed when determined.
2. Mr. Gregory L. Curl's compensation for his capacity as the non-executive director is paid to the corporate shareholder, Bank of America, by the Bank.
3. Compensation before tax paid for working as the employee representative supervisor of the Bank.

CHANGES IN DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Upon the appointment by the 2008 Annual General Meeting of the Bank and the approval of the CBRC, Mr. Chen Zuofu commenced his position as an executive director of the Bank from July 2009.

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

Upon the appointment by the twenty-eighth session of the second board of directors of the Bank and the approval of the CBRC, Mr. Pang Xiusheng commenced his position as an executive vice president of the Bank from February 2010.

Upon the resolution by the twenty-eighth session of the second board of directors of the Bank and the application on her own, Ms. Xin Shusen resigned from her post of executive vice president of the Bank and still served as an executive director of the Bank for the sake of work arrangement.

BIOGRAPHICAL DETAILS OF THE DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

The Directors of the Bank

Guo Shuqing

Chairman, executive director

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

Zhang Jianguo

Vice chairman, executive director, president

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

Xin Shusen

Executive director, executive vice president, secretary of the discipline inspection committee

Ms. Xin has served as a director from July 2008, secretary of the discipline inspection committee of the Bank from September 2003, and executive vice president from July 2005 to January 2010. Ms. Xin was the Bank's chief compliance officer from September 2004 to July 2005. From September 1993 to September 2004, she served several positions in China Construction Bank, including chief controller, deputy chief controller, general manager of personal banking department, general manager of retail banking department, general manager of funding and savings department, deputy director of human resources department and general manager of corporate culture department. Ms. Xin is a senior economist, a recipient of a special grant by PRC government, and a member of the 11th National Committee of the Chinese People's Political Consultative Conference. Ms. Xin graduated from Changchun Metallurgy Construction Institute with a degree in industrial and civil construction in 1983. She received her master's degree in national economics from Northeast University of Finance and Economics in 1998.

Chen Zuofu

Executive director, executive vice president

Mr. Chen has served as a director since July 2009 and executive vice president since July 2005. Mr. Chen was assistant president of the Bank from September 2004 to July 2005, assistant president of China Construction Bank from July 1997 to September 2004. Mr. Chen was a visiting scholar to Stanford University from June 1999 to May 2000. Mr. Chen graduated from Southwest University of Politics and Law with a bachelor's degree in law in 1983. He received his master's degree in management and engineering from Central South University of Technology in 1996.

Wang Yonggang

Non-executive director

Mr. Wang has served as a director since September 2004. Mr. Wang was a dedicated supervisor of director-general level and director of office under the board of supervisors of China Construction Bank from August 2003 to September 2004, dedicated supervisor at deputy director-general level and deputy director of office under the board of supervisors of the People's Insurance Company of China and China Reinsurance Company from July 2000 to August 2003, and deputy general manager of the supervision department of the Industrial and Commercial Bank of China from June 1997 to July 2000. Mr. Wang is a certified accountant, a senior accountant, and was appointed by the MOF as an expert consultant on financial management of finance and insurance enterprises in August 1997. He graduated from Heilongjiang Finance Technical College with a degree in infrastructure finance in 1982, and received his master's degree in money and banking from Northeast University of Finance and Economics in 1997. Mr. Wang is currently an employee of the Bank's substantial shareholder, Huijin, and has served as a supervisor of China Reinsurance (Group) Company since October 2008.

Wang Yong

Non-executive director

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

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

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

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

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

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

Lord Peter Levene

Independent non-executive director

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

Song Fengming

Independent non-executive director

Mr. Song has served as a director since September 2004. Mr. Song is an experienced academic in banking and finance in China, a professor and supervisor for doctorate students and co-chairman of China Centre for Financial Research at Tsinghua University. Mr. Song has been the dean of the department of finance and international trade of School of Economics and Management at Tsinghua University from 1995 to 2006. He was an associate professor and director of the Division of International Trade and Finance of the same school from 1988 to 1992, and served as a lecturer and the dean of the management department of Jiangsu University of Science and Technology from 1982 to 1988. Mr. Song received his bachelor's degree in mathematics from Peking University in 1970, his master's degree in management from Shanghai Jiaotong University in 1982, and his Ph.D. degree in systems engineering from Tsinghua University in 1988. He pursued his post-doctorate research at the University of California, Riverside, from 1992 to 1995.

Rt Hon Dame Jenny Shipley

Independent non-executive director

Rt Hon Dame Jenny Shipley has served as a Director since November 2007. She is currently Chairman of Mainzeal Construction and Development, Senior Money International and Genesis Energy, a New Zealand Government owned energy company. She is a director of Momentum Consulting, and a Director of ISI. Dame Shipley holds the position of Managing Director in her consultancy company Jenny Shipley New Zealand Limited. She has held key appointments in the New Zealand government. She was Prime Minister from 1997 to 1999 and was consecutively a Minister of Women's Affairs, Minister of Social Welfare and Minister of Health, Minister responsible for Radio New Zealand, Minister of Transport, Minister of Accident & Compensation, and Minister of State Owned Enterprises, Minister of State Services from 1990 to 1997.

Elaine La Roche

Independent non-executive director

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

Wong Kai-Man

Independent non-executive director

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

Tse Hau Yin, Aloysius

Independent non-executive director

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

Supervisors of the Bank

Xie Duyang

Chairman of the board of supervisors

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

Liu Jin

Supervisor

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

Jin Panshi

Supervisor

Mr. Jin has served as a supervisor since September 2004, and has been general manager of the information technology management department since January 2010. Mr. Jin was general manager of the audit department of the Bank from December 2007 to January 2010. Mr. Jin was deputy general manager of the audit department of China Construction Bank from June 2001 to September 2004. Mr. Jin is a senior engineer and a Certified Information Systems Auditor and graduated from Jilin University of Technology with a bachelor's degree in computer application in 1986, and a master's degree in computer application from the same university in 1989. Mr. Jin graduated from Tsinghua University with a senior MBA degree in 2010.

Cheng Meifen

Employee representative supervisor

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

Sun Zhixin

Employee representative supervisor

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

Shuai Jinkun

Employee representative supervisor

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

Guo Feng

External supervisor

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

Dai Deming

External supervisor

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

Senior Management of the Bank

Zhang Jianguo

Vice chairman, executive director, president

See "Directors of the Bank".

Xin Shusen

Executive director, executive vice president, secretary of the discipline inspection committee

See "Directors of the Bank".

Chen Zuofu

Executive director, executive vice president

See "Directors of the Bank".

Fan Yifei

Executive vice president

Mr. Fan has served as executive vice president since July 2005. Mr. Fan was assistant president of the Bank from September 2004 to July 2005, assistant president of China Construction Bank from February 2000 to September 2004, and served concurrently as assistant president of China Yangtze Power Co., Ltd. from March 2003 to March 2004. He was consecutively deputy general manager of the treasury and planning department, general manager of the finance and accounting department, general manager of the planning and finance department of China Construction Bank from October 1994 to February 2000. Mr. Fan also serves as chairman of the board of directors of CCB Asia. Mr. Fan is a senior accountant and received his Ph. D. degree in public finance from Renmin University of China in 1993, and his M.I.A. degree in international economics from Columbia University in 2002.

Zhu Xiaohuang

Executive vice president, chief risk officer

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

Hu Zheyi

Executive vice president

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

Pang Xiusheng

Executive vice president, chief financial officer

Mr. Pang has served as executive vice president since February 2010, and chief financial officer since April 2006. Mr. Pang was executive vice chairman of the Bank's asset and liability committee from March 2006 to April 2006; director of the Bank's restructuring office from April 2005 to March 2006; general manager of Zhejiang Branch of China Construction Bank from June 2003 to April 2005, and acting general manager of Zhejiang Branch of China Construction Bank from April 2003 to June 2003. Mr. Pang served consecutively as deputy general manager of treasury and planning department, deputy general manager of planning and finance department, and general manager of planning and finance department from September 1995 to April 2003. Mr. Pang is a senior economist, and a recipient of a special grant by PRC government. He received his master's degree in technological economics from Harbin Industrial University in 1995.

Yu Yongshun

Chief audit officer

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

Chen Caihong

Secretary to the Board

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

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

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

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

Company Secretary and Qualified Accountant of the Bank

Chan Mei Sheung

Company secretary

Ms. Chan has served as the Bank's company secretary since October 2007. She has been head of legal & compliance division of CCB International and its subsidiaries since then. Ms. Chan was group legal counsel and head of Legal Department in China Everbright Limited from July 2006 to October 2007. She also served as company secretary of China Everbright Limited. She has been a member of the Mainland Legal Affairs Committee of the Law Society of Hong Kong since 2006. She was group legal counsel and company secretary of Sing Tao News Corporation Limited from 2003 to 2005. She was the partner in charge of Corporate Finance and China Services Department of Hastings & Co. from 1999 to 2003. Ms. Chan is a qualified solicitor in Hong Kong, England and Wales, and is a qualified solicitor and barrister in the Australian Capital Territory. She graduated from the University of Hong Kong with an honorary bachelor's degree in law in 1987.

Yuen Yiu Leung

Qualified Accountant

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

The Board of the Bank is pleased to present its report together with the financial statements of the Group for the year ended 31 December 2009.

PRINCIPAL ACTIVITIES

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

PROFIT AND DIVIDENDS

The profit of the Group for the year ended 31 December 2009 and the Group's financial position as at that date are set out in the "Financial Statements" of this annual report.

In accordance with the resolutions passed at the annual general meeting 2008 held on 11 June 2009, the Bank paid a final cash dividend for 2008 of RMB0.0837 per share (including tax), totalling approximately RMB19,560 million, to all of its shareholders whose names appeared on the register of members on 23 June 2009. This cash dividend and the already-paid 2008 interim cash dividend of RMB25,823 million totalled RMB45,383 million.

The Board recommends a cash dividend of RMB0.202 per share (including tax), subject to the approval of the annual general meeting 2009.

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

(In millions of RMB)	2006	2007	2008
Cash dividends[1]	20,671	46,583	45,383
Ratio of cash dividends to net profit[2]	44.62%	67.46%	49.01%

1. Cash dividends include interim cash dividend, special cash dividend and final cash dividend for the year.

2. The net profit refers to the net profit attributable to shareholders of the Bank on a consolidated basis. Please refer to Note "Profit Distributions" in the "Financial Statements" of annual reports of the related years for details of cash dividends.

RESERVES

Please refer to the consolidated statement of changes in shareholder's equity for details of the movements in the reserves of the Group for the year ended 31 December 2009.

SUMMARY OF FINANCIAL INFORMATION

Please refer to the "Financial Highlights" of this annual report for the summary of the operating results, assets and liabilities of the Group for the five years ended 31 December 2009.

DONATIONS

Donations made by the Group during the year ended 31 December 2009 for charitable and other purposes were RMB78 million.

PROPERTY AND EQUIPMENT

Please refer to Note “Fixed Assets” in the “Financial Statements” of this annual report for details of movements in the property and equipment of the Group for the year ended 31 December 2009.

RETIREMENT BENEFITS

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

MAJOR CUSTOMERS

For the year ended 31 December 2009, the aggregate amount of interest income and other operating income generated from the five largest customers of the Group represented an amount not exceeding 30% of the total interest income and other operating income of the Group.

ULTIMATE PARENT COMPANY AND ITS SUBSIDIARIES

Please refer to “Substantial Shareholders of the Bank” in the “Changes in Share Capital and Particulars of Shareholders” and related notes of this annual report for details of the Bank’s ultimate parent and its subsidiaries respectively as at 31 December 2009.

SHARE CAPITAL AND PUBLIC FLOAT

As of 31 December 2009, the Bank issued 233,689,084,000 shares in total (including 224,689,084,000 H-shares and 9,000,000,000 A-shares) and had 1,150,524 registered shareholders, being in compliance with the relevant requirements regarding public floats under relevant laws and regulations as well as the listing rules of listing venues.

PURCHASE, SALE AND REDEMPTION OF SHARES

There was no purchase, sale or redemption by the Bank or any of its subsidiaries of the shares of the Bank during the year ended 31 December 2009.

PRE-EMPTIVE RIGHTS

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

TOP TEN SHAREHOLDERS AND THEIR SHAREHOLDINGS

The top ten shareholders of the Bank and their respective shareholdings at the end of 2009 are stated in "Changes in Share Capital and Particulars of Shareholders" of this annual report.

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

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

CONFIRMATION OF INDEPENDENCE BY THE INDEPENDENT NON-EXECUTIVE DIRECTORS

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

MATERIAL INTERESTS AND SHORT POSITIONS

As at 31 December 2009, the interests and short positions of substantial shareholders and other persons in the H-shares of the Bank as recorded in the register required to be kept under section 336 of the SFO of Hong Kong were as follows:

Name	Interests in H shares and short positions	Nature	% of issued H-shares	% of total issued shares
Huijin[1]	133,262,144,534	Long position	59.31	57.03
Bank of America[2]	26,864,958,529	Long position	11.96	11.50
	1,230,448,001	Short position	0.55	0.53
Temasek[3]	13,576,203,750	Long position	6.04	5.81
Fullerton Financial[3]	13,207,316,750	Long position	5.88	5.65

1. In July 2009, Jianyin transferred its 20,692,250,000 H-shares of the Bank to Huijin for free. Upon such transfer, the number of H-shares of the Bank directly held by Huijin increased from 112,569,894,534 to 133,262,144,534.

2. According to a disclosure of change in interests held by Bank of America, Bank of America directly held 25,580,153,370 H-shares of the Bank. In addition, Bank of America also held the interests of 1,284,805,159 H-shares of the Bank and a short position of 1,230,448,001 H-shares of the Bank through corporations controlled by it.

3. Since Fullerton Financial is a wholly-owned subsidiary of Temasek, the interests directly held by Fullerton Financial are deemed to be indirect interests of Temasek.

DIRECTORS' AND SUPERVISORS' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE BANK

Except for the fact that Mr. Shuai Jinkun, the employee representative supervisor of the Bank, indirectly held 22,125 H Shares of the Bank by participating in the employee stock incentive plan before he was appointed as supervisor, as of 31 December 2009, none of the directors and supervisors of the Bank had any interests or short positions in the shares, underlying shares and debentures of the Bank or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance of Hong Kong) as recorded in the register required to be kept under Section 352 of the SFO of Hong Kong or as otherwise notified to the Bank and Hong Kong Stock Exchange pursuant to *Model Code for Securities Transactions by Directors of Listed Issuers* in Appendix 10 of the Listing Rules.

Except for the employee stock incentive plan, the Bank has not granted its directors or supervisors, or their respective spouses or children below the age of 18, any other rights to subscribe for the shares or debentures of the Bank or any of its associated corporations.

DIRECTORS' FINANCIAL, BUSINESS AND FAMILY RELATIONSHIPS

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

DIRECTORS' AND SUPERVISORS' INTERESTS IN CONTRACTS AND SERVICE CONTRACTS

For the year 2009, no director or supervisor of the Bank had any interest, whether directly or indirectly, in any contract of significance in relation to the Group's business entered into by the Bank, any of its holding companies or subsidiaries or subsidiaries of the Bank's holding companies, apart from service contracts.

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

DIRECTORS' INTERESTS IN COMPETING BUSINESSES

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

CORPORATE GOVERNANCE

The Bank is committed to maintaining a high level of corporate governance practice. Please refer to the "Corporate Governance Report" of this annual report for details of corporate governance practices adopted by the Bank and its compliance with the Code on Corporate Governance Practices.

CONNECTED TRANSACTIONS

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

Exemption of Counterparties as Connected Persons

In accordance with rules 1.01, 14A.11 and 19A.04 of the Listing Rules of Hong Kong Stock Exchange, upon the listing of the H-shares on Hong Kong Stock Exchange, the promoters of the Bank and their associates shall be deemed to be the connected persons of the Bank. Accordingly, continuing transactions between the Bank and such promoters and their associates shall be deemed to be continuing connected transactions and therefore are subject to the reporting, announcement and independent shareholders' approval requirements as set out in rules 14A.45 to 14A.48 of the Listing Rules of Hong Kong Stock Exchange, unless relevant waivers may be granted in accordance with other provisions of the Listing Rules.

Thus, the Bank applied to Hong Kong Stock Exchange for, and has been granted, waivers in accordance with rule 14A.42 of the Listing Rules of Hong Kong Stock Exchange and obtained such waivers, whereupon State Grid, Baosteel Group and Yangtze Power, promoters of the Bank ("Minority Shareholder Promoters") shall no longer be deemed as connected persons as defined in the Listing Rules of Hong Kong Stock Exchange.

Continuing connected transactions between the Bank and Jianyin

Jianyin is one of the promoters of the Bank. Pursuant to the restructuring, the assets and liabilities of the original China Construction Bank were divided between the Bank and Jianyin. Upon such division, the Bank entered into various continuing agreements with Jianyin to regulate the continuing business relationships between the Bank and Jianyin. These continuing connected transactions with Jianyin are divided into the following categories:

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

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

Taking deposits from connected persons

The Bank provides commercial banking services and products to its customers. Such services and products include taking deposits. Customers who place deposits with the Bank include the Bank's connected persons under the Listing Rules of Hong Kong Stock Exchange. Therefore, such deposit activities are continuing connected transactions under the Listing Rules of Hong Kong Stock Exchange.

The Bank takes deposits from its connected persons on normal commercial terms that are comparable to or no more favourable than those offered to independent third parties, without using any assets of the Bank as mortgages. These transactions are exempt continuing connected transactions under rule 14A.65(4) of the Listing Rules of Hong Kong Stock Exchange, and thus are exempt from the reporting, announcement and independent shareholders' approval requirements under the Listing Rules of Hong Kong Stock Exchange.

Loans and credit facilities granted by the Bank to connected persons

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

The loans and credit facilities extended by the Bank to its connected persons in the ordinary and usual course of its business are based on normal commercial terms that are comparable to or no more favourable than those offered to independent third parties. These transactions are exempt continuing connected transactions under rule 14A.65(1) of the Listing Rules of Hong Kong Stock Exchange, and thus are exempt from the reporting, announcement and independent shareholders' approval requirements under the Listing Rules of Hong Kong Stock Exchange.

Service contracts between the Bank and its directors and supervisors

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

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

REMUNERATION POLICY FOR THE DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

The Bank has endeavored to improve its remuneration management measures and performance assessment systems for its directors, supervisors and senior management.

The Bank's remuneration policy for directors, supervisors and senior management is based on the principle of combining incentives and disciplines, short-term incentives and long-term incentives, and market adjustment and governmental regulation, and has defined a structured remuneration system compromising basic annual salary, performance annual salary, mid-term and long-term incentives, allowances and welfare income. The Bank participates in the relevant PRC mandatory retirement schemes for its directors, supervisors and senior management and other employees. Since the state has not issued relevant policies, the Bank does not implement mid-term and long-term incentive plan for directors, supervisors and senior management.

COMPLIANCE WITH HONG KONG BANKING (DISCLOSURE) RULES

In preparing the financial report for 2009, the Bank has complied with the *Banking (Disclosure) Rules*, which is chapter 155M of the Banking Ordinance of Hong Kong.

AUDITORS

The Bank's domestic auditors were KPMG Huazhen and its international auditors were KPMG for the year 2009. KPMG Huazhen has been providing auditing services to the Bank for six consecutive years since 2004, and KPMG has been providing auditing services to the Bank for seven consecutive years since 2003.

By order of the board of directors

Guo Shuqing
Chairman

26 March 2010

Report of the Board of Supervisors

In 2009, pursuant to the relevant provisions of the Company Law and the Articles of Association of the Bank, the board of supervisors performed its duties earnestly, conducted supervision over the Board and the senior management and their members on their performance and due diligence and its supervision over the finance, internal control and risk management of the Bank by means of attending meetings as observers, conducting investigation and analysis, reviewing information, interviews and seminars. The board of supervisors played an effective role in the supervision and checks and balances, and safeguarded the interests of the shareholders and the Bank.

CONVENING OF THE MEETINGS

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

The 11th meeting of the second board of supervisors was convened on 20 March 2009. 2008 Report of the Board of Supervisors was studied and discussed, and Round-up of the Work of the Board of Supervisors in 2008 and Working Plan of the Board of Supervisors in 2009 were reviewed and approved.

The 12th meeting of the second board of supervisors was convened on 27 March 2009. 2008 Annual Report and Summary, Proposal on Distribution of Profit for the Second Half of 2008, 2008 Internal Control Self-Assessment Report, 2008 Report on Social Responsibilities, 2008 Report of the Board of Supervisors were reviewed and approved.

The 13th meeting of the second board of supervisors was convened on 24 April 2009. Report for the First Quarter of 2009 was reviewed and approved.

The 14th meeting of the second board of supervisors was convened on 21 August 2009. 2009 Half-Year Report and Summary was reviewed and approved.

The 15th meeting of the second board of supervisors was convened on 23 October 2009. Report for the Third Quarter of 2009 was reviewed and approved in the form of written resolution.

The 16th meeting of the second board of supervisors was convened on 17 November 2009. 2009 Plan for the Performance and Due Diligence Supervision and 2009 Plan for Supervision over Financial Affairs and Internal Control were reviewed and approved.

During the reporting period, the performance and due diligence supervision committee under the board of supervisors convened four meetings and reviewed three resolutions. The finance and internal control supervision committee under the board of supervisors convened six meetings and 11 resolutions were reviewed.

MAJOR WORK

In 2009, in light of the economic and financial situation and the actual conditions of the Bank, the board of supervisors proactively carried out various supervisory activities in a down-to-earth manner in line with the central objectives of the Bank and timely followed up new regulatory provisions and requirements.

The board of supervisors continued to conduct the performance and due diligence supervision. It focused on supervising the implementation of resolutions of the general meetings of shareholders by the board of directors, the implementation of resolutions of the board of directors and the organization of operation and management by the senior management, and the diligent and lawful performance of duties by the directors and senior executives. It conducted supervision over the corporate governance and operation, material operational decisions and their implementation, information disclosure and the performance of duties by directors and senior executives by attending the general meeting of shareholders, and attending the meetings of the board of directors and its committees, the overall work meetings, operation situation analysis meetings and president meetings convened by the senior management as observers. In light of new economic and financial conditions and regulatory requirements, the board of supervisors further studied and improved its annual supervision work plan regarding performance and diligence, improved the supervisory method and broadened the scope of interview, asked for comprehensive comments on the corporate governance, reform and development, operation and management and internal control of the Bank from various sources. On the basis of supervision and after careful study, the board of supervisors made its comments on the performance of duties by the board of directors and its committees, the senior management, directors and senior executives in the year. It communicated relevant information to the board of directors and the senior management and provided relevant directors and senior executives with its feedback on their performance.

The board of supervisors devoted major efforts to strengthen supervision over financial affairs. The board of supervisors reviewed and considered periodic reports, profits distribution plan and policies adopted by the board of directors and voiced related audit opinions. It supervised the performance by the board of directors and the senior management of their financial management duties by communicating and interviewing with external auditors, debriefing reports from the head office departments on the preparation of financial reports, attending relevant meetings of the board of directors and the senior management as observers and reviewing and analysing relevant financial and accounting information, internal audit reports. Focusing on such key areas as having significant influence on financial reports and operating results, the board of supervisors organised relevant investigations and off-site analysis, paid continuous attention to and made follow-up analysis of the comprehensive business plan and performance assessment. It raised opinions and recommendations on the preparation of financial reports and accounting form a supervision perspective.

The board of supervisors implemented internal control supervision in a down-to-earth manner. The board of supervisors was concerned with the soundness and effectiveness of the Bank's internal control system and exercised supervision over the activities of the board of directors and the senior management to strengthen risk management and internal controls, including the implementation of the *Basic Standard for Enterprise Internal Control*, self-assessment regarding internal controls and the New Basel Capital Accord, by attending meetings of the board of directors and its committees and meetings of the senior management as observers, reviewing and analysing relevant documents, systems and procedures, audit reports and other information, and hearing topic reports by relevant departments of the head office. It conducted a written investigation of material asset acquisitions and disposals across the Bank and consulted with the related party transactions committee of the board of directors in relation to the Bank's connected transactions. It made an analysis of the regulatory requirements newly promulgated by the CBRC regarding internal controls and raised its comments and recommendations.

The board of supervisors gave priority to certain investigation, research and analysis activities. The year 2009 saw a complicated and frequently changing economic situation both in China and abroad. The moderately loose monetary policy gave rise to many new challenges in the operation and management of the Bank. As a result, the board of supervisors devoted major efforts to intensify its on-site investigation and research and off-site analysis. In order to gain an understanding of the rapid growth of credit loans and related management work, the board of supervisors organised a topic research in respect of credit loans, made a preliminary estimation and analysis of capital adequacy ratio in connection with the potential impact which the rapid growth of credit assets might have on the management of capital adequacy ratio, and organised off-site analysis and on-site investigation in respect of the rapid growth of local currency transactions and off-balance sheet transactions. The board of supervisors paid close attention to the implementation of major decisions and regulations and made an analysis of the building of e-banking channels and the management of personal loans. All these investigations and analyses had intensified the board's understanding of the operation and management of the Bank and the orientation and effectiveness of supervision.

The board of supervisors made reminders and recommendations actively. The board of supervisors timely made reminders and recommendations in respect of important issues or points for attention discovered by it in the course of supervision. Upon the moderately loose monetary policy adopted by the state, the board of supervisors sent a letter of recommendations to the board of directors and the senior management, recommending that they should improve and strengthen the operation and management of the Bank and make great efforts in the total lending volume management and risk prevention under the new situation in accordance with the new macro-economic regulation policy of the State. It was reiterated many times at relevant meetings that the Bank should at all times adhere to the principle of prudent operation and properly deal with the relationship between total lending volume and structure, scale and quality, and risks and results while firmly carrying out the macro-economic regulation policy of the central government. Based on the results of an off-site analysis of local currency transactions, the board of supervisors sent a letter of recommendations to the board of directors and the senior management, saying that they should attach great importance to the management of risks related to local currency transactions, strictly implement internal controls and supervisions, give effect to risk prevention measures, reinforce the building of relevant professional teams to ensure the healthy operation and development of business. Considering the fact that relevant authorities of the State and the regulatory body had recently promulgated a lot of rules and regulations, the board of supervisors also sent a letter of recommendations to the board of directors, raising such comments and recommendations as paying close attention to the amendment of relevant corporate governance documents and internal regulations, intensifying communications with the regulatory body and evading compliance risks.

All the members of the board of supervisors acted in good faith, diligently performed their duties and lawfully exercised their powers. They actively attended general meetings and meetings of the board of supervisors as well as the meetings of the board of directors and its committees and the important meetings of the senior management as observers, carefully reviewed meeting materials and information relating to the operation and management of the Bank, participated in the study, discussion and review of proposals of the board of supervisors, voiced opinions in a responsible way, actively carried out in-depth investigations and researches, tried to understand the business development, operation and management of the Bank, took part in interviews and performance tests organised by the board of supervisors. They continually enhanced their ability to perform their duties by taking part in various studies and trainings organised by the securities regulatory body, the board of supervisors and the Bank.

The board of directors and the senior management had given great support to the supervision work of the board of supervisors and thought highly of, and actively responded to, the reminders, opinions and recommendations of the board of supervisors, thus enabling the board of supervisors to play a constructive supervision role and make its contributions to the improvement of corporate governance and the promotion of healthy business development.

INDEPENDENT OPINIONS ON RELEVANT MATTERS OF THE BANK

Operations in Compliance with Laws and Regulations

During the reporting period, the Bank has been operating in compliance with relevant laws and regulations. Its decision-making procedures complied with the provisions of laws, regulations and the Articles of Association of the Bank. The directors and senior executives were faithful and honest, and diligent in carrying out their duties. They were not found to have contravened any laws, regulations or the Articles of Association of the Bank; neither did they commit any acts detrimental to the interests of the Bank.

Financial Reporting

The 2009 financial report of the Bank gave a true and fair view of the financial position and operating results of the Bank.

Use of Proceeds

During the reporting period, the Bank issued subordinated bonds of RMB80 billion. The proceeds were fully applied to supplement the tier 2 capital of the Bank in conformity with the use promised by the Bank.

Acquisition and Sale of Assets

During the reporting period, the board of supervisors was not aware of any insider transactions or any acts in acquisition or sale of assets detrimental to the interests of the shareholders or leading to a drain on the Bank's assets.

Connected Transactions

The board of supervisors was not aware of any connected transactions that were detrimental to the interests of the Bank during the reporting period.

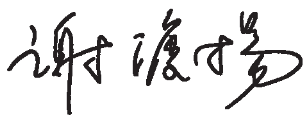
Internal Control

During the reporting period, the Bank continued to intensify and improve its internal control. The board of supervisors was not aware of any material defect in the Bank's internal control system and its implementation, and had no objection to the *2009 Internal Control Self-Assessment Report* of the board of directors.

Performance of Social Responsibilities

During the reporting period, the Bank actively performed its social responsibilities and the board of supervisors had no objection to the *2009 Report on Social Responsibilities* of the Bank.

By order of the board of supervisors



Xie Duyang
Chairman of the board of supervisors

26 March 2010

PERFORMANCE OF UNDERTAKINGS GIVEN BY THE BANK OR SHAREHOLDERS HOLDING 5% OR MORE OF THE SHARES

On 23 September 2008, Huijin increased its shareholding of the Bank through the trading system of the Shanghai Stock Exchange, and undertook to continue to increase its shareholdings in the Bank on the secondary market in the following 12 months. As of 22 September 2009, Huijin has increased its shareholdings of the Bank by 128,608,238 A-shares.

On 9 October 2009, the Bank received a notice from Huijin that Huijin has increased its shareholding of the Bank by 16,139,127 A-shares through the trading system of the Shanghai Stock Exchange, and undertook to continue to increase its shareholding in the bank on the secondary market within 12 months.

Other than the above, the Bank's shareholders did not give new undertakings in the reporting period, and the undertakings that continue to be valid during the reporting period were the same as those disclosed in the prospectus. All undertakings given by the shareholders had been fulfilled by 31 December 2009.

MATERIAL CONTRACTS AND THEIR PERFORMANCE

A ten-year bond with a book value of RMB247 billion issued by China Cinda Asset Management Corporation to the Bank expired on 21 September 2009. The maturity date of the Cinda Bond has been extended for a further period of ten years and the interest rate will remain unchanged at 2.25% per annum. The Ministry of Finance shall continue to provide support for the payment of the principal and interest of the Cinda Bond held by the Bank.

ACQUISITION AND DISPOSAL OF ASSETS AND MERGER OF ENTERPRISES

In July 2009, the Bank has fully paid up for the capital injection to Hefei Xingtai Trust Co., Ltd and became its controlling shareholder. Upon completion of administrative registration on 3 August 2009, the company was formally renamed as CCB Trust Co., Ltd.. The registered capital of the company is RMB1,527.27 million, in which the Group, Hefei Xingtai Holding Group Corporation Limited and Hefei Municipal State-owned Assets Holding Corporation holds 67%, 27.5% and 5.5% of its shares respectively.

MATERIAL RELATED PARTY TRANSACTIONS

The Bank approved the Implementation Measures of China Construction Bank Corporation for the Management of Related Party Transactions (Revised) at the 24th meeting of the second board of directors convened on 21 August 2009.
There were no material related party transactions during the reporting period.

PROGRESS OF IMPLEMENTATION OF EMPLOYEE STOCK INCENTIVE PLAN

Pursuant to the relevant national policies, the Bank did not implement a new round of stock incentive plan during the reporting period.

MATERIAL LITIGATIONS AND ARBITRATIONS

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

PENALTIES

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

OTHER SHARES HELD BY THE GROUP

Investments in securities

Number	Type of securities	Stock code	Stock abbreviation	Initial investment amount (RMB)	Number of shares held	Carrying amount at the end of the period (RMB)	% of total securities investments at the end of the period	Gain/Loss during the reporting period (RMB)
1	Listed stock	1099 HK	Sinopharm Group Co., Ltd	170,580,659	12,110,000	275,848,768	4.04	105,268,109
2	Listed stock	1968 HK	Peak Sports Products Co., Limited	176,712,442	68,818,979	243,012,901	3.56	66,300,459
3	Listed stock	663 HK	King Stone Energy Group Limited	118,885,282	1,688,000,000	227,367,750	3.33	108,482,820
4	Listed stock	233 HK	Mingyuan Medical Development Company Limited	76,714,787	97,972,889	114,715,795	1.68	78,515,630
5	Listed stock	2302 HK	CNNC International Limited	57,595,271	14,565,000	103,606,621	1.52	46,011,351
6	Listed stock	111 HK	Cinda International Holdings Ltd	49,599,426	50,676,000	82,089,160	1.20	32,489,735
7	Listed stock	395 HK	Sino Dragon New Energy Holdings Limited	93,178,452	186,000,000	69,593,317	1.02	44,463,559
8	Listed stock	996 HK	Oriental Ginza Holdings Limited	92,262,867	40,000,000	60,569,516	0.89	(31,693,351)
9	Listed stock	930 HK	China Forestry Holdings Co., Ltd	54,423,189	29,864,000	57,578,156	0.84	3,154,967
10	Listed stock	64 HK	Get Nice Holdings Limited	52,778,233	109,000,000	47,020,608	0.69	(5,757,625)
Other securities investments held at the end of the period				4,855,437,778		5,541,860,743	81.23	910,966,723
Gain/Loss from disposal of securities investments during the reporting period								708,854,165
Total				5,798,168,386		6,823,263,335	100.00	2,067,056,542

1. The top ten listed securities held by the Group at the end of the period are arranged according to the percentage of the carrying amount in total securities investments of the Group at the end of the period.

2. Investments in securities in this table refer to stocks, warrants, convertible bonds and other investments, in which the investments in stocks represent those classified as financial assets designated at fair value through profit or loss of the Group.

3. Other securities investments refer to the securities investments other than the top ten securities.

INTERESTS IN SHARES OF OTHER LISTED COMPANIES

Stock code	Stock abbreviation	Initial investment amount (RMB)	% of shareholding in the company	Carrying amount at the end of the period (RMB)	Gain/Loss during the reporting period (RMB)	Changes in equity during the reporting period (RMB)	Accounting item	Sources of shares
601600	CHALCO	883,586,630	5.25	10,270,417,278	—	5,905,312,492	Available-for-sale financial assets	Investment held through debt equity swap
000578	QINGHAI SALT LAKE	137,273,000	5.93	4,468,212,813	—	379,782,809	Available-for-sale financial assets	Investment held through debt equity swap
600068	G.C.L	403,110,201	8.08	1,854,493,835	17,347,931	769,447,467	Available-for-sale financial assets	Investment held through debt equity swap
998HK	CITIC Bank	414,641,292	0.43	984,090,128	12,946,334	591,158,358	Available-for-sale financial assets	Investment held through equity swap upon privatisation
000001	SDB	31,300,157	0.36	272,393,847	—	191,308,271	Available-for-sale financial assets	Establishment of investment, exercise of share options
000728	GUOYUAN SECURITIES	260,000,000	0.41	260,000,000	—	—	Available-for-sale financial assets	Investment
600984	SCMC	44,160,528	17.20	237,870,600	—	166,527,999	Available-for-sale financial assets	Investment held through debt equity swap
1618HK	MCC.	341,184,956	0.32	235,465,737	—	(105,719,219)	Available-for-sale financial assets	Cornerstone investor
600462	Y.S.B.P	31,414,185	9.39	219,393,005	55,130,583	108,025,199	Available-for-sale financial assets	Investment held through debt equity swap
V NY	VISA inc.	—	0.02	82,858,428	—	82,858,428	Available-for-sale financial assets	Donated stock
906 HK	CPMC	37,961,592	0.96	63,843,476	—	25,881,884	Available-for-sale financial assets	Cornerstone investor
Total		2,584,632,541		18,949,039,147	85,424,848	8,114,583,688		

1. The table shows the shares of other listed companies held by the Group which were classified as available-for-sale financial assets.

2. Gain/Loss during the reporting period refers to the effect of the investment on the consolidated net profit of the Group for the reporting period.

INTERESTS IN NON-LISTED FINANCIAL INSTITUTIONS

Name of the company	Initial investment amount (RMB)	Number of shares held	% of shareholding in the company	Carrying amount at the end of the period (RMB)	Gain/Loss during the reporting period (RMB)	Changes in equity during the reporting period (RMB)	Accounting item	Sources of shares
QBE Hongkong and Shanghai Insurance Limited	98,758,409	19,939,016	25.50	110,441,634	11,619,119	—	Interests in associates and jointly controlled entities	Purchase
HuiShang Bank Corporation Ltd.	228,835,900	225,548,176	2.76	228,835,900	—	—	Available-for-sale equity investment	Investment
China UnionPay Co., Ltd	95,625,000	140,000,000	4.85	215,000,000	4,100,000	—	Available-for-sale financial assets	Establishment, increase in share capital
Guangdong Development Bank Ltd.	48,558,031	13,423,847	0.11	48,558,031	311,945	—	Available-for-sale financial assets	Establishment of investment
Evergrowing Bank Co., Ltd.	7,000,000	88,725,000	1.30	41,125,000	—	—	Available-for-sale financial assets	Establishment of investment
Yueyang City Commercial Bank Ltd.	3,500,000	3,536,400	1.59	980,000	—	—	Available-for-sale financial assets	Establishment of investment

1. These do not include subsidiaries contained in the consolidated statements.

2. Allowances for impairment losses have been deducted from the carrying amount at the end of the period.

PURCHASE AND DISPOSAL OF SHARES OF OTHER LISTED COMPANIES

Stock name	Number of shares at the beginning of the period	Number of shares purchased during the reporting period	Number of shares disposed during the reporting period	Number of shares at the end of the period	Amount of funds used (RMB)	Investment gain/ (loss) (RMB)
Total	256,610,058	4,038,737,712	(1,312,606,085)	2,982,741,685	3,105,123,576	559,062,821

Independent Auditor's Report to the Shareholders of China Construction Bank Corporation
(a joint stock company incorporated in the People's Republic of China with limited liability)

We have audited the consolidated financial statements of China Construction Bank Corporation (the "Bank") and its subsidiaries (collectively the "Group") set out on pages 115 to 294, which comprise the consolidated and Bank statements of financial position as at 31 December 2009, and the consolidated statement of comprehensive income, the consolidated and Bank statements of changes in equity, the 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 the true and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards promulgated by the International Accounting Standards Board and the disclosure requirements of the Hong Kong Companies Ordinance. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of financial statements that are free from material misstatements, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. This report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

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

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

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

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Bank and of the Group as at 31 December 2009 and of the Group's profit and cash flows for the year then ended in accordance with International Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

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

26 March 2010

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2009
(Expressed in millions of RMB unless otherwise stated)

	Note	2009	2008
Interest income		**339,463**	356,500
Interest expense		**(127,578)**	(131,580)
Net interest income	6	**211,885**	224,920
Fee and commission income		**49,839**	40,056
Fee and commission expense		**(1,780)**	(1,610)
Net fee and commission income	7	**48,059**	38,446
Net trading gain	8	**2,233**	3,213
Dividend income	9	**100**	150
Net gain/(loss) arising from investment securities	10	**4,471**	(2,252)
Other operating income, net	11	**2,566**	5,270
Operating income		**269,314**	269,747
Operating expenses	12	**(105,146)**	(99,193)
		164,168	170,554
Impairment losses on:			
— Loans and advances to customers		**(24,256)**	(36,246)
— Others		**(1,204)**	(14,583)
Impairment losses	13	**(25,460)**	(50,829)
Share of profits less losses of associates and jointly controlled entities		**17**	16
Profit before tax		**138,725**	119,741
Income tax expense	16	**(31,889)**	(27,099)
Net profit		**106,836**	92,642
Other comprehensive income:			
Gain/(loss) of available-for-sale financial assets arising during the year		**2,174**	(18,998)
Less: Income tax relating to available-for-sale financial assets		**(544)**	4,744
Reclassification adjustments for losses included in profit or loss		**386**	9,000
		2,016	(5,254)
Exchange difference on translating foreign operations		**281**	(1,345)
Others		**25**	—
Other comprehensive income for the year, net of tax		**2,322**	(6,599)
Total comprehensive income for the year		**109,158**	86,043
Net profit attributable to:			
Equity shareholders of the Bank		**106,756**	92,599
Minority interests		**80**	43
		106,836	92,642
Total comprehensive income attributable to:			
Equity shareholders of the Bank		**109,069**	86,002
Minority interests		**89**	41
		109,158	86,043
Basic and diluted earnings per share (in RMB)	17	**0.46**	0.40

The notes on pages 122 to 294 form part of these financial statements.

Consolidated Statement of Financial Position

As at 31 December 2009
(Expressed in millions of RMB unless otherwise stated)

	Note	2009	2008
Assets:			
Cash and deposits with central banks	18	**1,458,648**	1,247,450
Deposits with banks and non-bank financial institutions	19	**101,163**	33,096
Precious metals		**9,229**	5,160
Placements with banks and non-bank financial institutions	20	**22,217**	16,836
Financial assets at fair value through profit or loss	21	**18,871**	50,309
Positive fair value of derivatives	22	**9,456**	21,299
Financial assets held under resale agreements	23	**589,606**	208,548
Interest receivable	24	**40,345**	38,317
Loans and advances to customers	25	**4,692,947**	3,683,575
Available-for-sale financial assets	26	**651,480**	550,838
Held-to-maturity investments	27	**1,408,873**	1,041,783
Debt securities classified as receivables	28	**499,575**	551,818
Interests in associates and jointly controlled entities	30	**1,791**	1,728
Fixed assets	31	**74,693**	63,957
Land use rights	32	**17,122**	17,295
Intangible assets	33	**1,270**	1,253
Goodwill	34	**1,590**	1,527
Deferred tax assets	35	**10,790**	7,855
Other assets	36	**13,689**	12,808
Total assets		**9,623,355**	7,555,452
Liabilities:			
Borrowings from central banks		**6**	6
Deposits from banks and non-bank financial institutions	39	**774,785**	447,464
Placements from banks and non-bank financial institutions	40	**38,120**	43,108
Financial liabilities at fair value through profit or loss	41	**7,992**	3,975
Negative fair value of derivatives	22	**8,575**	18,565
Financial assets sold under repurchase agreements	42	**—**	864
Deposits from customers	43	**8,001,323**	6,375,915
Accrued staff costs	44	**27,425**	25,153
Taxes payable	45	**25,840**	35,538
Interest payable	46	**59,487**	59,695
Provisions	47	**1,344**	1,806
Debt securities issued	48	**98,644**	53,810
Deferred tax liabilities	35	**216**	5
Other liabilities	49	**20,578**	21,986
Total liabilities		**9,064,335**	7,087,890
Equity:			
Share capital	50	**233,689**	233,689
Capital reserve	51	**90,266**	90,241
Investment revaluation reserve	52	**13,163**	11,156
Surplus reserve	53	**37,421**	26,922
General reserve	54	**46,806**	46,628
Retained earnings	55	**136,112**	59,593
Exchange reserve		**(1,982)**	(2,263)
Total equity attributable to equity shareholders of the Bank		**555,475**	465,966
Minority interests		**3,545**	1,596
Total equity		**559,020**	467,562
Total liabilities and equity		**9,623,355**	7,555,452

Approved and authorised for issue by the board of directors on 26 March 2010.

Zhang Jianguo	**Tse Hau Yin, Aloysius**	**Li Xiaoling**
Vice chairman, executive director and president	*Independent non-executive director*	*Non-executive director*

The notes on pages 122 to 294 form part of these financial statements.

Statement of Financial Position

As at 31 December 2009
(Expressed in millions of RMB unless otherwise stated)

	Note	**2009**	2008
Assets:			
Cash and deposits with central banks	18	**1,455,370**	1,247,053
Deposits with banks and non-bank financial institutions	19	**100,679**	28,425
Precious metals		**9,229**	5,160
Placements with banks and non-bank financial institutions	20	**23,143**	28,426
Financial assets at fair value through profit or loss	21	**10,251**	44,491
Positive fair value of derivatives	22	**7,730**	20,335
Financial assets held under resale agreements	23	**588,706**	208,548
Interest receivable	24	**40,129**	38,297
Loans and advances to customers	25	**4,626,024**	3,639,940
Available-for-sale financial assets	26	**649,979**	551,156
Held-to-maturity investments	27	**1,408,465**	1,041,783
Debt securities classified as receivables	28	**499,575**	551,818
Investments in subsidiaries	29	**8,816**	4,670
Fixed assets	31	**74,098**	63,723
Land use rights	32	**17,062**	17,229
Intangible assets	33	**1,242**	1,233
Deferred tax assets	35	**11,323**	8,059
Other assets	36	**33,310**	26,222
Total assets		**9,565,131**	7,526,568
Liabilities:			
Borrowings from central banks		**6**	6
Deposits from banks and non-bank financial institutions	39	**776,582**	448,461
Placements from banks and non-bank financial institutions	40	**31,968**	53,191
Financial liabilities at fair value through profit or loss	41	**7,992**	3,975
Negative fair value of derivatives	22	**7,894**	18,103
Financial assets sold under repurchase agreements	42	**2,625**	864
Deposits from customers	43	**7,955,240**	6,342,985
Accrued staff costs	44	**26,708**	24,807
Taxes payable	45	**25,549**	35,310
Interest payable	46	**59,442**	59,652
Provisions	47	**1,344**	1,806
Debt securities issued	48	**98,383**	52,531
Deferred tax liabilities	35	**22**	—
Other liabilities	49	**20,057**	21,321
Total liabilities		**9,013,812**	7,063,012
Equity:			
Share capital	50	**233,689**	233,689
Capital reserve	51	**90,266**	90,241
Investment revaluation reserve	52	**13,213**	11,138
Surplus reserve	53	**37,421**	26,922
General reserve	54	**46,209**	46,200
Retained earnings	55	**130,785**	55,867
Exchange reserve		**(264)**	(501)
Total equity		**551,319**	463,556
Total liabilities and equity		**9,565,131**	7,526,568

Approved and authorised for issue by the board of directors on 26 March 2010.

Zhang Jianguo	**Tse Hau Yin, Aloysius**	**Li Xiaoling**
Vice chairman, executive director and president	*Independent non-executive director*	*Non-executive director*

The notes on pages 122 to 294 form part of these financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 December 2009
(Expressed in millions of RMB unless otherwise stated)

	Attributable to equity shareholders of the Bank								
	Share capital	Capital reserve	Investment revaluation reserve	Surplus reserve	General reserve	Retained earnings	Exchange reserve	Minority interests	Total equity
As at 1 January 2009	**233,689**	**90,241**	**11,156**	**26,922**	**46,628**	**59,593**	**(2,263)**	**1,596**	**467,562**
Movements during the year	**–**	**25**	**2,007**	**10,499**	**178**	**76,519**	**281**	**1,949**	**91,458**
(1) Total comprehensive income for the year	**–**	**25**	**2,007**	**–**	**–**	**106,756**	**281**	**89**	**109,158**
(2) Changes in share capital	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**1,878**	**1,878**
i Disposal of shares of subsidiaries to minority interests	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**100**	**100**
ii Minority interests of new subsidiaries	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**130**	**130**
iii Minority interest of acquisition of a subsidiary	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**1,648**	**1,648**
(3) Profit distribution	**–**	**–**	**–**	**10,499**	**178**	**(30,237)**	**–**	**(18)**	**(19,578)**
i Appropriation to surplus reserve	**–**	**–**	**–**	**10,499**	**–**	**(10,499)**	**–**	**–**	**–**
ii Appropriation to general reserve	**–**	**–**	**–**	**–**	**178**	**(178)**	**–**	**–**	**–**
iii Appropriation to equity shareholders	**–**	**–**	**–**	**–**	**–**	**(19,560)**	**–**	**(18)**	**(19,578)**
As at 31 December 2009	**233,689**	**90,266**	**13,163**	**37,421**	**46,806**	**136,112**	**(1,982)**	**3,545**	**559,020**
As at 1 January 2008	233,689	90,241	16,408	17,845	31,548	32,164	(918)	1,304	422,281
Movements during the year	–	–	(5,252)	9,077	15,080	27,429	(1,345)	292	45,281
(1) Total comprehensive income for the year	–	–	(5,252)	–	–	92,599	(1,345)	41	86,043
(2) Changes in share capital	–	–	–	–	–	–	–	274	274
i Capital injection by minority interests	–	–	–	–	–	–	–	212	212
ii Disposal of shares of a subsidiary to minority interests	–	–	–	–	–	–	–	38	38
iii Minority interests of a new subsidiary	–	–	–	–	–	–	–	24	24
(3) Profit distribution	–	–	–	9,077	15,080	(65,170)	–	(23)	(41,036)
i Appropriation to surplus reserve	–	–	–	9,077	–	(9,077)	–	–	–
ii Appropriation to general reserve	–	–	–	–	15,080	(15,080)	–	–	–
iii Appropriation to equity shareholders	–	–	–	–	–	(41,013)	–	(23)	(41,036)
As at 31 December 2008	233,689	90,241	11,156	26,922	46,628	59,593	(2,263)	1,596	467,562

The notes on pages 122 to 294 form part of these financial statements.

(Expressed in millions of RMB unless otherwise stated)

	Share capital	Capital reserve	Investment revaluation reserve	Surplus reserve	General reserve	Retained earnings	Exchange reserve	Total equity
As at 1 January 2009	**233,689**	**90,241**	**11,138**	**26,922**	**46,200**	**55,867**	**(501)**	**463,556**
Movements during the year	**–**	**25**	**2,075**	**10,499**	**9**	**74,918**	**237**	**87,763**
(1) Total comprehensive income for the year	**–**	**25**	**2,075**	**–**	**–**	**104,986**	**237**	**107,323**
(2) Profit distribution	**–**	**–**	**–**	**10,499**	**9**	**(30,068)**	**–**	**(19,560)**
i Appropriation to surplus reserve	**–**	**–**	**–**	**10,499**	**–**	**(10,499)**	**–**	**–**
ii Appropriation to general reserve	**–**	**–**	**–**	**–**	**9**	**(9)**	**–**	**–**
iii Appropriation to equity shareholders	**–**	**–**	**–**	**–**	**–**	**(19,560)**	**–**	**(19,560)**
As at 31 December 2009	**233,689**	**90,266**	**13,213**	**37,421**	**46,209**	**130,785**	**(264)**	**551,319**
As at 1 January 2008	233,689	90,241	16,388	17,845	31,200	30,190	(36)	419,517
Movements during the year	–	–	(5,250)	9,077	15,000	25,677	(465)	44,039
(1) Total comprehensive income for the year	–	–	(5,250)	–	–	90,767	(465)	85,052
(2) Profit distribution	–	–	–	9,077	15,000	(65,090)	–	(41,013)
i Appropriation to surplus reserve	–	–	–	9,077	–	(9,077)	–	–
ii Appropriation to general reserve	–	–	–	–	15,000	(15,000)	–	–
iii Appropriation to equity shareholders	–	–	–	–	–	(41,013)	–	(41,013)
As at 31 December 2008	233,689	90,241	11,138	26,922	46,200	55,867	(501)	463,556

The notes on pages 122 to 294 form part of these financial statements.

Consolidated Statement of Cash Flows

For the year ended 31 December 2009
(Expressed in millions of RMB unless otherwise stated)

	Note	2009	2008
Cash flows from operating activities			
Profit before tax		**138,725**	119,741
Adjustments for:			
— Impairment losses	13	**25,460**	50,829
— Depreciation and amortisation	12	**10,876**	9,351
— Unwinding of discount		**(1,270)**	(1,564)
— Revaluation gain on financial instruments at fair value through profit or loss		**(924)**	(1,977)
— Share of profit less losses of associates and jointly controlled entities		**(17)**	(16)
— Dividend income	9	**(100)**	(150)
— Unrealised foreign exchange (gain)/loss		**(3,628)**	10,454
— Interest expense on bonds issued		**3,211**	2,030
— Net (gain)/loss on disposal of investment securities	10	**(4,471)**	2,252
— Net gain on disposal of fixed assets and other long-term assets		**(110)**	(99)
		167,752	190,851
Changes in operating assets:			
Net increase in deposits with central banks and with banks and non-bank financial institutions		**(258,955)**	(198,447)
Net (increase)/decrease in placements with banks and non-bank financial institutions		**(1,243)**	7,770
Net increase in loans and advances to customers		**(1,030,197)**	(551,987)
Net increase in financial assets held under resale agreements		**(381,058)**	(71,322)
Decrease/(increase) in other operating assets		**18,705**	(89,651)
		(1,652,748)	(903,637)
Changes in operating liabilities:			
Net (decrease)/increase in placements from banks and non-bank financial institutions		**(6,947)**	15,084
Net increase in deposits from customers and from banks and non-bank financial institutions		**1,948,273**	989,418
Net decrease in financial assets sold under repurchase agreements		**(864)**	(107,171)
Net increase in certificates of deposit issued		**4,107**	2,435
Income tax paid		**(44,567)**	(32,187)
Increase in other operating liabilities		**8,573**	25,853
		1,908,575	893,432
Net cash from operating activities		**423,579**	180,646

The notes on pages 122 to 294 form part of these financial statements.

(Expressed in millions of RMB unless otherwise stated)

	Note	2009	2008
Cash flows from investing activities			
Proceeds from disposal and redemption of investment		**1,168,724**	968,424
Dividend received		**106**	150
Proceeds from disposal of fixed assets and other long-term assets		**727**	655
Proceeds from acquisition of subsidiaries	56(2)	**3,862**	24
Proceeds from capital contribution by minority interests	56(4)	**—**	212
Proceeds from disposal of shares of subsidiaries	56(5)	**100**	38
Payments on acquisition of investment		**(1,568,911)**	(912,363)
Payments on acquisition of fixed assets and other long-term assets		**(22,045)**	(17,699)
Payments on acquisition of associates and jointly controlled entities	56(3)	**(54)**	(682)
Net cash (used in)/from investing activities		**(417,491)**	38,759
Cash flows from financing activities			
Proceeds from bonds issued		**79,880**	2,852
Dividend paid		**(19,576)**	(40,960)
Interest paid on bonds issued		**(1,972)**	(2,005)
Repayments of debt securities issued		**(40,000)**	—
Net cash from/(used in) financing activities		**18,332**	(40,113)
Effect of exchange rate changes on cash and cash equivalents		**18**	(3,989)
Net increase in cash and cash equivalents		**24,438**	175,303
Cash and cash equivalents as at 1 January	56(1)	**355,811**	180,508
Cash and cash equivalents as at 31 December	56(1)	**380,249**	355,811
Cash flows from operating activities include:			
Interest received		**327,930**	283,299
Interest paid, excluding interest expense on bonds issued		**(125,785)**	(108,771)

The notes on pages 122 to 294 form part of these financial statements.

1 COMPANY INFORMATION

China Construction Bank Corporation (the "Bank") is a joint-stock company with limited liability incorporated in the People's Republic of China (the "PRC") on 17 September 2004, as a result of a separation procedure undertaken by the predecessor of the Bank, China Construction Bank ("CCB"). Under the terms of the separation, the Bank succeeded to the commercial banking business and related assets and liabilities of CCB as at 31 December 2003.

The registered office of the Bank is located at No. 25, Finance Street, Xicheng District, Beijing, the PRC. The Bank obtained the financial service certificate on 15 September 2004, as approved by the China Banking Regulatory Commission (the "CBRC") and the business license on 17 September 2004, as approved by the State Administration for Industry and Commerce of the PRC.

In October 2005 and September 2007, the Bank publicly offered H shares on the Main Board of the Stock Exchange of Hong Kong Limited and A shares on the Shanghai Stock Exchange respectively. All H and A shares rank pari passu with the same rights and benefits.

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

The principal activities of the Bank and its subsidiaries (collectively the "Group") are the provision of corporate and personal banking services, conducting treasury business, the provision of asset management, trustee, finance leasing and other financial services. The Group mainly operates in Mainland China and also has several overseas branches and subsidiaries.

The Bank is under the supervision of the banking regulatory bodies empowered by the State Council of the PRC (the "State Council"). The overseas financial operations of the Bank are under the supervision of their respective local jurisdictions. Central Huijin Investments Limited ("Huijin"), a wholly owned subsidiary of China Investment Corporation ("CIC"), exercises the rights and obligations as an investor on behalf of the PRC Government.

These financial statements were authorised for issue by the board of directors of the Bank on 26 March 2010.

2 BASIS OF PREPARATION

These financial statements for the year ended 31 December 2009 comprise the Bank and its subsidiaries and the Group's interests in associates and jointly controlled entities.

(1) Basis of measurement

These financial statements have been prepared on the historical cost basis except that: (i) financial instruments designated at fair value through profit or loss are measured at fair value; (ii) derivative financial instruments are measured at fair value; (iii) available-for-sale financial assets are measured at fair value; and (iv) certain non-financial assets are measured at deemed cost. The measurement basis of major assets and liabilities are further explained in Note 4.

2 BASIS OF PREPARATION (continued)

(2) Functional and presentation currency

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

(3) Use of estimates and judgements

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates.

The estimates and associated assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

Judgements that have a significant effect on the financial statements and estimates with a significant risk of material adjustments in the subsequent period are discussed in Note 4(22).

3 STATEMENT OF COMPLIANCE

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs") as issued by the International Accounting Standards Board ("IASB") and the disclosure requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

During 2009, the Group adopted the following amendments to standards and interpretations: (i) IAS 1 (revised 2007) *Presentation of financial statements;* (ii) Amendments to IAS 27, *Consolidated and separate financial statements — cost of an investment in a subsidiary, jointly controlled entity or associate;* (iii) Improvements to IFRSs (2008); (iv) Amendments to IFRS 7, *Financial instruments: Disclosures-improving disclosures about financial instruments;* and (v) IFRS 8, Operating segments.

IAS 1 (revised 2007) Presentation of financial statements requires to present, in a statement of changes in equity, all changes in equity arising from transactions with shareholders in their capacity as shareholders (ie shareholder changes in equity). All non-shareholder changes in equity (ie comprehensive income) are required to be presented in one statement of comprehensive income or in two statements (a separate income statement and a statement of comprehensive income). Reclassification adjustments and income tax relating to each component of other comprehensive income shall be disclosed. Components of comprehensive income are not permitted to be presented in the statement of changes in equity. Dividends recognised and related amounts per share are not permitted to be presented in the statement of comprehensive income.

Amendments to cost of an investment in a subsidiary, jointly controlled entity or associate of IAS 27 and 35 amendments across 20 different standards of Improvements to IFRSs (2008) largely clarify relevant accounting treatments.

3 STATEMENT OF COMPLIANCE (continued)

As a result of the adoption of the amendments to IFRS 7, the financial statements include expanded disclosures in note 62(6) about the fair value measurement of the Group's financial instruments, categorising these fair value measurements into a three-level fair value hierarchy according to the extent to which they are based on observable market data. The Group has taken advantage of the transitional provisions set out in the amendments to IFRS 7, under which comparative information for the newly required disclosures about the fair value measurements of financial instruments has not been provided.

IFRS 8, *Operating segments* requires identification of operating segments on the basis of internal reports that are regularly reviewed by the entity's chief operating decision maker in order to allocate resources to the segment and assess its performance. IFRS 8 clarifies the amount reported for each operating segment item to be the measure reported to the chief operating decision maker for the purposes of allocating resources to the segment and assessing its performance.

The accounting policies set out below have been applied consistently by the Group to all periods presented in these financial statements.

4 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

(1) Consolidated financial statements

(a) Business combinations

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

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

(b) Subsidiaries and minority interests

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

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

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

4 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

(1) Consolidated financial statements (continued)

(b) Subsidiaries and minority interests (continued)

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

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

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

(c) Special purpose entities

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

(d) Associates and jointly controlled entities

An associate is an enterprise in which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policy decisions.

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

4 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

(1) Consolidated financial statements (continued)

(d) Associates and jointly controlled entities (continued)

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

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

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

(2) Translation of foreign currencies

(a) Translation of foreign currency transactions

Foreign currency transactions are, on initial recognition, translated into the functional currency at the spot exchange rates at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are translated into the functional currency at the spot exchange rates at that date. The resulting exchange differences are recognised in profit or loss. Non-monetary items denominated in foreign currencies that are measured at historical cost are translated into functional currency using the spot exchange rates at the transaction dates. Non-monetary items denominated in foreign currencies that are measured at fair value are translated using the spot exchange rates at the dates the fair values are determined; exchange differences are recognised in profit or loss, except for the differences arising from the translation of available-for-sale equity instruments, which are recognised in other comprehensive income.

(b) Translation of financial statements denominated in foreign currencies

Foreign currency financial statements of overseas branches and subsidiaries are translated into RMB for the preparation of consolidated financial statements. At the end of each reporting period, the assets and liabilities in the financial statements denominated in foreign currencies are translated into RMB at the spot exchange rates ruling at that date. The income and expenses of foreign operations are translated into RMB at the spot exchange rates or the rates that approximate the spot exchange rates on the transaction dates. Foreign exchange differences arising from foreign operations are recognised as "exchange reserve" in the shareholder's equity in the statement of financial position.

4 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

(3) Financial instruments

(a) Categorisation

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

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

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

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

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

Held-to-maturity investments

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

Loans and receivables

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

4 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

(3) Financial instruments (continued)

(a) Categorisation (continued)

Available-for-sale financial assets

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

Other financial liabilities

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

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

(b) Derivatives and embedded derivatives

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

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

(c) Recognition and derecognition

All financial assets and financial liabilities are recognised in the statement of financial position, when and only when, the Group becomes a party to the contractual provisions of the instrument.

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

4 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

(3) Financial instruments (continued)

(c) Recognition and derecognition (continued)

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

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

(d) Measurement

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

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

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

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

When the available-for-sale financial assets are sold, gains or losses on disposal are recognised in profit or loss. Gains or losses on disposal include those previously recognised in other comprehensive income and reclassified into the profit or loss.

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

4 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

(3) Financial instruments (continued)

(e) Impairment

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

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

— significant financial difficulty of the borrower or issuer;

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

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

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

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

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

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

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

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

4 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

(3) Financial instruments (continued)

(e) Impairment (continued)

Loans and receivables and held-to-maturity investments

Individual assessment

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

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

Collective assessment

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

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

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

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

4 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

(3) Financial instruments (continued)

(e) *Impairment (continued)*

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

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

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

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

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

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

4 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

(3) Financial instruments (continued)

(e) Impairment (continued)

Available-for-sale financial assets

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

If, in a subsequent period, the fair value of available-for-sale financial assets increases and the increase can be objectively related to an event occurring after the impairment loss was recognised, the impairment loss shall be treated in accordance with the following principles: (i) the impairment loss on debt instruments classified as available-for-sale shall be reversed, with the amount of the reversal recognised in profit or loss; (ii) the impairment loss on equity instruments classified as available-for-sale shall not be reversed through the profit or loss. Any subsequent increase in the fair value of such assets is recognised in other comprehensive income; or (iii) the impairment loss in respect of available-for-sale equity investments carried at cost shall not be reversed.

(f) Fair value measurement

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

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

(g) Offsetting

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

4 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

(3) Financial instruments (continued)

(h) Securitisations

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

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

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

The cash advanced or received is recognised as amounts held under resale or sold under repurchase agreements in the statement of financial position. Assets held under resale agreements are not recognised. Assets sold under repurchase agreements continue to be recognised in the statement of financial position.

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

(4) Precious metals

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

(5) Fixed assets

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

(Expressed in millions of RMB unless otherwise stated)

4 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

(5) Fixed assets (continued)

(a) Cost

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

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

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

(b) Depreciation and impairment

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

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

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

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

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

(c) Disposal

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

4 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

(6) Lease

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

(a) Finance lease

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

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

(b) Operating lease

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

(7) Land use rights

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

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

(8) Intangible assets

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

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

4 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

(9) Goodwill

Goodwill represents the excess of the cost of a business combination over the Group's interest in the fair value of the acquiree's identifiable net assets. Goodwill is not amortised. Goodwill arising on a business combination is allocated to each cash-generating unit ("CGU") or group of CGUs, that is expected to benefit from the synergies of the combination. The Group performs impairment test on goodwill semi-annually.

Any excess of the Group's interest in the net fair value of the acquiree's identifiable net assets over the cost of a business combination is recognised immediately in profit or loss.

On disposal of the related CGU or group of CGUs, any attributable amount of goodwill net of allowances for impairment losses, if any, is included in the calculation of the profit or loss on disposal.

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

(10) Repossessed assets

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

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

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

At the end of each reporting period, the Group assesses whether there is any indication that a non-financial asset may be impaired. If any indication exists that an asset may be impaired, the Group estimates the recoverable amount of the asset.

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

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

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

4 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

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

(a) Testing CGU with goodwill for impairment

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

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

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

(b) Impairment loss

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

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

(c) Reversing an impairment loss

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

An impairment loss in respect of goodwill is not reversed.

4 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

(12) Employee benefits

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

(a) Staff incentive plan

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

(b) Defined contribution retirement schemes

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

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

(c) Supplementary retirement benefits

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

(d) Housing fund and other social insurance

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

4 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

(12) Employee benefits (continued)

(e) Termination benefits

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

Early retirement expenses

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

(13) Provisions and contingent liabilities

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

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

(14) Financial guarantees

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

4 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

(15) Fiduciary activities

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

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

(16) Income recognition

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

(a) Interest income

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

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

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

(b) Fee and commission income

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

4 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

(16) Income recognition (continued)

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

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

(d) Dividend income

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

(17) Income tax

Current income tax is the expected tax payable on the taxable income for the period, using tax rates enacted or substantially enacted at the end of each reporting period, and any adjustment to tax payable in respect of previous periods. Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax also arises from unused tax losses and unused tax credits. A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the asset can be utilised.

Current income tax and movements in deferred tax balances are recognised in profit or loss except to the extent that it relates to items recognised in other comprehensive income or directly in equity, in which case the relevant amounts of tax are recognised in other comprehensive income or directly in equity, respectively.

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

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

(18) Cash equivalents

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

4 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

(19) Profit distribution

Proposed dividends which are declared and approved after the end of each reporting period are not recognised as a liability in the statement of financial position and are instead disclosed as a subsequent event after the end of each reporting period in the note to the financial statements. Dividends payable are recognised as liabilities in the period in which they are approved.

(20) Related parties

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

(a) the Bank's parents;

(b) the Bank's subsidiaries;

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

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

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

(f) an associate of the Group;

(g) a jointly controlled entity of the Group;

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

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

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

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

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

4 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

(21) Operating segments

The identification of operating segments of the Group is on the basis of internal reports that are regularly reviewed by the Group's chief operating decision maker in order to allocate resources to the segment and assess its performance. On the basis of the operating segments, the Group identifies the reportable segments, using a combination of factors including products and services, geographical areas, regulatory environments and etc., which the management has chosen for organization. The operating segments that meet the specified criteria have been aggregated, and the operating segments that meet quantitative thresholds have been reported separately.

The amount reported for each operating segment item is the measure reported to the chief operating decision maker for the purposes of allocating resources to the segment and assessing its performance. Segment information is prepared in conformity with the accounting policies adopted for preparing and presenting the financial statements of the Group.

(22) Significant accounting estimates and judgements

(a) Impairment losses on loans and advances, and available-for-sale and held-to-maturity debt investments

The Group reviews the portfolios of loans and advances, and available-for-sale and held-to-maturity debt investments periodically to assess whether impairment losses exist and if they exist, the amounts of impairment losses. Objective evidence for impairment includes observable data indicating that there is a measurable decrease in the estimated future cash flows identified with an individual loan and advance, an available-for-sale or a held-to-maturity debt investment. It also includes observable data indicating adverse changes in the repayment status of borrowers or issuers in the assets portfolio or national or local economic conditions that correlate with defaults on the assets in the portfolio.

The impairment loss for a loan that is individually assessed for impairment is the decrease in the estimated discounted future cash flows. Same principle is adopted for impairment loss on a held-to-maturity debt investment which is individually assessed, except that as a practical expedient, the Group may measure the impairment loss on the basis of the instrument's fair value using an observable market price at the measurement date. The impairment loss for an available-for-sale debt investment is the difference between the acquisition cost (net of any principal repayments and amortisation) and the fair value, less any impairment loss previously recognised in profit or loss at the measurement date.

When loans and advances and held-to-maturity debt investments are collectively assessed for impairment, the estimate is based on historical loss experience for assets with credit risk characteristics similar to the loans and advances and held-to-maturity debt investments that are being assessed. Historical loss experience is adjusted on the basis of the relevant observable data that reflect current economic conditions. Management reviews the methodology and assumptions used in estimating future cash flows regularly to reduce any difference between loss estimates and actual losses.

(b) Impairment of available-for-sale equity instruments

For available-for-sale equity instruments, a significant or prolonged decline in fair value below cost is considered to be objective evidence of impairment. Judgement is required when determining whether a decline in fair value has been significant or prolonged. In making this judgement, the Group considers historical market volatility and share price data of the specific equity instrument as well as other factors, such as sector performance, and financial information regarding the investee.

4 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

(22) Significant accounting estimates and judgements (continued)

(c) Fair value of financial instruments

The fair value of financial instruments that are traded in an active market is based on their quoted market prices in an active market at the valuation date. A quoted market price is a price from an active market where price information is readily and regularly available from an exchange or from a dealer quotation and where this price information represents actual and recurring market transactions on an arm's length basis.

For all other financial instruments, the Group determines fair values using valuation techniques which include discounted cash flow models, as well as other types of valuation model. Assumptions and inputs used in valuation techniques include risk-free and benchmark interest rates, credit spreads and foreign currency exchange rates. Where discounted cash flow techniques are used, estimated cash flows are based on management's best estimates and the discount rate used is a market rate at the end of each reporting period applicable for an instrument with similar terms and conditions. Where other pricing models are used, inputs are based on observable market data at the end of each reporting period.

The objective of valuation techniques is to arrive at a fair value determination that reflects the price of the financial instrument at the reporting date that would have been determined by market participants acting at arm's length.

(d) Classification of held-to-maturity investments

In evaluating whether the requirements to classify a financial asset as held-to-maturity are met, management makes significant judgements. Change of the Group in sustaining the intention and ability to hold specific investments until maturity may result in reclassification of the whole portfolio as available-for-sale.

(e) Income taxes

Determining income tax provisions involves judgement on the future tax treatment of certain transactions. The Group carefully evaluates the tax implications of transactions and tax provisions are set up accordingly. The tax treatment of such transactions is reconsidered periodically to take into account all changes in tax legislations. Deferred tax assets are recognised for tax losses not yet used and temporary deductible differences. As those deferred tax assets can only be recognised to the extent that it is probable that future taxable profits will be available against which the unused tax credits can be utilised, management's judgement is required to assess the probability of future taxable profits. Management's assessment is constantly reviewed and additional deferred tax assets are recognised if it becomes probable that future taxable profits will allow the deferred tax assets to be recovered.

4 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

(22) Significant accounting estimates and judgements (continued)

(f) Employee retirement benefit obligations

The Group has established liabilities in connection with benefits paid to certain retired and early retired employees. The amounts of employee benefit expense and these liabilities are dependent on assumptions used in calculating such amounts. These assumptions include discount rates, pension benefit inflation rates, medical benefit inflation rates, and other factors. Actual results that differ from the assumptions are recognised to the extent that any cumulative unrecognised gains or losses exceed 10% of the present value of the obligation at the end of each reporting period. While management believes that its assumptions are appropriate, differences in actual experience or changes in assumptions may affect the Group's expense related to its employee retirement benefit obligations.

5 TAXATION

The Group's main applicable taxes and tax rates are as follows:

Business tax

Business tax is charged at 5% on taxable income.

City construction tax

City construction tax is calculated as 1%–7% of business tax.

Education surcharge

Education surcharge is calculated as 3% of business tax.

Income tax

The income tax rate that is applicable to the Bank and its subsidiaries in Mainland China is 25%. Taxation on overseas operations is charged at the relevant local rates. Tax paid on overseas operations is set off to the extent it is allowed under the relevant income tax laws of the PRC. All tax exemptions are determined upon approval from the relevant tax authorities.

Current liabilities arising from the above taxes are presented as "taxes payable" in the statement of financial position.

(Expressed in millions of RMB unless otherwise stated)

6 NET INTEREST INCOME

	2009	2008
Interest income arising from:		
Deposits with central banks	**18,511**	17,960
Deposits with banks and non-bank financial institutions	**430**	548
Placements with banks and non-bank financial institutions	**310**	1,423
Financial assets at fair value through profit or loss	**1,178**	2,383
Financial assets held under resale agreements	**8,493**	4,749
Investment securities	**70,488**	77,494
Loans and advances to customers		
— Corporate loans and advances	**186,649**	189,568
— Personal loans and advances	**48,255**	54,785
— Discounted bills	**5,149**	7,590
Total	**339,463**	356,500
Interest expense arising from:		
Deposits from banks and non-bank financial institutions	**(12,737)**	(9,764)
Placements from banks and non-bank financial institutions	**(386)**	(1,360)
Financial liabilities at fair value through profit or loss	**(27)**	(299)
Financial assets sold under repurchase agreements	**(11)**	(571)
Debt securities issued	**(3,441)**	(2,426)
Deposits from customers		
— Corporate deposits	**(50,651)**	(55,494)
— Personal deposits	**(60,325)**	(61,666)
Total	**(127,578)**	(131,580)
Net interest income	**211,885**	224,920

Notes:

(1) Interest income from impaired financial assets is listed as follows:

	2009	2008
Impaired loans	**1,270**	1,652
Other impaired financial assets	**1,022**	1,852
Total	**2,292**	3,504

(2) Interest expense on financial liabilities with maturity over five years mainly represented the interest expense on debt securities issued.

(Expressed in millions of RMB unless otherwise stated)

7 NET FEE AND COMMISSION INCOME

	2009	2008
Fee and commission income:		
Consultancy and advisory fees	**10,962**	6,998
Agency service fees	**9,840**	10,289
Bank card fees	**9,186**	7,153
Commission on trust and fiduciary activities	**6,672**	4,759
Settlement and clearing fees	**6,308**	4,797
Guarantee fees	**1,519**	1,311
Credit commitment fees	**1,256**	1,791
Others	**4,096**	2,958
Total	**49,839**	40,056
Fee and commission expense:		
Bank card transaction fees	**(963)**	(888)
Inter-bank transaction fees	**(347)**	(327)
Others	**(470)**	(395)
Total	**(1,780)**	(1,610)
Net fee and commission income	**48,059**	38,446

8 NET TRADING GAIN

	2009	2008
Debt securities	**(518)**	846
Derivatives	**1,043**	1,795
Equity investments	**1,495**	385
Others	**213**	187
Total	**2,233**	3,213

For the year ended 31 December 2009, net trading gain related to financial assets designated at fair value through profit or loss of the Group amounted to RMB1,013 million (2008: RMB812 million). Net trading loss related to financial liabilities designated at fair value through profit or loss of the Group amounted to RMB70 million (2008: RMB46 million).

(Expressed in millions of RMB unless otherwise stated)

9 DIVIDEND INCOME

	2009	2008
Dividend income from listed trading equity investments	**6**	15
Dividend income from available-for-sale equity investments		
— Listed	**38**	95
— Unlisted	**56**	40
Total	**100**	150

10 NET GAIN/(LOSS) ARISING FROM INVESTMENT SECURITIES

	2009	2008
Net gain on sale of available-for-sale financial assets	**1,960**	1,898
Net revaluation gain/(loss) reclassified from other comprehensive income on disposal	**925**	(247)
Net gain/(loss) on sale of held-to-maturity investments	**1,575**	(3,905)
Net gain on sale of debt securities classified as receivables	**11**	2
Total	**4,471**	(2,252)

11 OTHER OPERATING INCOME, NET

	2009	2008
Net foreign exchange (loss)/gain	**(250)**	2,642
Net gain on disposal of fixed assets	**110**	99
Net gain on disposal of repossessed assets	**356**	197
Gain on acquisition (note 56(2)(c))	**473**	—
Others	**1,877**	2,332
Total	**2,566**	5,270

Net foreign exchange gains or losses includes gains and losses in connection with the translation of foreign currency denominated monetary assets and liabilities, and net realised and unrealised gains and losses on foreign exchange derivatives (including those foreign exchange swaps, foreign exchange options and cross currency swaps entered into in order to economically hedge long positions in foreign currency assets).

(Expressed in millions of RMB unless otherwise stated)

12 OPERATING EXPENSES

	2009	2008
Staff costs		
— Salaries, bonuses and allowances	**33,545**	32,252
— Defined contribution retirement schemes	**5,941**	4,294
— Other social insurance and welfare	**6,239**	5,813
— Housing funds	**2,941**	2,612
— Union running costs and employee education costs	**1,238**	1,073
— Supplementary retirement benefits	**537**	568
— Early retirement expenses	**679**	—
— Compensation to employees for termination of employment relationship	**18**	45
	51,138	46,657
Premises and equipment expenses		
— Depreciation charges	**9,005**	7,671
— Rent and property management expenses	**4,048**	3,581
— Maintenance	**1,480**	1,627
— Utilities	**1,423**	1,342
— Others	**799**	736
	16,755	14,957
Amortisation expenses	**1,871**	1,680
Business tax and surcharges	**15,972**	15,793
Audit fees	**157**	167
Other general and administrative expenses	**19,253**	19,939
Total	**105,146**	99,193

(Expressed in millions of RMB unless otherwise stated)

13 IMPAIRMENT LOSSES

	2009	2008
Loans and advances to customers		
— Additions	40,415	44,869
— Releases	(16,159)	(8,623)
Available-for-sale debt securities	999	10,622
Available-for-sale equity investments	5	134
Held-to-maturity investments	76	3,126
Debt securities classified as receivables	32	(645)
Fixed assets	2	28
Others	90	1,318
Total	25,460	50,829

(Expressed in millions of RMB unless otherwise stated)

14 DIRECTORS' AND SUPERVISORS' EMOLUMENTS

The aggregate of the emoluments before individual income tax in respect of the directors and supervisors who held office during the year is as follows:

	2009				
	Fees RMB'000	Remuneration paid RMB'000	Contributions to defined contribution retirement schemes RMB'000	Other benefits in kind (note (vi)) RMB'000	Total (note (i)) RMB'000
Executive directors					
Guo Shuqing (note (vii))	–	600	26	280	906
Zhang Jianguo (note (vii))	–	576	26	280	882
Xin Shusen (note (ii)&(vii))	–	492	26	238	756
Chen Zuofu (note (ii)&(vii))	–	492	26	239	757
Non-executive directors					
Wang Yonggang (note (iii))	–	–	–	–	–
Wang Yong (note (iii))	–	–	–	–	–
Wang Shumin (note (iii))	–	–	–	–	–
Liu Xianghui (note (iii))	–	–	–	–	–
Zhang Xiangdong (note (iii))	–	–	–	–	–
Li Xiaoling (note (iii))	–	–	–	–	–
Gregory L. Curl (note (iv))	390	–	–	–	390
Independent non-executive directors					
Lord Peter Levene	360	–	–	–	360
Song Fengming	440	–	–	–	440
Dame Jenny Shipley	360	–	–	–	360
Elaine La Roche	410	–	–	–	410
Wong Kai-Man	390	–	–	–	390
Tse Hau Yin, Aloysius	440	–	–	–	440
Supervisors					
Xie Duyang (note (vii))	–	564	26	278	868
Liu Jin (note (vii))	–	354	26	198	578
Jin Panshi (note (vii))	–	354	26	198	578
Cheng Meifen (note (v))	26	–	–	–	26
Sun Zhixin (note (v))	26	–	–	–	26
Shuai Jinkun (note (ii)&(v))	26	–	–	–	26
Guo Feng	250	–	–	–	250
Dai Deming	270	–	–	–	270
	3,388	3,432	182	1,711	8,713

(Expressed in millions of RMB unless otherwise stated)

14 DIRECTORS' AND SUPERVISORS' EMOLUMENTS (continued)

	2008						
	Fees RMB'000	Salaries and allowance RMB'000	Variable compensation RMB'000	Sub-total RMB'000	Contributions to defined contribution retirement schemes RMB'000	Other benefits in kind (note (vi)) RMB'000	Total (note (i)) RMB'000
Executive directors							
Guo Shuqing	–	898	566	1,464	23	82	1,569
Zhang Jianguo	–	873	584	1,457	23	81	1,561
Xin Shusen (note (ii))	–	741	570	1,311	23	75	1,409
Non-executive directors							
Wang Yonggang (note (iii))	–	–	–	–	–	–	–
Wang Yong (note (iii))	–	–	–	–	–	–	–
Wang Shumin (note (iii))	–	–	–	–	–	–	–
Liu Xianghui (note (iii))	–	–	–	–	–	–	–
Zhang Xiangdong (note (iii))	–	–	–	–	–	–	–
Li Xiaoling (note (iii))	–	–	–	–	–	–	–
Gregory L. Curl (note (iv))	390	–	–	390	–	–	390
Independent non-executive directors							
Lord Peter Levene	360	–	–	360	–	–	360
Song Fengming	440	–	–	440	–	–	440
Dame Jenny Shipley	360	–	–	360	–	–	360
Elaine La Roche	410	–	–	410	–	–	410
Wong Kai-Man	388	–	–	388	–	–	388
Tse Hau Yin, Aloysius	440	–	–	440	–	–	440
Supervisors							
Xie Duyang	–	860	557	1,417	23	78	1,518
Liu Jin	–	548	369	917	23	61	1,001
Jin Panshi	–	548	369	917	23	61	1,001
Cheng Meifen (note (v))	26	–	–	26	–	–	26
Sun Zhixin (note (v))	26	–	–	26	–	–	26
Shuai Jinkun (note (ii)&(v))	2	–	–	2	–	–	2
Guo Feng	250	–	–	250	–	–	250
Dai Deming	270	–	–	270	–	–	270
	3,362	4,468	3,015	10,845	138	438	11,421
Former executive directors retired in2008							
Zhao Lin (note (ii))	–	309	237	546	9	32	587
Luo Zhefu (note (ii))	–	741	569	1,310	23	76	1,409
Former supervisors retired in 2008							
Ning Liming (note (ii)&(v))	19	–	–	19	–	–	19
	3,381	5,518	3,821	12,720	170	546	13,436

14 DIRECTORS' AND SUPERVISORS' EMOLUMENTS (continued)

Notes:

(i) The amounts of emoluments for the year ended 31 December 2009 in respect of the services rendered by the directors and supervisors are subject to approval of the Bank's shareholders in 2009 Annual General Meeting.

(ii) 2008 Annual General Meeting of the Bank elected Mr. Chen Zuofu as executive director of the Bank. CBRC has approved of Mr. Chen Zuofu qualifying for the position. Mr. Chen Zuofu has become executive director of the Bank since July 2009.

2007 Annual General Meeting of the Bank held on 12 June 2008 elected Ms. Xin Shusen as executive director of the Bank. CBRC has approved of Ms. Xin Shusen qualifying for the position. Ms. Xin Shusen has become executive director of the Bank since 21 July 2008. The amounts of emoluments for Ms. Xin Shusen represent the emoluments for the whole year of 2008 for her services as executive director and vice president.

At the staff representative conference of the Bank held on 10 November 2008 elected Mr. Shuai Jinkun as the employee representative supervisor, until 2009 Annual General Meeting of the Bank.

Mr. Zhao Lin is no longer director, vice president of the Bank since 6 May 2008.

Mr. Luo Zhefu is no longer director, vice president of the Bank since 26 December 2008.

Ms. Ning Liming is no longer supervisor of the Bank since 12 September 2008.

(iii) The Bank does not need to pay the emoluments of non-executive directors appointed by Huijin for the services rendered in 2009 and 2008.

(iv) The amount will be payable to Bank of America Corporation ("BOA") for his services as director after the approval of the Bank's shareholders as mentioned in note (i).

(v) The amounts only included fees for their services as supervisors.

(vi) Other benefits in kind included the Bank's contributions to medical fund, housing fund and other social insurances, which are payable to labour and security authorities based on the lower of certain percentage of the salaries and allowance or the prescribed upper limits as required by the relevant regulations issued by the government authorities. Other benefits also included the Bank's contribution to its own corporate annuity plan (which was set up in accordance with the relevant policies issued by the government authorities) and supplementary medical insurance.

None of the directors and supervisors received any inducements or compensation for loss of office, or waived any emoluments during the years ended 31 December 2009 and 2008.

(vii) The total compensation package for these directors and supervisors for the year ended 31 December 2009 has not yet been finalised in accordance with regulations of the PRC relevant authorities. The amount of the compensation not provided for is not expected to have significant impact to the Group's and the Bank's financial statements for the year ended 31 December 2009. The final compensation will be disclosed in a separate announcement when determined.

(Expressed in millions of RMB unless otherwise stated)

15 INDIVIDUALS WITH HIGHEST EMOLUMENTS

None of the five individuals with the highest emoluments are directors or supervisors whose emoluments are disclosed in Note 14. The aggregate of the emoluments before individual income tax in respect of the five highest paid individuals during the year is as follows:

	2009 RMB'000	2008 RMB'000
Salaries and allowance	**11,176**	9,387
Variable compensation	**22,639**	14,127
Contributions to defined contribution retirement schemes	**540**	794
Other benefits in kind	**96**	136
	34,451	24,444

The number of these individuals whose emoluments before individual income tax are within the following bands is set out below.

	2009	2008
RMB4,000,001–RMB4,500,000	**–**	3
RMB5,000,001–RMB5,500,000	**–**	1
RMB5,500,001–RMB6,000,000	**3**	–
RMB6,000,001–RMB6,500,000	**1**	–
RMB6,500,001–RMB7,000,000	**–**	1
RMB11,000,001–RMB11,500,000	**1**	–

None of these individuals received any inducements, or compensation for loss of office, or waived any emoluments during the years ended 31 December 2009 and 2008.

16 INCOME TAX EXPENSE

(1) Income tax expenses

	2009	2008
Current tax	**35,764**	34,226
Adjustments for prior years	**(359)**	(285)
Deferred tax	**(3,516)**	(6,842)
Total	**31,889**	27,099

The provisions of income taxes for Mainland China and Hong Kong are calculated at 25% and 16.5% of the estimated taxable income from Mainland and Hong Kong operations for the period respectively. Taxation for other overseas operations is charged at the appropriate current rates of taxation ruling in the relevant tax jurisdictions.

(Expressed in millions of RMB unless otherwise stated)

16 INCOME TAX EXPENSE (continued)

(2) Reconciliation between income tax expense and accounting profit

	2009	2008
Profit before tax	138,725	119,741
Income tax calculated at statutory tax rate	34,681	29,935
Non-deductible expenses		
— Staff costs	376	684
— Impairment losses and bad debt write-off	1	8
— Others	780	446
	1,157	1,138
Non-taxable income		
— Interest income from PRC government bonds	(3,777)	(3,466)
— Others	(303)	(223)
	(4,080)	(3,689)
Total	31,758	27,384
Adjustments on income tax for prior years which affect profit or loss	131	(285)
Income tax expense	31,889	27,099

17 EARNINGS PER SHARE

Basic earnings per share for the year ended 31 December 2009 and 2008 have been computed by dividing the net profit attributable to shareholders of the Bank by the weighted average number of ordinary shares that were in issue during the years. There was no difference between basic and diluted earnings per share as there were no potentially dilutive shares outstanding during the years ended 31 December 2009 and 2008.

	2009	2008
Net profit attributable to shareholders of the Bank	106,756	92,599
Weighted average number of shares (in million shares)	233,689	233,689
Basic and diluted earnings per share attributable to shareholders of the Bank (in RMB)	0.46	0.40

(Expressed in millions of RMB unless otherwise stated)

18 CASH AND DEPOSITS WITH CENTRAL BANKS

		Group		Bank	
	Note	**2009**	2008	**2009**	2008
Cash		**40,396**	34,313	**40,198**	34,110
Deposits with central banks					
— Statutory deposit reserves	(1)	**1,144,675**	921,817	**1,144,470**	921,680
— Surplus deposit reserves	(2)	**265,453**	277,981	**262,578**	277,924
— Fiscal deposits		**8,124**	13,339	**8,124**	13,339
		1,418,252	1,213,137	**1,415,172**	1,212,943
Total		**1,458,648**	1,247,450	**1,455,370**	1,247,053

Notes:

(1) The Group places statutory deposit reserves with the People's Bank of China ("PBOC") and overseas central banks where it has operations. The statutory deposit reserves are not available for use in the Group's daily business.

As at the end of the reporting period, the statutory deposit reserve rates applicable to domestic branches of the Bank were as follows:

	2009	2008
Reserve rate for RMB deposits	**15.5%**	15.5%
Reserve rate for foreign currency deposits	**5.0%**	5.0%

The statutory RMB deposit reserve rates applicable to domestic subsidiaries of the Group are determined by PBOC.

The amounts of statutory deposit reserves placed with the central banks of overseas countries are determined by local jurisdictions.

(2) The surplus deposit reserve maintained with the PBOC is mainly for the purpose of clearing.

(Expressed in millions of RMB unless otherwise stated)

19 DEPOSITS WITH BANKS AND NON-BANK FINANCIAL INSTITUTIONS

(1) Analysed by type of counterparties

	Group		Bank	
	2009	2008	**2009**	2008
Banks	**89,955**	21,206	**89,571**	18,212
Non-bank financial institutions	**11,226**	11,911	**11,126**	10,234
Gross balances	**101,181**	33,117	**100,697**	28,446
Allowances for impairment losses (Note 37)	**(18)**	(21)	**(18)**	(21)
Net balances	**101,163**	33,096	**100,679**	28,425

(2) Analysed by geographic sectors

	Group		Bank	
	2009	2008	**2009**	2008
Mainland China	**85,743**	20,055	**86,125**	17,835
Overseas	**15,438**	13,062	**14,572**	10,611
Gross balances	**101,181**	33,117	**100,697**	28,446
Allowances for impairment losses (Note 37)	**(18)**	(21)	**(18)**	(21)
Net balances	**101,163**	33,096	**100,679**	28,425

Deposits with bank and non-bank financial institutions mainly include the following balances with restrictions on use: (i) Pledged deposits with overseas counterparties for the purpose of derivative transactions (Note 59(1)); and (ii) Subsidiary's deposits in a special account required by the supervisory authority. As at 31 December 2009, the balances of the aforesaid deposits with restrictions on use are not significant, and have been excluded from the cash and cash equivalents of the Group and the Bank.

(Expressed in millions of RMB unless otherwise stated)

20 PLACEMENTS WITH BANKS AND NON-BANK FINANCIAL INSTITUTIONS

(1) Analysed by type of counterparties

	Group		Bank	
	2009	2008	**2009**	2008
Banks	**21,160**	16,778	**21,161**	28,368
Non-bank financial institutions	**1,188**	310	**2,113**	310
Gross balances	**22,348**	17,088	**23,274**	28,678
Allowances for impairment losses (Note 37)	**(131)**	(252)	**(131)**	(252)
Net balances	**22,217**	16,836	**23,143**	28,426

(2) Analysed by geographic sectors

	Group		Bank	
	2009	2008	**2009**	2008
Mainland China	**8,113**	14,203	**8,113**	14,203
Overseas	**14,235**	2,885	**15,161**	14,475
Gross balances	**22,348**	17,088	**23,274**	28,678
Allowances for impairment losses (Note 37)	**(131)**	(252)	**(131)**	(252)
Net balances	**22,217**	16,836	**23,143**	28,426

(Expressed in millions of RMB unless otherwise stated)

21 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

		Group		Bank	
	Note	**2009**	2008	**2009**	2008
Financial assets held for trading purpose	(1)				
— Debt securities		**10,606**	44,693	**10,251**	44,491
— Equity investments		**867**	227	**—**	—
— Funds		**—**	93	**—**	—
Subtotal		**11,473**	45,013	**10,251**	44,491
Financial assets designated at fair value through profit or loss	(2)				
— Debt securities		**3,911**	2,447	**—**	—
— Equity instruments		**3,487**	2,849	**—**	—
Subtotal		**7,398**	5,296	**—**	—
Total		**18,871**	50,309	**10,251**	44,491

(Expressed in millions of RMB unless otherwise stated)

21 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (continued)

(1) Financial assets held for trading purpose

	Group		Bank	
	2009	2008	**2009**	2008
Debt securities				
— Government	**622**	931	**622**	931
— The PBOC	**3,781**	34,375	**3,781**	34,375
— Policy banks	**1,762**	3,719	**1,761**	3,717
— Banks and other financial institutions	**3,910**	3,718	**3,556**	3,518
— Others	**531**	1,950	**531**	1,950
Total	**10,606**	44,693	**10,251**	44,491
Listed	**93**	1,209	**93**	1,209
— of which in Hong Kong	**—**	86	**—**	86
Unlisted	**10,513**	43,484	**10,158**	43,282
Total	**10,606**	44,693	**10,251**	44,491
Equity investments & Funds				
— Banks and non-bank financial institutions	**—**	6	**—**	—
— Others	**867**	314	**—**	—
Total	**867**	320	**—**	—
Listed	**867**	320	**—**	—
— of which in Hong Kong	**853**	218	**—**	—
Total	**867**	320	**—**	—

(Expressed in millions of RMB unless otherwise stated)

21 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (continued)

(2) Financial assets designated at fair value through profit or loss

	Group	
	2009	2008
Debt securities		
— Policy banks	**281**	—
— Banks and non-bank financial Institutions	**749**	252
— Others	**2,881**	2,195
Total	**3,911**	2,447
Listed	**559**	252
— of which in Hong Kong	**436**	30
Unlisted	**3,352**	2,195
Total	**3,911**	2,447
Equity instruments		
— Banks and non-bank financial Institutions	**6**	—
— Others	**3,481**	2,849
Total	**3,487**	2,849
Listed	**978**	206
— of which in Hong Kong	**944**	192
Unlisted	**2,509**	2,643
Total	**3,487**	2,849

There was no significant limitation on the ability of the Group and the Bank to dispose of financial assets at fair value through profit or loss.

(Expressed in millions of RMB unless otherwise stated)

22 DERIVATIVES

(1) Analysed by type of contract

Group

	2009			2008		
	Notional amounts	**Assets**	**Liabilities**	Notional amounts	Assets	Liabilities
Interest rate contracts	**173,170**	**3,826**	**4,015**	183,695	9,016	9,451
Exchange rate contracts	**510,831**	**4,614**	**4,531**	489,431	11,758	9,114
Precious metal contracts	**1,244**	**38**	**—**	510	10	—
Equity instrument contracts	**1,540**	**978**	**29**	806	515	—
Total	**686,785**	**9,456**	**8,575**	674,442	21,299	18,565

Bank

	2009			2008		
	Notional amounts	**Assets**	**Liabilities**	Notional amounts	Assets	Liabilities
Interest rate contracts	**170,398**	**3,815**	**3,997**	183,037	8,981	9,395
Exchange rate contracts	**424,815**	**3,870**	**3,897**	472,676	11,344	8,708
Precious metal contracts	**1,244**	**38**	**—**	510	10	—
Equity instrument contracts	**34**	**7**	**—**	34	—	—
Total	**596,491**	**7,730**	**7,894**	656,257	20,335	18,103

(2) Analysed by credit risk-weighted amount

	Group		Bank	
	2009	2008	**2009**	2008
Interest rate contracts	**4,030**	9,304	**4,015**	9,297
Exchange rate contracts	**6,277**	7,070	**5,430**	6,665
Precious metal contracts	**31**	1	**31**	1
Equity instrument contracts	**736**	526	**7**	—
Total	**11,074**	16,901	**9,483**	15,963

The notional amounts of derivatives only represent the unsettled transaction volume as at the end of the reporting period. They do not represent the amounts at risk. The credit risk-weighted amount was computed under the rules set out by the CBRC and depended on the status of the counterparty and the maturity characteristics, it included customer driven transactions, which were hedged back to back.

(Expressed in millions of RMB unless otherwise stated)

23 FINANCIAL ASSETS HELD UNDER RESALE AGREEMENTS

	Group		Bank	
	2009	2008	**2009**	2008
Securities				
— Government bonds	**474,557**	143,622	**474,557**	143,622
— Bills issued by the PBOC	**3,502**	20,164	**3,502**	20,164
— Debt securities issued by banks and non-bank financial institutions	**15,030**	14,651	**15,030**	14,651
— Others	**315**	1,051	**315**	1,051
	493,404	179,488	**493,404**	179,488
Discounted bills	**86,185**	23,913	**86,185**	23,913
Loans	**10,017**	5,158	**9,117**	5,158
Gross balances	**589,606**	208,559	**588,706**	208,559
Allowances for impairment losses (Note 37)	**—**	(11)	**—**	(11)
Net balances	**589,606**	208,548	**588,706**	208,548

24 INTEREST RECEIVABLE

	Group		Bank	
	2009	2008	**2009**	2008
Deposits with central banks	**555**	567	**555**	567
Deposits with banks and non-bank financial institutions	**112**	40	**112**	29
Placements with banks and non-bank financial institutions	**26**	29	**26**	117
Financial assets held under resale agreements	**1,833**	410	**1,833**	410
Loans and advances to customers	**8,423**	9,298	**8,315**	9,214
Investment securities	**29,346**	27,845	**29,228**	27,837
Others	**51**	129	**61**	124
Gross balances	**40,346**	38,318	**40,130**	38,298
Allowances for impairment losses (Note 37)	**(1)**	(1)	**(1)**	(1)
Net balances	**40,345**	38,317	**40,129**	38,297

(Expressed in millions of RMB unless otherwise stated)

25 LOANS AND ADVANCES TO CUSTOMERS

(1) Analysed by nature

	Group		Bank	
	2009	2008	**2009**	2008
Corporate loans and advances				
— Loans	**3,471,337**	2,790,631	**3,436,206**	2,765,460
— Finance leases	**8,254**	4,514	**—**	—
	3,479,591	2,795,145	**3,436,206**	2,765,460
Personal loans and advances				
— Residential mortgages	**869,075**	615,429	**851,397**	602,982
— Personal consumer loans	**80,377**	74,964	**78,645**	74,964
— Credit cards	**39,547**	23,291	**36,401**	23,033
— Others	**122,436**	121,796	**120,739**	120,385
	1,111,435	835,480	**1,087,182**	821,364
Discounted bills	**228,747**	163,318	**228,747**	163,318
Gross loans and advances to customers	**4,819,773**	3,793,943	**4,752,135**	3,750,142
Allowances for impairment losses (Note 37)	**(126,826)**	(110,368)	**(126,111)**	(110,202)
— Individual assessment	**(46,360)**	(50,548)	**(46,308)**	(50,478)
— Collective assessment	**(80,466)**	(59,820)	**(79,803)**	(59,724)
Net loans and advances to customers	**4,692,947**	3,683,575	**4,626,024**	3,639,940

(Expressed in millions of RMB unless otherwise stated)

25 LOANS AND ADVANCES TO CUSTOMERS (continued)

(2) Analysed by assessment method of allowances for impairment losses

	Loans and advances for which allowances are collectively assessed (note (a))	Impaired loans and advances (note (b)) for which allowances are collectively assessed	Impaired loans and advances (note (b)) for which allowances are individually assessed	Total
Group				
As at 31 December 2009				
Gross loans and advances to customers	**4,747,617**	**7,362**	**64,794**	**4,819,773**
Allowances for impairment losses	**(75,628)**	**(4,838)**	**(46,360)**	**(126,826)**
Net loans and advances to customers	**4,671,989**	**2,524**	**18,434**	**4,692,947**
As at 31 December 2008				
Gross loans and advances to customers	3,710,061	8,840	75,042	3,793,943
Allowances for impairment losses	(54,122)	(5,698)	(50,548)	(110,368)
Net loans and advances to customers	3,655,939	3,142	24,494	3,683,575
Bank				
As at 31 December 2009				
Gross loans and advances to customers	**4,680,210**	**7,208**	**64,717**	**4,752,135**
Allowances for impairment losses	**(74,971)**	**(4,832)**	**(46,308)**	**(126,111)**
Net loans and advances to customers	**4,605,239**	**2,376**	**18,409**	**4,626,024**
As at 31 December 2008				
Gross loans and advances to customers	3,666,346	8,840	74,956	3,750,142
Allowances for impairment losses	(54,026)	(5,698)	(50,478)	(110,202)
Net loans and advances to customers	3,612,320	3,142	24,478	3,639,940

25 LOANS AND ADVANCES TO CUSTOMERS (continued)

(2) Analysed by assessment method of allowances for impairment losses (continued)

Notes:

(a) Loans and advances assessed on a collective basis for impairment bear relatively insignificant impairment losses as a proportion of the total portfolio. These loans and advances are those graded normal or special mention.

(b) Impaired loans and advances include loans for which objective evidence of impairment exists and assessed:

— individually (including corporate loans and advances which are graded substandard, doubtful or loss); or

— collectively; these are portfolios of homogeneous loans (including personal loans and advances which are graded substandard, doubtful or loss).

The proportion of impaired loans and advances of the Group to gross loans and advances as at 31 December 2009 is 1.50% (2008: 2.21%).

The proportion of impaired loans and advances of the Bank to gross loans and advances as at 31 December 2009 is 1.51% (2008: 2.23%).

(c) The definitions of the loan classifications stated in notes (a) and (b) above are set out in Note 62(1).

(d) As at 31 December 2009, the loans and advances of the Group for which the impairment allowances were individually assessed amounted to RMB64,794 million (2008: RMB75,042 million). The covered portion and uncovered portion of these loans and advances were RMB11,613 million (2008: RMB20,426 million) and RMB53,181 million (2008: RMB54,616 million) respectively. The fair value of collateral held against these loans and advances amounted to RMB12,461 million (2008: RMB21,126 million). The individual impairment allowances made against these loans and advances were RMB46,360 million (2008: RMB50,548 million).

As at 31 December 2009, the loans and advances of the Bank for which the impairment allowances were individually assessed amounted to RMB64,717 million (2008: RMB74,956 million). The covered portion and uncovered portion of these loans and advances were RMB11,598 million (2008: RMB20,421 million) and RMB53,119 million (2008: RMB54,535 million) respectively. The fair value of collateral held against these loans and advances amounted to RMB12,440 million (2008: RMB21,120 million). The individual impairment allowances made against these loans and advances were RMB46,308 million (2008: RMB50,478 million).

The above collateral includes land, buildings and equipment, etc. The fair value of collateral was estimated by the Group with reference to the latest available external valuations adjusted after taking into account the current realisation experience as well as the market situation.

(Expressed in millions of RMB unless otherwise stated)

25 LOANS AND ADVANCES TO CUSTOMERS (continued)

(3) Movements of allowances for impairment losses

Group

		2009			
		Allowances for loans and advances which are collectively assessed	**Allowances for impaired loans and advances**		
	Note		**which are collectively assessed**	**which are individually assessed**	**Total**
As at 1 January		**54,122**	**5,698**	**50,548**	**110,368**
Charge for the year		**21,094**	**25**	**19,296**	**40,415**
Release during the year		**—**	**(134)**	**(16,025)**	**(16,159)**
Unwinding of discount		**—**	**—**	**(1,270)**	**(1,270)**
Acquisition of the subsidiaries	(a)	**412**	**4**	**—**	**416**
Transfers out	(b)	**—**	**(77)**	**(360)**	**(437)**
Write-offs		**—**	**(724)**	**(6,121)**	**(6,845)**
Recoveries		**—**	**46**	**292**	**338**
As at 31 December		**75,628**	**4,838**	**46,360**	**126,826**

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

(Expressed in millions of RMB unless otherwise stated)

25 LOANS AND ADVANCES TO CUSTOMERS (continued)

(3) Movements of allowances for impairment losses (continued)

Bank

		2009			
		Allowances for loans and advances which are collectively assessed	Allowances for impaired loans and advances		
	Note		which are collectively assessed	which are individually assessed	Total
As at 1 January		**54,026**	**5,698**	**50,478**	**110,202**
Charge for the year		**20,945**	**—**	**19,272**	**40,217**
Release during the year		**—**	**(134)**	**(16,019)**	**(16,153)**
Unwinding of discount		**—**	**—**	**(1,270)**	**(1,270)**
Transfers out	(b)	**—**	**(78)**	**(383)**	**(461)**
Write-offs		**—**	**(693)**	**(6,061)**	**(6,754)**
Recoveries		**—**	**39**	**291**	**330**
As at 31 December		**74,971**	**4,832**	**46,308**	**126,111**

		2008			
		Allowances for loans and advances which are collectively assessed	Allowances for impaired loans and advances		
	Note		which are collectively assessed	which are individually assessed	Total
As at 1 January		35,733	4,928	48,183	88,844
Charge for the year		18,293	1,402	25,073	44,768
Release during the year		—	—	(8,611)	(8,611)
Unwinding of discount		—	—	(1,564)	(1,564)
Transfers out	(b)	—	(20)	(6,820)	(6,840)
Write-offs		—	(621)	(5,950)	(6,571)
Recoveries		—	9	167	176
As at 31 December		54,026	5,698	50,478	110,202

(a) Acquisition of the subsidiaries include the transfer-in of allowances for impairment losses from the acquisition of the subsidiaries during the year.

(b) Transfers out include the transfer of allowances for impairment losses to repossessed assets and on the disposal of non-performing loans.

(Expressed in millions of RMB unless otherwise stated)

25 LOANS AND ADVANCES TO CUSTOMERS (continued)

(4) Overdue loans analysed by overdue period

Group

	2009				
	Overdue within three months	**Overdue between three months and one year**	**Overdue between one year and three years**	**Overdue over three years**	**Total**
Unsecured loans	**440**	**1,332**	**1,298**	**1,304**	**4,374**
Guaranteed loans	**1,794**	**4,247**	**6,113**	**5,761**	**17,915**
Loans secured by tangible assets other than monetary assets	**15,888**	**10,496**	**11,978**	**8,508**	**46,870**
Loans secured by monetary assets	**443**	**1,221**	**2,321**	**1,117**	**5,102**
Total	**18,565**	**17,296**	**21,710**	**16,690**	**74,261**
As a percentage of gross loans and advances to customers	**0.39%**	**0.35%**	**0.45%**	**0.35%**	**1.54%**

	2008				
	Overdue within three months	Overdue between three months and one year	Overdue between one year and three years	Overdue over three years	Total
Unsecured loans	1,839	517	1,169	1,500	5,025
Guaranteed loans	4,569	3,458	6,699	6,523	21,249
Loans secured by tangible assets other than monetary assets	28,399	11,873	12,210	8,993	61,475
Loans secured by monetary assets	4,207	3,341	1,708	1,049	10,305
Total	39,014	19,189	21,786	18,065	98,054
As a percentage of gross loans and advances to customers	1.03%	0.50%	0.57%	0.48%	2.58%

(Expressed in millions of RMB unless otherwise stated)

25 LOANS AND ADVANCES TO CUSTOMERS (continued)

(4) Overdue loans analysed by overdue period (continued)

Bank

	2009				
	Overdue within three months	**Overdue between three months and one year**	**Overdue between one year and three years**	**Overdue over three years**	**Total**
Unsecured loans	**325**	**1,270**	**1,291**	**1,303**	**4,189**
Guaranteed loans	**1,792**	**4,247**	**6,113**	**5,761**	**17,913**
Loans secured by tangible assets other than monetary assets	**15,793**	**10,495**	**11,976**	**8,508**	**46,772**
Loans secured by monetary assets	**443**	**1,221**	**2,321**	**1,117**	**5,102**
Total	**18,353**	**17,233**	**21,701**	**16,689**	**73,976**
As a percentage of gross loans and advances to customers	**0.39%**	**0.36%**	**0.46%**	**0.35%**	**1.56%**

	2008				
	Overdue within three months	Overdue between three months and one year	Overdue between one year and three years	Overdue over three years	Total
Unsecured loans	1,831	496	1,169	1,499	4,995
Guaranteed loans	4,569	3,458	6,699	6,523	21,249
Loans secured by tangible assets other than monetary assets	28,353	11,872	12,208	8,993	61,426
Loans secured by monetary assets	4,207	3,341	1,708	1,049	10,305
Total	38,960	19,167	21,784	18,064	97,975
As a percentage of gross loans and advances to customers	1.04%	0.51%	0.58%	0.48%	2.61%

Overdue loans represent loans of which the whole or part of the principal or interest are overdue for 1 day or more.

(Expressed in millions of RMB unless otherwise stated)

26 AVAILABLE-FOR-SALE FINANCIAL ASSETS

		Group		Bank	
	Note	**2009**	2008	**2009**	2008
Debt securities	(1)	**626,763**	535,379	**627,598**	536,049
Equity instruments	(2)	**24,402**	15,444	**22,381**	15,107
Funds	(2)	**315**	15	**—**	—
Total		**651,480**	550,838	**649,979**	551,156

(1) Debt securities

	Group		Bank	
	2009	2008	**2009**	2008
Government	**92,616**	36,112	**92,616**	36,112
Central banks	**269,431**	372,104	**269,133**	371,927
Policy banks	**22,495**	15,732	**22,495**	15,732
Banks and non-bank financial institutions	**100,075**	86,140	**101,440**	87,040
Public sector entities	**1,937**	2,523	**1,937**	2,523
Other enterprises	**140,209**	22,768	**139,977**	22,715
Total	**626,763**	535,379	**627,598**	536,049
Listed	**26,564**	31,745	**25,664**	31,663
—of which in Hong Kong	**3,705**	453	**2,839**	422
Unlisted	**600,199**	503,634	**601,934**	504,386
Total	**626,763**	535,379	**627,598**	536,049

(Expressed in millions of RMB unless otherwise stated)

26 AVAILABLE-FOR-SALE FINANCIAL ASSETS (continued)

(2) Equity instruments and funds

		Group		Bank	
	Note	**2009**	2008	**2009**	2008
Debt equity swap ("DES") investments	(a) (b)	**20,734**	14,359	**20,734**	14,359
Other equity instruments		**3,668**	1,085	**1,647**	748
Funds		**315**	15	**—**	—
Total		**24,717**	15,459	**22,381**	15,107
Listed		**19,021**	10,037	**18,390**	10,035
— of which in Hong Kong		**1,283**	393	**984**	393
Unlisted		**5,696**	5,422	**3,991**	5,072
Total		**24,717**	15,459	**22,381**	15,107

(a) Pursuant to the DES arrangement by the PRC government in 1999, the Group obtained equity interests of certain entities in lieu of repayments of loans granted to them. According to relevant requirements, the Group is prohibited from being involved in management of the operations of these entities. In substance, the Group does not have any control or significant influence over these entities.

(b) Certain DES entities were converted into listed A shares with lock-up period restriction up to March and September 2010. The fair value of these restricted shares is estimated based on the quoted market price of the corresponding listed shares, adjusted for the impact of the restriction. The adjustment, which is made by reference to historical volatility of the respective shares and the restriction, is estimated using the Asian Option Model. The Group calculated the fair value for listed A shares with no disposal restriction based on the quoted market prices as at the end of the reporting period.

(Expressed in millions of RMB unless otherwise stated)

27 HELD-TO-MATURITY INVESTMENTS

	Group		Bank	
	2009	2008	**2009**	2008
Government	**467,499**	334,949	**467,399**	334,949
Central banks	**508,396**	354,437	**508,088**	354,437
Policy banks	**114,193**	61,493	**114,193**	61,493
Banks and non-bank financial institutions	**314,115**	276,734	**314,115**	276,734
Public sector entities	**1,363**	10,826	**1,363**	10,826
Other enterprises	**9,393**	10,896	**9,393**	10,896
Gross balances	**1,414,959**	1,049,335	**1,414,551**	1,049,335
Allowance for impairment losses (Note 37)	**(6,086)**	(7,552)	**(6,086)**	(7,552)
Net balances	**1,408,873**	1,041,783	**1,408,465**	1,041,783
Listed	**5,740**	36,831	**5,432**	36,831
— of which in Hong Kong	**308**	4,112	**—**	4,112
Unlisted	**1,403,133**	1,004,952	**1,403,033**	1,004,952
Total	**1,408,873**	1,041,783	**1,408,465**	1,041,783
Market value of listed securities	**6,439**	39,633	**6,131**	39,633

The Group and the Bank sold held-to-maturity investments with a gross carrying value of RMB37,932 million prior to their maturity dates during the year ended 31 December 2009(2008: the Group RMB64,084 million, the Bank RMB63,923 million). Part of disposal was related to issuers whose performance has suffered heavily as a result of continued economic uncertainty in year 2009. Excluding those, the Group and the Bank sold RMB26,065 million (2008: the Group RMB22,620 million, the Bank 22,459 million), which accounts for 2.12% (2008: the Group 2.01%, the Bank 2.00%) of the portfolio before the disposal.

(Expressed in millions of RMB unless otherwise stated)

28 DEBT SECURITIES CLASSIFIED AS RECEIVABLES

All debt securities classified as receivables are unlisted and issued by the following entities in Mainland China:

	Note	Group and Bank	
		2009	2008
Government			
— Special government bond	(1) (3)	**49,200**	49,200
— Others		**530**	530
The PBOC	(2) (3)	**143,386**	189,910
Policy banks		**1,123**	1,123
China Cinda Asset Management Corporation ("Cinda")	(4)	**247,000**	247,000
Banks and non-bank financial institutions		**57,063**	62,750
Joint-stock enterprises		**1,369**	1,369
Gross balances		**499,671**	551,882
Allowance for impairment losses (Note 37)		**(96)**	(64)
Net balances		**499,575**	551,818

Notes:

(1) This represents a non-negotiable bond with a nominal value of RMB49,200 million issued by the Ministry of Finance ("MOF") in 1998 to strengthen the capital base of CCB. The bond matures in 2028 and bears a fixed interest rate of 2.25% per annum.

(2) Due from the PBOC includes: (i) a non-transferable bill with a nominal value of RMB63,354 million issued specifically to CCB as part of the Restructuring. The majority of the proceeds paid by Cinda on the disposal of impaired loans and advances were used to subscribe to the PBOC bill. The bill bore interest at a fixed rate of 1.89% per annum and was repaid in June 2009 upon maturity; (ii) a non-transferable bill with a nominal value of RMB593 million issued specifically to the Bank in June 2006 for partial settlement of loans that had been transferred to asset management companies. The bill matures in June 2011 and bears interest at a fixed rate of 1.89% per annum; and (iii) other PBOC bills issued specifically to the Bank.

(3) The PBOC approved the Bank's use of the special government bond and the bills with nominal values of RMB63,354 million and RMB593 million respectively issued by the PBOC as eligible assets equivalent to the surplus deposit reserve at PBOC for clearing purpose.

(4) Cinda issued a bond with a nominal value of RMB247,000 million specifically to CCB in 1999 for the acquisition of CCB's impaired loans and advances at their original book value. The bond bears interest at a fixed rate of 2.25% per annum and matured in September 2009. In 2009, MOF notified the Bank that the maturity date of the bond is extended for a further period of ten years and the interest rate remains unchanged. MOF continues to provide support for the repayment of the principal and interest of the bond.

(Expressed in millions of RMB unless otherwise stated)

29 INVESTMENTS IN SUBSIDIARIES

(1) Investment cost

	Note	2009	2008
Sing Jian Development Company Limited		**383**	383
Sino-German Bausparkasse Corporation Limited ("Sino-German")		**751**	751
CCB Principal Asset Management Corporation Limited ("CCB Principal")		**130**	130
CCB International Group Holdings Limited ("CCBIG")		**—**	—
CCB Financial Leasing Corporation Limited ("CCBFLCL")		**3,380**	3,380
Hunan Taojiang Jianxin Rural Bank Corporation Limited ("Taojiang Rural")		**26**	26
China Construction Bank (London) Limited ("CCB London")	(a)	**684**	—
Zhejiang Cangnan Jianxin Rural Bank Corporation Limited ("Cangnan Rural")	(b)	**53**	—
Jianxin Trust Corporation Limited ("Jianxin Trust")	(c)	**3,409**	—
Total		**8,816**	4,670

(a) In the first half of 2009, the Bank established a wholly-owned subsidiary, CCB London, with a registered capital of US$ 100 million in London, Great Britain.

(b) In the first half of 2009, the Bank and other investors established a rural bank, Cangnan Rural. The Bank made a cash contribution of RMB53 million for 35% of equity interests of Cangnan Rural and additionally obtained 16% of voting rights from certain other investors. Therefore, the Bank holds 51% of voting rights in total and has obtained a control over Cangnan Rural.

(c) In the second half of 2009, the Bank made a cash contribution of RMB3,409 million for 67% of equity interests of a trust company, Jianxin Trust.

(Expressed in millions of RMB unless otherwise stated)

29 INVESTMENTS IN SUBSIDIARIES (continued)

(2) Major subsidiaries of the Group are unlisted enterprises; details of the investments in subsidiaries are as follows:

Name of company	Place of incorporation	Particulars of the issued and paid up capital	Principal activities	% of ownership directly held by the Bank	% of ownership indirectly held by the Bank	% of voting rights held by the Bank
Sing Jian Development Company Limited	Hong Kong, the PRC	300 million shares of HK$1 each	Investment	100%	–	100%
Sino-German	Tianjin, the PRC	RMB1,000 million	Home mortgage loan and deposit taking business	75.1%	–	75.1%
CCB Principal	Beijing, the PRC	RMB200 million	Fund management services	65%	–	65%
CCBIG	Hong Kong, the PRC	1 share of HK$1 each	Investment	100%	–	100%
CCBFLCL	Beijing, the PRC	4,500 million shares of RMB1 each	Financial leasing	75.1%	–	75.1%
Taojiang Rural	Hunan, the PRC	50 million shares of RMB1 each	Loan and deposit taking business	51%	–	51%
CCB London (Note 29(1)(a))	London, United Kingdom	100 million shares of US$ 1 each	Commercial banking and related financial services	100%	–	100%
Cangnan Rural (Note 29(1)(b))	Zhejiang, the PRC	150 million shares of RMB1 each	Loan and deposit taking business	35%	–	51%
Jianxin Trust (Note 29(1)(c))	Anhui, the PRC	1,527 million shares of RMB1 each	Trust business	67%	–	67%
Lanhye Investment Holdings Limited	British Virgin Islands	1 share of US$1 each	Investment	–	100%	100%
CCB International (Holdings) Limited ("CCBI")	Hong Kong, the PRC	601 million shares of US$1 each	Investment	–	100%	100%
China Construction Bank (Asia) Corporation Limited ("CCB Asia")	Hong Kong, the PRC	163 million shares of HK$40 each	Commercial banking and related financial services	–	100%	100%

(Expressed in millions of RMB unless otherwise stated)

30 INTERESTS IN ASSOCIATES AND JOINTLY CONTROLLED ENTITIES

(1) The movement of the Group's interests in associates and jointly controlled entities is as follows:

	2009	2008
As at 1 January	**1,728**	1,099
Acquisition during the year	**54**	682
Share of profits less losses	**17**	16
Cash dividend receivable	**(7)**	—
Effect of exchange difference and others	**(1)**	(69)
Total	**1,791**	1,728

(2) Details of the interests in major associates and jointly controlled entities are as follows:

Name of company	Place of incorporation	Particulars of issued and paid up capital	Principal activity	% of ownership held	% of voting held	Total assets at year end	Total liabilities at year end	Revenue for the year	Net profit/ (loss) for the year
QBE Hong Kong and Shanghai Insurance Limited	Hong Kong, the PRC	78,192,220 ordinary shares of HK$1 each	Insurance	25.5%	25.5%	1,242	792	584	73
Diamond String Limited ("DSL")	Hong Kong, the PRC	10,000 ordinary shares of HK$1 each	Property investment	50%	50%	926	923	—	(1)

(Expressed in millions of RMB unless otherwise stated)

31 FIXED ASSETS

Group

	Bank premises	Construction in progress	Equipment	Others	Total
Cost/deemed cost					
As at 1 January 2009	46,536	4,618	21,481	12,921	85,556
Additions through acquisitions	197	—	1	89	287
Additions	2,832	10,387	3,867	2,812	19,898
Transfer in/(out)	2,019	(3,590)	9	1,562	—
Disposals	(279)	(66)	(1,328)	(1,033)	(2,706)
As at 31 December 2009	51,305	11,349	24,030	16,351	103,035
Accumulated depreciation					
As at 1 January 2009	(7,926)	—	(10,450)	(2,700)	(21,076)
Additions through acquisitions	(29)	—	(1)	(82)	(112)
Charge for the year	(1,837)	—	(4,122)	(3,046)	(9,005)
Disposals	91	—	1,287	976	2,354
As at 31 December 2009	(9,701)	—	(13,286)	(4,852)	(27,839)
Allowances for impairment losses (Note 37)					
As at 1 January 2009	(507)	(5)	(3)	(8)	(523)
Charge for the year	(2)	—	—	—	(2)
Disposals	20	—	—	2	22
As at 31 December 2009	(489)	(5)	(3)	(6)	(503)
Net carrying value					
As at 1 January 2009	38,103	4,613	11,028	10,213	63,957
As at 31 December 2009	41,115	11,344	10,741	11,493	74,693

(Expressed in millions of RMB unless otherwise stated)

31 FIXED ASSETS (continued)

Group (continued)

	Note	Bank premises	Construction in progress	Equipment	Others	Total
Cost/deemed cost						
As at 1 January 2008		43,728	1,990	17,787	12,136	75,641
Reclassification	(1)	—	—	—	(3,177)	(3,177)
Additions		2,019	5,223	4,897	3,504	15,643
Transfer in/(out)		1,076	(2,549)	22	1,451	—
Disposals		(287)	(46)	(1,225)	(993)	(2,551)
As at 31 December 2008		46,536	4,618	21,481	12,921	85,556
Accumulated depreciation						
As at 1 January 2008		(6,294)	—	(7,992)	(2,554)	(16,840)
Reclassification	(1)	—	—	—	1,311	1,311
Charge for the year		(1,751)	—	(3,621)	(2,299)	(7,671)
Disposals		119	—	1,163	842	2,124
As at 31 December 2008		(7,926)	—	(10,450)	(2,700)	(21,076)
Allowances for impairment losses (Note 37)						
As at 1 January 2008		(494)	(5)	(7)	(8)	(514)
Charge for the year		(26)	—	—	(2)	(28)
Disposals		13	—	4	2	19
As at 31 December 2008		(507)	(5)	(3)	(8)	(523)
Net carrying value						
As at 1 January 2008		36,940	1,985	9,788	9,574	58,287
As at 31 December 2008		38,103	4,613	11,028	10,213	63,957

(Expressed in millions of RMB unless otherwise stated)

31 FIXED ASSETS (continued)

Bank

	Bank premises	Construction in progress	Equipment	Others	Total
Cost/deemed cost					
As at 1 January 2009	46,468	4,585	21,314	12,747	85,114
Additions	2,831	10,210	3,820	2,743	19,604
Transfer in/(out)	2,019	(3,590)	9	1,562	—
Disposals	(246)	(66)	(1,325)	(943)	(2,580)
As at 31 December 2009	51,072	11,139	23,818	16,109	102,138
Accumulated depreciation					
As at 1 January 2009	(7,901)	—	(10,348)	(2,619)	(20,868)
Charge for the year	(1,832)	—	(4,091)	(3,007)	(8,930)
Disposals	85	—	1,282	894	2,261
As at 31 December 2009	(9,648)	—	(13,157)	(4,732)	(27,537)
Allowances for impairment losses (Note 37)					
As at 1 January 2009	(507)	(5)	(3)	(8)	(523)
Charge for the year	(2)	—	—	—	(2)
Disposals	20	—	—	2	22
As at 31 December 2009	(489)	(5)	(3)	(6)	(503)
Net carrying value					
As at 1 January 2009	38,060	4,580	10,963	10,120	63,723
As at 31 December 2009	40,935	11,134	10,658	11,371	74,098

(Expressed in millions of RMB unless otherwise stated)

31 FIXED ASSETS (continued)

***Bank** (continued)*

	Note	Bank premises	Construction in progress	Equipment	Others	Total
Cost/deemed cost						
As at 1 January 2008		43,656	1,990	17,645	11,979	75,270
Reclassification	(1)	—	—	—	(3,168)	(3,168)
Additions		2,019	5,190	4,867	3,385	15,461
Transfer in/(out)		1,076	(2,549)	22	1,451	—
Disposals		(283)	(46)	(1,220)	(900)	(2,449)
As at 31 December 2008		46,468	4,585	21,314	12,747	85,114
Accumulated depreciation						
As at 1 January 2008		(6,271)	—	(7,911)	(2,480)	(16,662)
Reclassification	(1)	—	—	—	1,310	1,310
Charge for the year		(1,749)	—	(3,598)	(2,271)	(7,618)
Disposals		119	—	1,161	822	2,102
As at 31 December 2008		(7,901)	—	(10,348)	(2,619)	(20,868)
Allowances for impairment losses (Note 37)						
As at 1 January 2008		(494)	(5)	(7)	(8)	(514)
Charge for the year		(26)	—	—	(2)	(28)
Disposals		13	—	4	2	19
As at 31 December 2008		(507)	(5)	(3)	(8)	(523)
Net carrying value						
As at 1 January 2008		36,891	1,985	9,727	9,491	58,094
As at 31 December 2008		38,060	4,580	10,963	10,120	63,723

(Expressed in millions of RMB unless otherwise stated)

31 FIXED ASSETS (continued)

Notes:

(1) The Group and the Bank reclassified the leasehold improvement expenditure to other assets in 2008.

(2) As at 31 December 2009, ownership documentation for the Group's and the Bank's bank premises with a net carrying value of RMB6,636 million (2008: RMB4,135 million) was being finalised.

(3) Analysed by remaining terms of the leases

The net carrying values of bank premises of the Group and the Bank as at the end of the reporting period are analysed by the remaining terms of the leases as follows:

	Group		Bank	
	2009	2008	**2009**	2008
Long term leases (over 50 years) held overseas	**–**	41	**–**	41
Medium term leases (10–50 years) held overseas	**195**	157	**180**	114
Medium term leases (10–50 years) held in Mainland China	**39,576**	37,081	**39,411**	37,081
Short term leases (less than 10 years) held in Mainland China	**1,344**	824	**1,344**	824
Total	**41,115**	38,103	**40,935**	38,060

(Expressed in millions of RMB unless otherwise stated)

32 LAND USE RIGHTS

Group

	2009	2008
Cost/deemed cost		
As at 1 January	**19,874**	19,753
Additions	**416**	240
Disposals	**(117)**	(119)
As at 31 December	**20,173**	19,874
Amortisation		
As at 1 January	**(2,418)**	(1,944)
Charge for the year	**(496)**	(492)
Disposals	**14**	18
As at 31 December	**(2,900)**	(2,418)
Allowances for impairment losses (Note 37)		
As at 1 January	**(161)**	(159)
Charge for the year	**–**	(4)
Disposals	**10**	2
As at 31 December	**(151)**	(161)
Net carrying value		
As at 1 January	**17,295**	17,650
As at 31 December	**17,122**	17,295

(Expressed in millions of RMB unless otherwise stated)

32 LAND USE RIGHTS (continued)

Bank

	2009	2008
Cost/deemed cost		
As at 1 January	**19,807**	19,681
Additions	**392**	240
Disposals	**(89)**	(114)
As at 31 December	**20,110**	19,807
Amortisation		
As at 1 January	**(2,417)**	(1,944)
Charge for the year	**(493)**	(490)
Disposals	**13**	17
As at 31 December	**(2,897)**	(2,417)
Allowances for impairment losses (Note 37)		
As at 1 January	**(161)**	(159)
Charge for the year	**—**	(4)
Disposals	**10**	2
As at 31 December	**(151)**	(161)
Net carrying value		
As at 1 January	**17,229**	17,578
As at 31 December	**17,062**	17,229

(Expressed in millions of RMB unless otherwise stated)

33 INTANGIBLE ASSETS

Group

	Software	Others	Total
Cost/deemed cost			
As at 1 January 2009	**2,967**	**54**	**3,021**
Additions	**492**	**11**	**503**
Disposals	**(26)**	**(7)**	**(33)**
As at 31 December 2009	**3,433**	**58**	**3,491**
Amortisation			
As at 1 January 2009	**(1,728)**	**(32)**	**(1,760)**
Charge for the year	**(481)**	**(4)**	**(485)**
Disposals	**26**	**6**	**32**
As at 31 December 2009	**(2,183)**	**(30)**	**(2,213)**
Allowances for impairment losses (Note 37)			
As at 1 January 2009	**(1)**	**(7)**	**(8)**
As at 31 December 2009	**(1)**	**(7)**	**(8)**
Net carrying value			
As at 1 January 2009	**1,238**	**15**	**1,253**
As at 31 December 2009	**1,249**	**21**	**1,270**

(Expressed in millions of RMB unless otherwise stated)

33 INTANGIBLE ASSETS (continued)

***Group** (continued)*

	Software	Others	Total
Cost/deemed cost			
As at 1 January 2008	2,415	71	2,486
Additions	571	25	596
Disposals	(19)	(42)	(61)
As at 31 December 2008	2,967	54	3,021
Amortisation			
As at 1 January 2008	(1,295)	(48)	(1,343)
Charge for the year	(452)	(7)	(459)
Disposals	19	23	42
As at 31 December 2008	(1,728)	(32)	(1,760)
Allowances for impairment losses (Note 37)			
As at 1 January 2008	(1)	(8)	(9)
Disposals	—	1	1
As at 31 December 2008	(1)	(7)	(8)
Net carrying value			
As at 1 January 2008	1,119	15	1,134
As at 31 December 2008	1,238	15	1,253

(Expressed in millions of RMB unless otherwise stated)

33 INTANGIBLE ASSETS (continued)

Bank

	Software	Others	Total
Cost/deemed cost			
As at 1 January 2009	2,943	52	2,995
Additions	483	3	486
Disposals	(26)	(6)	(32)
As at 31 December 2009	3,400	49	3,449
Amortisation			
As at 1 January 2009	(1,722)	(32)	(1,754)
Charge for the year	(474)	(3)	(477)
Disposals	26	6	32
As at 31 December 2009	(2,170)	(29)	(2,199)
Allowances for impairment losses (Note 37)			
As at 1 January 2009	(1)	(7)	(8)
As at 31 December 2009	(1)	(7)	(8)
Net carrying value			
As at 1 January 2009	1,220	13	1,233
As at 31 December 2009	1,229	13	1,242

(Expressed in millions of RMB unless otherwise stated)

33 INTANGIBLE ASSETS (continued)

Bank *(continued)*

	Software	Others	Total
Cost/deemed cost			
As at 1 January 2008	2,413	64	2,477
Additions	549	18	567
Disposals	(19)	(30)	(49)
As at 31 December 2008	2,943	52	2,995
Amortisation			
As at 1 January 2008	(1,295)	(44)	(1,339)
Charge for the year	(446)	(7)	(453)
Disposals	19	19	38
As at 31 December 2008	(1,722)	(32)	(1,754)
Allowances for impairment losses (Note 37)			
As at 1 January 2008	(1)	(8)	(9)
Disposals	—	1	1
As at 31 December 2008	(1)	(7)	(8)
Net carrying value			
As at 1 January 2008	1,117	12	1,129
As at 31 December 2008	1,220	13	1,233

(Expressed in millions of RMB unless otherwise stated)

34 GOODWILL

(1) The goodwill is attributable to the expected synergies arising from the acquisition of CCB Asia on 29 December 2006 and Jianxin Trust on 29 July 2009. Movement of the goodwill during the year is as follows:

	2009	2008
As at 1 January	**1,527**	1,624
Additions through acquisitions	**63**	–
Effect of exchange difference	**–**	(97)
As at 31 December	**1,590**	1,527

(2) Impairment test for cash-generating unit containing goodwill

The Group calculated the recoverable amount of the CGU using cash flow projections based on financial forecasts approved by management covering a ten-year period. The average growth rate used by the Group is consistent with the forecasts included in industry reports. The discount rate used reflects specific risks relating to the relevant segments.

Based on the result of the impairment test, no impairment losses on goodwill were recognised during 2009 (2008: nil).

(Expressed in millions of RMB unless otherwise stated)

35 DEFERRED TAX

	Group		Bank	
	2009	2008	**2009**	2008
Deferred tax assets	**10,790**	7,855	**11,323**	8,059
Deferred tax liabilities	**(216)**	(5)	**(22)**	—
Total	**10,574**	7,850	**11,301**	8,059

(1) Analysed by nature

Group

	2009		2008	
	Deductible/ (taxable) temporary differences	**Deferred tax assets/ (liabilities)**	Deductible/ (taxable) temporary differences	Deferred tax assets/ (liabilities)
Deferred tax assets				
— Fair value adjustments	**(17,462)**	**(4,361)**	(17,618)	(4,394)
— Allowances for impairment losses	**45,365**	**11,243**	41,541	10,385
— Early retirement benefits and accrued salaries	**15,238**	**3,809**	7,259	1,815
— Others	**601**	**99**	280	49
Total	**43,742**	**10,790**	31,462	7,855
Deferred tax liabilities				
— Fair value adjustments	**(819)**	**(204)**	—	—
— Allowances for impairment losses	**24**	**6**	—	—
— Others	**(81)**	**(18)**	(31)	(5)
Total	**(876)**	**(216)**	(31)	(5)

(Expressed in millions of RMB unless otherwise stated)

35 DEFERRED TAX (continued)

(1) Analysed by nature (continued)

Bank

	2009		2008	
	Deductible/ (taxable) temporary differences	**Deferred tax assets/ (liabilities)**	Deductible/ (taxable) temporary differences	Deferred tax assets/ (liabilities)
Deferred tax assets				
— Fair value adjustments	**(17,514)**	**(4,377)**	(17,672)	(4,408)
— Allowances for impairment losses	**44,868**	**11,160**	41,541	10,385
— Early retirement benefits and accrued salaries	**15,210**	**3,802**	7,259	1,815
— Others	**5,925**	**738**	3,187	267
Total	**48,489**	**11,323**	34,315	8,059
Deferred tax liabilities				
— Fair value adjustments	**(113)**	**(28)**	—	—
— Allowances for impairment losses	**18**	**4**	—	—
— Others	**6**	**2**	—	—
Total	**(89)**	**(22)**	—	—

(Expressed in millions of RMB unless otherwise stated)

35 DEFERRED TAX (continued)

(2) Movements of deferred tax

Group

	Early retirement benefits and accrued salaries	Fair value adjustments	Allowances for impairment losses	Others	Total
As at 1 January 2009	1,815	(4,394)	10,385	44	7,850
Recognised in profit or loss	1,994	700	785	37	3,516
Recognised in other comprehensive income	—	(672)	—	—	(672)
Additions through acquisitions	—	(199)	79	—	(120)
As at 31 December 2009	3,809	(4,565)	11,249	81	10,574
As at 1 January 2008	1,915	(7,202)	4,560	(9)	(736)
Recognised in profit or loss	(100)	1,064	5,825	53	6,842
Recognised in other comprehensive income	—	1,744	—	—	1,744
As at 31 December 2008	1,815	(4,394)	10,385	44	7,850

(Expressed in millions of RMB unless otherwise stated)

35 DEFERRED TAX (continued)

(2) Movements of deferred tax (continued)

Bank

	Early retirement benefits and accrued salaries	Fair value adjustments	Allowances for impairment losses	Others	Total
As at 1 January 2009	**1,815**	**(4,408)**	**10,385**	**267**	**8,059**
Recognised in profit or loss	**1,987**	**695**	**779**	**473**	**3,934**
Recognised in other comprehensive income	**—**	**(692)**	**—**	**—**	**(692)**
As at 31 December 2009	**3,802**	**(4,405)**	**11,164**	**740**	**11,301**
As at 1 January 2008	1,915	(7,191)	4,560	147	(569)
Recognised in profit or loss	(100)	1,040	5,825	120	6,885
Recognised in other comprehensive income	—	1,743	—	—	1,743
As at 31 December 2008	1,815	(4,408)	10,385	267	8,059

The Group and the Bank did not have significant unrecognised deferred taxation as at the end of the reporting period.

(Expressed in millions of RMB unless otherwise stated)

36 OTHER ASSETS

		Group		Bank	
	Note	**2009**	2008	**2009**	2008
Repossessed assets	(1)				
— Buildings		**2,211**	1,704	**2,211**	1,697
— Land use rights		**412**	648	**412**	648
— Others		**462**	552	**462**	552
		3,085	2,904	**3,085**	2,897
Long-term deferred expenses		**372**	339	**368**	338
Receivables from CCBIG	(2)	**—**	—	**19,746**	14,276
Other receivables		**10,910**	10,783	**10,792**	9,936
Leasehold improvements		**2,610**	2,468	**2,602**	2,461
Subtotal		**16,977**	16,494	**36,593**	29,908
Allowances for impairment losses (Note 37)		**(3,288)**	(3,686)	**(3,283)**	(3,686)
Total		**13,689**	12,808	**33,310**	26,222

(1) During the year ended 31 December 2009, the original cost of repossessed assets disposed of by the Group amounted to RMB1,535 million (2008: RMB1,230 million). The Group intends to dispose of repossessed assets through various methods including auction, competitive bidding and disposal.

(2) Receivables from CCBIG represent lending to CCBIG, a wholly owned subsidiary, for acquisition of equity investments and capital injection to other subsidiaries. The receivables are unsecured, non-interest bearing and without fixed repayment term.

(Expressed in millions of RMB unless otherwise stated)

37 MOVEMENTS OF ALLOWANCES FOR IMPAIRMENT LOSSES

Group

		2009				
	Note	As at 1 January	Charge for the year/ (Write-back)	Transfer in/(out)	Write-offs	As at 31 December
Deposits with banks and non-bank financial institutions	19	21	(3)	—	—	18
Placements with banks and non-bank financial institutions	20	252	(86)	—	(35)	131
Financial assets held under resale agreements	23	11	(11)	—	—	—
Interest receivable	24	1	—	—	—	1
Loans and advances to customers	25(3)	110,368	24,256	(953)	(6,845)	126,826
Held-to-maturity investments	27	7,552	76	5	(1,547)	6,086
Debt securities classified as receivables	28	64	32	—	—	96
Fixed assets	31	523	2	—	(22)	503
Land use rights	32	161	—	—	(10)	151
Intangible assets	33	8	—	—	—	8
Other assets	36	3,686	178	—	(576)	3,288
Total		122,647	24,444	(948)	(9,035)	137,108

Transfer in/(out) includes the exchange difference, write-offs include settlements.

(Expressed in millions of RMB unless otherwise stated)

37 MOVEMENTS OF ALLOWANCES FOR IMPAIRMENT LOSSES (continued)

Group *(continued)*

	Note	2008 As at 1 January	Charge for the year/ (Write-back)	Transfer in/(out)	Write-offs	As at 31 December
Deposits with banks and non-bank financial institutions	19	33	(6)	—	(6)	21
Placements with banks and non-bank financial institutions	20	495	(98)	—	(145)	252
Financial assets held under resale agreements	23	11	—	—	—	11
Interest receivable	24	19	(18)	—	—	1
Loans and advances to customers	25(3)	88,928	36,246	(8,227)	(6,579)	110,368
Held-to-maturity investments	27	5,042	3,126	(343)	(273)	7,552
Debt securities classified as receivables	28	709	(645)	—	—	64
Fixed assets	31	514	28	—	(19)	523
Land use rights	32	159	4	—	(2)	161
Intangible assets	33	9	—	—	(1)	8
Other assets	36	3,595	1,436	—	(1,345)	3,686
Total		99,514	40,073	(8,570)	(8,370)	122,647

(Expressed in millions of RMB unless otherwise stated)

37 MOVEMENTS OF ALLOWANCES FOR IMPAIRMENT LOSSES (continued)

Bank

	Note	2009				
		As at 1 January	**Charge for the year/ (Write-back)**	**Transfer in/(out)**	**Write-offs**	**As at 31 December**
Deposits with banks and non-bank financial institutions	19	**21**	**(3)**	**—**	**—**	**18**
Placements with banks and non-bank financial institutions	20	**252**	**(86)**	**—**	**(35)**	**131**
Financial assets held under resale agreements	23	**11**	**(11)**	**—**	**—**	**—**
Interest receivable	24	**1**	**—**	**—**	**—**	**1**
Loans and advances to customers	25(3)	**110,202**	**24,064**	**(1,401)**	**(6,754)**	**126,111**
Held-to-maturity investments	27	**7,552**	**76**	**5**	**(1,547)**	**6,086**
Debt securities classified as receivables	28	**64**	**32**	**—**	**—**	**96**
Fixed assets	31	**523**	**2**	**—**	**(22)**	**503**
Land use rights	32	**161**	**—**	**—**	**(10)**	**151**
Intangible assets	33	**8**	**—**	**—**	**—**	**8**
Other assets	36	**3,686**	**173**	**—**	**(576)**	**3,283**
Total		**122,481**	**24,247**	**(1,396)**	**(8,944)**	**136,388**

(Expressed in millions of RMB unless otherwise stated)

37 MOVEMENTS OF ALLOWANCES FOR IMPAIRMENT LOSSES (continued)

***Bank** (continued)*

		2008				
	Note	As at 1 January	Charge for the year/ (Write-back)	Transfer in/(out)	Write-offs	As at 31 December
Deposits with banks and non-bank financial institutions	19	33	(6)	—	(6)	21
Placements with banks and non-bank financial institutions	20	495	(98)	—	(145)	252
Financial assets held under resale agreements	23	11	—	—	—	11
Interest receivable	24	19	(18)	—	—	1
Loans and advances to customers	25(3)	88,844	36,157	(8,228)	(6,571)	110,202
Held-to-maturity investments	27	5,042	3,126	(343)	(273)	7,552
Debt securities classified as receivables	28	709	(645)	—	—	64
Fixed assets	31	514	28	—	(19)	523
Land use rights	32	159	4	—	(2)	161
Intangible assets	33	9	—	—	(1)	8
Other assets	36	3,595	1,435	—	(1,344)	3,686
Total		99,430	39,983	(8,571)	(8,361)	122,481

(Expressed in millions of RMB unless otherwise stated)

38 AMOUNTS DUE FROM/TO SUBSIDIARIES

Amounts due from subsidiaries of the Bank are analysed by assets category as follows:

	2009	2008
Deposits with banks and non-bank financial institutions	828	—
Placements with banks and non-bank financial institutions	2,153	14,441
Interest receivable	13	98
Loans and advances to customers	634	797
Available-for-sale financial assets	3,081	942
Other assets	21,060	14,280
Total	27,769	30,558

Amounts due to subsidiaries of the Bank are analysed by liabilities category as follows:

	2009	2008
Deposits from banks and non-bank financial institutions	2,218	1,011
Placements from banks and non-bank financial institutions	2,700	12,038
Negative fair value of derivatives	2	—
Financial assets sold under repurchase agreements	2,625	—
Deposits from customers	1,686	3,261
Interest payable	8	49
Debt securities issued	1,451	130
Other liabilities	453	2
Total	11,143	16,491

(Expressed in millions of RMB unless otherwise stated)

39 DEPOSITS FROM BANKS AND NON-BANK FINANCIAL INSTITUTIONS

(1) Analysed by type of counterparties

	Group		Bank	
	2009	2008	**2009**	2008
Banks	**183,327**	123,063	**183,448**	123,704
Non-bank financial institutions	**591,458**	324,401	**593,134**	324,757
Total	**774,785**	447,464	**776,582**	448,461

(2) Analysed by geographic sectors

	Group		Bank	
	2009	2008	**2009**	2008
Mainland China	**774,295**	446,614	**776,093**	447,625
Overseas	**490**	850	**489**	836
Total	**774,785**	447,464	**776,582**	448,461

(Expressed in millions of RMB unless otherwise stated)

40 PLACEMENTS FROM BANKS AND NON-BANK FINANCIAL INSTITUTIONS

(1) Analysed by type of counterparties

	Group		Bank	
	2009	2008	**2009**	2008
Banks	**36,472**	43,058	**30,369**	53,186
Non-bank financial institutions	**1,648**	50	**1,599**	5
Total	**38,120**	43,108	**31,968**	53,191

(2) Analysed by geographic sectors

	Group		Bank	
	2009	2008	**2009**	2008
Mainland China	**11,157**	28,303	**7,524**	28,303
Overseas	**26,963**	14,805	**24,444**	24,888
Total	**38,120**	43,108	**31,968**	53,191

41 FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

As at 31 December 2009 and 2008, financial liabilities at fair value through profit or loss of the Group and the Bank represented financial liabilities designated at fair value through profit or loss, which mainly comprised structured deposits and financial liabilities related to precious metals. As at 31 December 2009, the fair value of financial liabilities was less than the contractual payables at maturity by RMB1 million (2008: more than by RMB27 million). The amounts of changes in the fair value of the financial liabilities that are attributable to changes in credit risk are considered not significant during the year presented and cumulatively as at 31 December 2009 and 2008.

42 FINANCIAL ASSETS SOLD UNDER REPURCHASE AGREEMENTS

As at 31 December 2009, the amount of financial assets sold under repurchase agreement of the Bank was RMB2,625 million, and collaterals for all financial assets sold under repurchase agreements were loans (2008: RMB864 million, and collaterals were securities).

(Expressed in millions of RMB unless otherwise stated)

43 DEPOSITS FROM CUSTOMERS

	Group		Bank	
	2009	2008	**2009**	2008
Demand deposits				
— Corporate customers	**2,968,733**	2,233,187	**2,965,825**	2,233,497
— Personal customers	**1,445,304**	1,137,114	**1,435,266**	1,132,210
	4,414,037	3,370,301	**4,401,091**	3,365,707
Time deposits (including call deposits)				
— Corporate customers	**1,421,678**	1,152,126	**1,405,735**	1,142,678
— Personal customers	**2,165,608**	1,853,488	**2,148,414**	1,834,600
	3,587,286	3,005,614	**3,554,149**	2,977,278
Total	**8,001,323**	6,375,915	**7,955,240**	6,342,985

Deposits from customers include:

	Group		Bank	
	2009	2008	**2009**	2008
(1) Pledged deposits				
— Deposits for acceptance	**118,121**	88,833	**118,121**	88,833
— Deposits for guarantee	**23,984**	24,141	**23,984**	24,141
— Deposits for letter of credit	**19,974**	11,657	**19,974**	11,657
— Others	**72,021**	35,322	**72,017**	35,535
	234,100	159,953	**234,096**	160,166
(2) Outward remittance and remittance payables	**19,073**	21,287	**18,988**	21,233

(Expressed in millions of RMB unless otherwise stated)

44 ACCRUED STAFF COSTS

Group

		2009			
	Note	**As at 1 January**	**Accrued during the year**	**Payments made**	**As at 31 December**
Salaries, bonuses, allowances and subsidies		**8,012**	**33,545**	**(31,486)**	**10,071**
Defined contribution retirement schemes		**444**	**5,941**	**(5,926)**	**459**
Other social insurance and welfare		**1,399**	**6,239**	**(5,769)**	**1,869**
Housing funds		**72**	**2,941**	**(2,931)**	**82**
Union running costs and employee education costs		**735**	**1,238**	**(1,176)**	**797**
Supplementary retirement benefits	(1)	**6,556**	**743**	**(513)**	**6,786**
Early retirement benefits		**7,926**	**819**	**(1,392)**	**7,353**
Compensation to employees for termination of employment relationship		**9**	**18**	**(19)**	**8**
Total		**25,153**	**51,484**	**(49,212)**	**27,425**

		2008			
	Note	As at 1 January	Accrued during the year	Payments made	As at 31 December
Salaries, bonuses, allowances and subsidies		4,088	32,252	(28,328)	8,012
Defined contribution retirement schemes		1,115	4,294	(4,965)	444
Other social insurance and welfare		1,619	5,813	(6,033)	1,399
Housing funds		104	2,612	(2,644)	72
Union running costs and employee education costs		646	1,073	(984)	735
Supplementary retirement benefits	(1)	6,159	852	(455)	6,556
Early retirement benefits		8,998	360	(1,432)	7,926
Compensation to employees for termination of employment relationship		18	45	(54)	9
Total		22,747	47,301	(44,895)	25,153

(Expressed in millions of RMB unless otherwise stated)

44 ACCRUED STAFF COSTS (continued)

Bank

	Note	2009 As at 1 January	2009 Accrued during the year	2009 Payments made	2009 As at 31 December
Salaries, bonuses, allowances and subsidies		**7,711**	**32,424**	**(30,682)**	**9,453**
Defined contribution retirement schemes		**444**	**5,902**	**(5,888)**	**458**
Other social insurance and welfare		**1,358**	**6,167**	**(5,748)**	**1,777**
Housing funds		**71**	**2,931**	**(2,921)**	**81**
Union running costs and employee education costs		**732**	**1,232**	**(1,172)**	**792**
Supplementary retirement benefits	(1)	**6,556**	**743**	**(513)**	**6,786**
Early retirement benefits		**7,926**	**819**	**(1,392)**	**7,353**
Compensation to employees for termination of employment relationship		**9**	**18**	**(19)**	**8**
Total		**24,807**	**50,236**	**(48,335)**	**26,708**

	Note	2008 As at 1 January	2008 Accrued during the year	2008 Payments made	2008 As at 31 December
Salaries, bonuses, allowances and subsidies		3,859	31,528	(27,676)	7,711
Defined contribution retirement schemes		1,106	4,264	(4,926)	444
Other social insurance and welfare		1,619	5,772	(6,033)	1,358
Housing funds		103	2,605	(2,637)	71
Union running costs and employee education costs		645	1,069	(982)	732
Supplementary retirement benefits	(1)	6,159	852	(455)	6,556
Early retirement benefits		8,998	360	(1,432)	7,926
Compensation to employees for termination of employment relationship		18	45	(54)	9
Total		22,507	46,495	(44,195)	24,807

(Expressed in millions of RMB unless otherwise stated)

44 ACCRUED STAFF COSTS (continued)

(1) Supplementary retirement benefits

The Group's obligations in respect of the supplementary retirement benefits as at the end of the reporting period were calculated using the projected unit credit actuarial cost method and reviewed by qualified staff (a member of Society of Actuaries of the United States of America) of an external independent actuary: Towers, Perrin, Forster & Crosby, Inc., Hong Kong.

(a) Breakdowns of supplementary retirement benefits of the Group and the Bank are as follows:

	Group and Bank	
	2009	2008
Present value of supplementary retirement benefit obligations	**6,766**	6,842
Unrecognised actuarial gains/(losses)	**20**	(286)
As at 31 December	**6,786**	6,556

(b) Movements of supplementary retirement benefits of the Group and the Bank are as follows:

	Group and Bank	
	2009	2008
As at 1 January	**6,556**	6,159
Payments made	**(513)**	(455)
Expenses recognised in profit or loss		
— Interest cost	**206**	284
— Past service costs	**537**	568
As at 31 December	**6,786**	6,556

Interest cost was recognised in other general and administrative expenses. Past service costs were recognised in staff costs.

(c) Principal actuarial assumptions of the Group and the Bank as at the end of the reporting period:

	Group and Bank	
	2009	2008
Discount rate	**3.50%**	3.00%
Health care cost increases	**7.00%**	7.00%
Average expected future lifetime of eligible employees	**14.7 years**	15.2 years

(Expressed in millions of RMB unless otherwise stated)

44 ACCRUED STAFF COSTS (continued)

(2) The Group and the Bank had no overdue balance of accrued staff costs as at the end of the reporting period.

45 TAXES PAYABLE

	Group		Bank	
	2009	2008	**2009**	2008
Income tax	**20,627**	29,777	**20,362**	29,558
Business tax and surcharges	**4,562**	4,706	**4,545**	4,698
Others	**651**	1,055	**642**	1,054
Total	**25,840**	35,538	**25,549**	35,310

46 INTEREST PAYABLE

	Group		Bank	
	2009	2008	**2009**	2008
Deposits from banks and non-bank financial institutions	**961**	1,059	**959**	1,057
Placements from banks and non-bank financial institutions	**36**	180	**27**	224
Financial assets sold under repurchase agreements	**—**	3	**—**	3
Deposits from customers	**56,738**	57,743	**56,708**	57,665
Debt securities issued	**1,650**	553	**1,651**	553
Others	**102**	157	**97**	150
Total	**59,487**	59,695	**59,442**	59,652

47 PROVISIONS

	Group and Bank	
	2009	2008
Litigation provisions	**894**	1,117
Others	**450**	689
Total	**1,344**	1,806

(Expressed in millions of RMB unless otherwise stated)

48 DEBT SECURITIES ISSUED

	Note	Group 2009	Group 2008	Bank 2009	Bank 2008
Certificates of deposit issued	(1)	**15,893**	11,017	**15,502**	9,608
Bonds issued	(2)	**2,863**	2,854	**2,993**	2,984
Subordinated bonds issued	(3)	**79,888**	39,939	**79,888**	39,939
Total		**98,644**	53,810	**98,383**	52,531

(1) Certificates of deposit were mainly issued by Hong Kong branch, New York branch of the Bank and CCB Asia in Hong Kong and recognised at amortised cost.

(2) Bonds issued represent the fixed rate RMB bonds issued on 11 September 2008 and will mature on 11 September 2010.

	Group 2009	Group 2008	Bank 2009	Bank 2008
3.24% fixed rate RMB bonds	**2,870**	2,870	**3,000**	3,000
Less: Unamortised issuance cost	**(7)**	(16)	**(7)**	(16)
Carrying value as at 31 December	**2,863**	2,854	**2,993**	2,984

(3) Subordinated bonds issued

The carrying value of the Group and the Bank's subordinated bonds issued upon the approval of the PBOC and the CBRC is as follows:

	Note	Group and Bank 2009	Group and Bank 2008
3.20% subordinated fixed rate bonds maturing in February 2019	(a)	**12,000**	–
4.00% subordinated fixed rate bonds maturing in February 2024	(b)	**28,000**	–
3.32% subordinated fixed rate bonds maturing in August 2019	(c)	**10,000**	–
4.04% subordinated fixed rate bonds maturing in August 2024	(d)	**10,000**	–
4.80% subordinated fixed rate bonds maturing in December 2024	(e)	**20,000**	–
4.87% subordinated fixed rate bonds maturing in August 2014	(f)	**–**	11,140
Subordinated floating rate bonds maturing in August 2014	(f)	**–**	3,860
4.95% subordinated fixed rate bonds maturing in September 2014	(f)	**–**	8,300
Subordinated floating rate bonds maturing in December 2014	(f)	**–**	6,078
4.95% subordinated fixed rate bonds maturing in December 2014	(f)	**–**	10,622
Total nominal value		**80,000**	40,000
Less: Unamortised issuance cost		**(112)**	(61)
Carrying value as at 31 December		**79,888**	39,939

48 DEBT SECURITIES ISSUED (continued)

(3) Subordinated bonds issued (continued)

(a) The interest rate per annum on the subordinated fixed rate bonds issued in February 2009 is 3.20%. The Group has an option to redeem the bonds on 26 February 2014. If they are not redeemed by the Group, the interest rate will increase to 6.20% per annum from 26 February 2014 for the next five years.

(b) The interest rate per annum on the subordinated fixed rate bonds issued in February 2009 is 4.00%. The Group has an option to redeem the bonds on 26 February 2019. If they are not redeemed by the Group, the interest rate will increase to 7.00% per annum from 26 February 2019 for the next five years.

(c) The interest rate per annum on the subordinated fixed rate bonds issued in August 2009 is 3.32%. The Group has an option to redeem the bonds on 11 August 2014. If they are not redeemed by the Group, the interest rate will increase to 6.32% per annum from 11 August 2014 for the next five years.

(d) The interest rate per annum on the subordinated fixed rate bonds issued in August 2009 is 4.04%. The Group has an option to redeem the bonds on 11 August 2019. If they are not redeemed by the Group, the interest rate will increase to 7.04% per annum from 11 August 2019 for the next five years.

(e) The interest rate per annum on the subordinated fixed rate bonds issued in December 2009 is 4.80%. The Group has an option to redeem the bonds on 22 December 2019. If they are not redeemed by the Group, the interest rate will increase to 7.80% per annum from 22 December 2019 for the next five years.

(f) The Group exercised the options to redeem these subordinated bonds issued in 2004 at par value in August, September and December 2009.

(Expressed in millions of RMB unless otherwise stated)

49 OTHER LIABILITIES

	Group		Bank	
	2009	2008	**2009**	2008
Dormant accounts	**4,290**	4,379	**4,290**	4,379
Securities underwriting and redemption payable	**1,813**	3,616	**1,813**	3,616
Payment and collection clearance account	**454**	592	**450**	592
Payables to China Jianyin Investment Limited (“Jianyin”)	**372**	57	**372**	57
Settlement accounts	**135**	498	**135**	437
Others	**13,514**	12,844	**12,997**	12,240
Total	**20,578**	21,986	**20,057**	21,321

50 SHARE CAPITAL

	Group and Bank	
	2009	2008
Listed in Hong Kong (H Share)	**224,689**	224,689
Listed in Mainland China (A Share)	**9,000**	9,000
Total	**233,689**	233,689

All H and A shares are ordinary shares and rank pari passu with the same rights and benefits.

51 CAPITAL RESERVE

	Group and Bank	
	2009	2008
Share premium	**90,210**	90,210
Others	**56**	31
Total	**90,266**	90,241

Share premium was the amount arising from the issue of shares at prices in excess of their par value.

(Expressed in millions of RMB unless otherwise stated)

52 INVESTMENT REVALUATION RESERVE

The changes in fair value of available-for-sale financial assets were recognised in "investment revaluation reserve". Movements of investment revaluation reserve are as follows:

Group

	2009		
	Before-tax amount	**Tax (expense)/benefit**	**Net-of-tax amount**
As at 1 January	**14,890**	**(3,734)**	**11,156**
Gains/(losses) during the year			
— Available-for-sale equity instruments	**8,212**	**(2,052)**	**6,160**
— Available-for-sale debt securities	**(6,050)**	**1,511**	**(4,539)**
	2,162	**(541)**	**1,621**
Reclassification adjustments			
— Impairment losses	**999**	**(250)**	**749**
— Net realised gains on disposal	**(925)**	**232**	**(693)**
— Amortisation of losses of investments reclassified from available-for-sale to held-to-maturity	**440**	**(110)**	**330**
	514	**(128)**	**386**
As at 31 December	**17,566**	**(4,403)**	**13,163**

(Expressed in millions of RMB unless otherwise stated)

52 INVESTMENT REVALUATION RESERVE (continued)

Group *(continued)*

	2008		
	Before-tax amount	Tax (expense)/benefit	Net-of-tax amount
As at 1 January	21,886	(5,478)	16,408
Losses during the year			
— Available-for-sale equity instruments	(18,234)	4,558	(13,676)
— Available-for-sale debt securities	(762)	186	(576)
	(18,996)	4,744	(14,252)
Reclassification adjustments			
— Impairment losses	10,622	(2,655)	7,967
— Net realised losses on disposal	247	(62)	185
— Amortisation of losses of investments reclassified from available-for-sale to held-to-maturity	1,131	(283)	848
	12,000	(3,000)	9,000
As at 31 December	14,890	(3,734)	11,156

(Expressed in millions of RMB unless otherwise stated)

52 INVESTMENT REVALUATION RESERVE (continued)

Bank

	2009		
	Before-tax amount	**Tax (expense)/benefit**	**Net-of-tax amount**
As at 1 January	**14,862**	**(3,724)**	**11,138**
Gains/(losses) during the year			
— Available-for-sale equity instruments	**8,200**	**(2,051)**	**6,149**
— Available-for-sale debt securities	**(5,947)**	**1,487**	**(4,460)**
	2,253	**(564)**	**1,689**
Reclassification adjustments			
— Impairment losses	**999**	**(250)**	**749**
— Net realised gains on disposal	**(925)**	**232**	**(693)**
— Amortisation of losses of investments reclassified from available-for-sale to held-to-maturity	**440**	**(110)**	**330**
	514	**(128)**	**386**
As at 31 December	**17,629**	**(4,416)**	**13,213**

(Expressed in millions of RMB unless otherwise stated)

52 INVESTMENT REVALUATION RESERVE (continued)

***Bank** (continued)*

	2008		
	Before-tax amount	Tax (expense)/benefit	Net-of-tax amount
As at 1 January	21,855	(5,467)	16,388
Losses during the year			
— Available-for-sale equity instruments	(18,231)	4,557	(13,674)
— Available-for-sale debt securities	(762)	186	(576)
	(18,993)	4,743	(14,250)
Reclassification adjustments			
— Impairment losses	10,622	(2,655)	7,967
— Net realised losses on disposal	247	(62)	185
— Amortisation of losses of investments reclassified from available-for-sale to held-to-maturity	1,131	(283)	848
	12,000	(3,000)	9,000
As at 31 December	14,862	(3,724)	11,138

53 SURPLUS RESERVE

Surplus reserves consist of statutory surplus reserve fund and discretionary surplus reserve fund.

The Bank is required to allocate 10% of its net profit, as determined under the Accounting Standards for Business Enterprises and other relevant requirements issued by the MOF ("PRC GAAP"), to the statutory surplus reserve fund until the reserve fund balance reaches 50% of its registered capital. After making appropriations to the statutory surplus reserve fund, the Bank may also allocate its net profit to the discretionary surplus reserve fund upon approval by shareholders in general meeting.

(Expressed in millions of RMB unless otherwise stated)

54 GENERAL RESERVE

The general reserve of the Group and the Bank is set up based upon the requirements of:

		Group		Bank	
	Note	**2009**	2008	**2009**	2008
MOF	(1)	**46,093**	46,093	**46,093**	46,093
Hong Kong Banking Ordinance	(2)	**592**	476	**105**	105
Other regulatory bodies in Mainland China	(3)	**109**	56	**—**	—
Other overseas regulatory bodies		**12**	3	**11**	2
As at 31 December		**46,806**	46,628	**46,209**	46,200

(1) Pursuant to relevant regulations issued by MOF, the Bank is required to set aside a general reserve through appropriations of profit after tax according to a certain provision ratio of the ending balance of gross risk-bearing assets to cover potential losses against their assets. In principle, the general reserve balance should not be lower than 1% of the ending balance of gross risk-bearing assets. The Bank is requested to set aside the required general reserve within a transitional period of approximately three years, but no more than five years, from 1 July 2005.

(2) Pursuant to requirements of the Hong Kong Banking Ordinance, the Group's banking operations in Hong Kong are required to set aside amounts in a regulatory reserve in respect of losses which it will, or may, incur on loans and advances to customers, in addition to impairment losses recognised in accordance with the accounting policies of the Group. Transfers to and from the regulatory reserve are made through retained earnings.

(3) Pursuant to the relevant regulatory requirements in Mainland China, the Bank's subsidiary is required to appropriate a certain amount of its net profit as general reserve.

55 PROFIT DISTRIBUTION

In the Annual General Meeting held on 11 June 2009, the shareholders approved the profit distribution for the six months from 1 July 2008 to 31 December 2008. The Bank appropriated final dividend in an aggregate amount of RMB19,560 million for the six months from 1 July 2008 to 31 December 2008.

On 26 March 2010, Board of Directors proposed the following profit distribution scheme for the year ended 31 December 2009:

(1) Appropriate statutory surplus reserve amounted to RMB10,499 million, based on 10% of the net profit of the Bank amounted to RMB104,986 million. It has been recorded in "Surplus reserve" as at the end of the reporting period.

(2) Appropriate general reserve amounted to RMB14,382 million, pursuant to relevant regulations issued by MOF.

(3) Appropriate cash dividend of RMB0.202 per share before tax amounting to RMB47,205 million in total to all shareholders. The proposed dividend after the reporting period is not recognised as a liability.

Above proposed profit distribution scheme is subject to the approval of Shareholders Meeting. Cash dividends will be distributed to all shareholders registered at the relevant date upon approval.

(Expressed in millions of RMB unless otherwise stated)

56 NOTES TO CONSOLIDATED CASH FLOW STATEMENT

(1) Cash and cash equivalents

	2009	2008
Cash	**40,396**	34,313
Surplus deposit reserves with central banks	**265,453**	277,981
Demand deposits with banks and non-bank financial institutions	**20,280**	24,560
Deposits with banks and non-bank financial institutions with original maturity with or within three months	**36,226**	5,201
Placements with banks and non-bank financial institutions with original maturity with or within three months	**17,894**	13,756
Total	**380,249**	355,811

(2) Cash inflows from acquisition of subsidiaries

In 2009, net cash inflows arise from the acquisitions of the following subsidiaries, which represent the excess of the cash and cash equivalents acquired over the considerations paid in cash.

(a) Cangnan Rural

To establish Cangnan Rural, the Bank made a cash contribution of RMB53 million, and acquired cash and cash equivalents of RMB150 million. The net cash inflow from the acquisition is RMB97 million.

(Expressed in millions of RMB unless otherwise stated)

56 NOTES TO CONSOLIDATED CASH FLOW STATEMENT (continued)

(2) Cash inflows from acquisition of subsidiaries (continued)

(b) Jianxin Trust

To acquire Jianxin Trust, the Bank paid a cash consideration of RMB3,409 million, and acquired cash and cash equivalents of RMB3,466 million. The net cash inflow arising from the aforesaid acquisition is RMB57 million, which is analysed as follows:

	Recognised values	Fair value adjustments	Carrying amounts
Deposits with banks and non-bank financial institutions	3,466	–	3,466
Financial assets at fair value through profit or loss	149	–	149
Loans and advances to customers	92	–	92
Available-for-sale financial assets	1,268	752	516
Held-to-maturity investments	1	–	1
Fixed assets	169	–	169
Other assets	72	–	72
Accrued staff costs	(7)	–	(7)
Taxes payable	(9)	–	(9)
Deferred tax liabilities	(199)	(188)	(11)
Other liabilities	(8)	–	(8)
Total	4,994	564	4,430
Minority interests	(1,648)		
Net identifiable assets	3,346		
Goodwill on acquisition	63		
Consideration transferred	3,409		
Cash and cash equivalents acquired	3,466		
Consideration paid, satisfied in cash	(3,409)		
Net cash inflow from the acquisition	57		

The amounts of operating income and net loss of Jianxin Trust since the acquisition date included in the consolidated statement of comprehensive income for the year ended 31 December 2009 are RMB63 million and RMB12 million respectively. Had the aforesaid acquisition occurred on 1 January 2009, the operating income and net profit of the Group would have been RMB269,495 million and RMB106,974 million respectively for the year ended 31 December 2009.

(Expressed in millions of RMB unless otherwise stated)

56 NOTES TO CONSOLIDATED CASH FLOW STATEMENT (continued)

(2) Cash inflows from acquisition of subsidiaries (continued)

(c) China Construction Bank (Asia) Finance Limited ("CCBAF")

To acquire CCBAF (previously known as "AIG Finance (Hong Kong) Limited"), CCB Asia, one subsidiary of the Group, paid a cash consideration equivalent to RMB510 million, and acquired cash and cash equivalents equivalent to RMB4,185 million. The net cash inflow arising from the aforesaid acquisition is equivalent to RMB3,675 million, which is analysed as follows:

	Recognised values	Fair value adjustments	Carrying amounts
Deposits with banks and non-bank financial institutions	2,951	—	2,951
Placements with banks and non-bank financial institutions	1,234	—	1,234
Interest receivable	8	—	8
Loans and advances to customers	3,762	—	3,762
Available-for-sale financial assets	61	—	61
Held-to-maturity investments	35	—	35
Fixed assets	6	—	6
Deferred tax assets	79	—	79
Other assets	19	—	19
Placements from banks and non-bank financial institutions	(1,936)	—	(1,936)
Negative fair value of derivatives	(58)	—	(58)
Deposits from customers	(4,207)	—	(4,207)
Accrued staff costs	(21)	—	(21)
Taxes payable	(12)	—	(12)
Interest payable	(32)	—	(32)
Debt securities issued	(756)	—	(756)
Other liabilities	(150)	—	(150)
Net identifiable assets	983	—	983
Gain on acquisition	(473)		
Consideration transferred	510		
Cash and cash equivalents acquired	4,185		
Consideration paid, satisfied in cash	(510)		
Net cash inflow from the acquisition	3,675		

The amounts of operating income and net profit of CCBAF since the acquisition date included in the consolidated statement of comprehensive income for the year ended 31 December 2009 are RMB111 million and RMB10 million respectively. Had the aforesaid acquisition occurred on 1 January 2009, the operating income and net profit of the Group would have been RMB269,739 million and RMB106,721 million respectively for the year ended 31 December 2009.

6 NOTES TO CONSOLIDATED CASH FLOW STATEMENT (continued)

(2) Cash inflows from acquisition of subsidiaries (continued)

(d) Other subsidiaries

The net cash inflows arising from the acquisitions of subsidiaries by CCBI, one subsidiary of the Group, are equivalent to RMB33 million (2008: equivalent to RMB24 million).

(3) Cash outflows used in acquisitions of associates and jointly controlled entities

In 2009, CCBI paid cash considerations equivalent to RMB54 million to acquire associates and jointly controlled entities (2008: equivalent to RMB2 million). In 2008, the Group paid a cash considerations equivalent to RMB680 million to acquire DSL, one jointly controlled entity.

(4) Cash flows related to additional capital injections

In 2008, the Bank and Bausparkasse Schwaebisch Hall of Germany paid cash of RMB638 million and an amount equivalent of RMB212 million respectively as the additional capital contribution to Sino-German respectively.

(5) Cash flows related to disposals of subsidiaries

In 2009, CCBI disposed of a portion of equity interests in its subsidiaries for cash receipts equivalent to RMB100 million (2008: equivalent to RMB38 million).

(6) Cash dividend paid

For the year ended 31 December 2009, the subsidiaries paid a cash dividend of RMB18 million to minority shareholders (2008: RMB23 million), which is included in the amount of the total cash dividend paid by the Group.

57 OPERATING SEGMENTS

As mentioned in Note 4(21), the Group has presented the operating segments in a manner consistent with the way in which information is reported internally to the Group's chief operating decision maker for the purposes of resource allocation and performance assessment. Measurement of segment assets and liabilities and segment income and results is based on the Group's accounting policies.

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

Segment revenues, results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Segment income, results, assets, and liabilities are determined before intra-group balances and intra-group transactions are eliminated as part of the consolidation process. Segment capital expenditure is the total cost incurred during the period to acquire fixed assets, intangible assets and other long-term assets.

(1) Geographical segments

The Group operates principally in Mainland China with branches covering all provinces, autonomous regions and municipalities directly under the central government, and several subsidiaries located in Mainland China. The Group also has bank branch operations in Hong Kong, Singapore, Frankfurt, Johannesburg, Tokyo, Seoul and New York, and certain subsidiaries operating in Hong Kong and London.

In presenting information on the basis of geographical segments, operating income is allocated based on the location of the branches and subsidiaries that generate the income. Segment assets, liabilities and capital expenditure are allocated based on their geographical location.

Geographical segments of the Group, as defined for management reporting purposes, are defined as follows:

— "Yangtze River Delta" refers to the following areas serviced by the subsidiary and tier-1 branches of the Bank: Shanghai Municipality, Jiangsu Province, Zhejiang Province, City of Ningbo and City of Suzhou;

— "Pearl River Delta" refers to the following areas serviced by the tier-1 branches of the Bank: Guangdong Province, City of Shenzhen, Fujian Province and City of Xiamen;

— "Bohai Rim" refers to the following areas serviced by the subsidiaries and tier-1 branches of the Bank: Beijing Municipality, Shandong Province, Tianjin Municipality, Hebei Province and City of Qingdao;

— the "Central" region refers to the following areas serviced by the subsidiaries and tier-1 branches of the Bank: Shanxi Province, Guangxi Autonomous Region, Hubei Province, Henan Province, Hunan Province, Jiangxi Province, Hainan Province, Anhui Province and the Three Gorges Area;

— the "Western" region refers to the following areas serviced by the tier-1 branches of the Bank: Sichuan Province, Chongqing Municipality, Guizhou Province, Yunnan Province, Tibet Autonomous Region, Inner Mongolia Autonomous Region, Shaanxi Province, Gansu Province, Qinghai Province, Ningxia Autonomous Region and Xinjiang Autonomous Region; and

— the "Northeastern" region refers to the following areas serviced by the tier-1 branches of the Bank: Liaoning Province, Jilin Province, Heilongjiang Province and City of Dalian.

(Expressed in millions of RMB unless otherwise stated)

57 OPERATING SEGMENTS (continued)

(1) Geographical segments (continued)

	2009								
	Yangtze River Delta	Pearl River Delta	Bohai Rim	Central	Western	North Eastern	Head Office	Overseas	Total
External net interest income	31,201	15,457	17,347	20,601	25,352	5,684	93,325	2,918	211,885
Internal net interest income/(expense)	12,109	13,386	17,594	13,764	11,003	7,391	(75,106)	(141)	–
Net interest income	43,310	28,843	34,941	34,365	36,355	13,075	18,219	2,777	211,885
Net fee and commission income	11,848	8,506	7,770	7,496	6,638	2,679	2,625	497	48,059
Net trading gain/(loss)	121	238	105	23	92	41	(290)	1,903	2,233
Dividend income	9	–	8	12	13	–	36	22	100
Net gain arising from investment securities	5	–	11	416	348	305	3,296	90	4,471
Other operating income/(loss), net	478	306	279	307	741	171	(435)	719	2,566
Operating income	55,771	37,893	43,114	42,619	44,187	16,271	23,451	6,008	269,314
Operating expenses	(19,352)	(13,947)	(16,342)	(17,847)	(17,587)	(7,605)	(10,398)	(2,068)	(105,146)
Impairment losses	(7,384)	(3,880)	(3,867)	(4,364)	(711)	(1,584)	(996)	(2,674)	(25,460)
Share of profits less losses of associates – and jointly controlled entities	–	–	–	–	–	–	–	17	17
Profit before tax	29,035	20,066	22,905	20,408	25,889	7,082	12,057	1,283	138,725
Capital expenditure	3,229	1,794	2,990	3,361	3,138	1,636	5,447	179	21,774
Depreciation and amortisation	1,846	1,331	1,590	1,900	1,659	800	1,660	90	10,876
Segment assets	1,890,649	1,462,959	1,675,219	1,500,338	1,508,896	642,640	4,418,463	232,669	13,331,833
Interests in associates and jointly controlled entities	–	–	–	–	–	–	–	1,791	1,791
	1,890,649	1,462,959	1,675,219	1,500,338	1,508,896	642,640	4,418,463	234,460	13,333,624
Deferred tax assets									10,790
Elimination									(3,721,059)
Total assets									9,623,355
Segment liabilities	1,888,969	1,460,261	1,670,431	1,497,353	1,505,890	641,924	3,910,613	209,737	12,785,178
Deferred tax liabilities									216
Elimination									(3,721,059)
Total liabilities									9,064,335
Off-balance sheet credit commitments	475,571	318,201	431,592	240,055	223,893	115,788	14,956	41,417	1,861,473

(Expressed in millions of RMB unless otherwise stated)

57 OPERATING SEGMENTS (continued)

(1) Geographical segments (continued)

	2008								
	Yangtze River Delta	Pearl River Delta	Bohai Rim	Central	Western	North Eastern	Head Office	Overseas	Total
External net interest income	37,756	17,097	19,940	21,850	24,064	5,949	95,727	2,537	224,920
Internal net interest income/(expense)	6,770	11,327	13,847	10,276	7,913	6,285	(56,222)	(196)	–
Net interest income	44,526	28,424	33,787	32,126	31,977	12,234	39,505	2,341	224,920
Net fee and commission income	9,758	6,237	6,405	5,911	5,150	2,299	2,326	360	38,446
Net trading gain	311	360	158	45	128	63	779	1,369	3,213
Dividend income	5	–	35	23	5	–	63	19	150
Net gain/(loss) arising from investment securities	83	22	497	324	117	104	(3,543)	144	(2,252)
Other operating income, net	402	270	461	516	529	203	2,432	457	5,270
Operating income	55,085	35,313	41,343	38,945	37,906	14,903	41,562	4,690	269,747
Operating expenses	(19,083)	(13,324)	(15,729)	(16,776)	(16,519)	(7,116)	(9,223)	(1,423)	(99,193)
Impairment losses	(6,484)	(4,128)	(7,034)	(6,387)	(9,549)	(2,353)	(13,944)	(950)	(50,829)
Share of profits less losses of associates and jointly controlled entities	–	–	–	–	–	–	–	16	16
Profit before tax	29,518	17,861	18,580	15,782	11,838	5,434	18,395	2,333	119,741
Capital expenditure	2,843	1,984	2,421	3,186	2,752	1,376	2,933	376	17,871
Depreciation and amortisation	1,685	1,169	1,429	1,615	1,412	680	1,293	68	9,351
Segment assets	1,468,824	1,074,866	1,369,934	1,157,174	1,170,334	507,337	3,523,723	119,865	10,392,057
Interests in associates and jointly controlled entities	–	–	–	–	–	–	–	1,728	1,728
	1,468,824	1,074,866	1,369,934	1,157,174	1,170,334	507,337	3,523,723	121,593	10,393,785
Deferred tax assets									7,855
Elimination									(2,846,188)
Total assets									7,555,452
Segment liabilities	1,466,440	1,074,054	1,367,662	1,158,073	1,173,707	507,936	3,064,993	121,208	9,934,073
Deferred tax liabilities									5
Elimination									(2,846,188)
Total liabilities									7,087,890
Off-balance sheet credit commitments	386,800	193,746	284,558	172,079	186,488	89,428	15,936	21,445	1,350,480

57 OPERATING SEGMENTS (continued)

(2) Business segments

Business segments, as defined for management reporting purposes, are as follows:

Corporate banking

This segment represents the provision of a range of financial products and services to corporations, government agencies and financial institutions. The products and services include corporate loans, trade financing, deposit taking activities, agency services, financial consulting and advisory services, cash management services, remittance and settlement services, custody services and guarantee services, etc.

Personal banking

This segment represents the provision of a range of financial products and services to individual customers. The products and services comprise personal loans, deposit taking activities, card business, personal wealth management services, remittance services and securities agency services, etc.

Treasury business

This segment covers the Group's treasury operations. The treasury enters into inter-bank money market transactions, repurchase and resale transactions, and invests in debt securities. It also trades in derivatives and foreign currency for its own account. The treasury carries out customer-driven derivatives, foreign currency and precious metal trading. Its function also includes the management of the Group's overall liquidity position, including the issuance of debt securities.

Others

These represent equity investments and the revenues, results, assets and liabilities of overseas branches and subsidiaries.

(Expressed in millions of RMB unless otherwise stated)

57 OPERATING SEGMENTS (continued)

(2) Business segments (continued)

	2009				
	Corporate banking	Personal banking	Treasury business	Others	Total
External net interest income/(expense)	142,914	(21,796)	87,633	3,134	211,885
Internal net interest (expense)/income	(18,525)	84,613	(65,434)	(654)	—
Net interest income	124,389	62,817	22,199	2,480	211,885
Net fee and commission income	19,884	17,882	9,518	775	48,059
Net trading (loss)/gain	(169)	36	459	1,907	2,233
Dividend income	—	—	—	100	100
Net gain arising from investment securities	—	—	3,242	1,229	4,471
Other operating income/(loss), net	558	232	(378)	2,154	2,566
Operating income	144,662	80,967	35,040	8,645	269,314
Operating expenses	(43,029)	(53,492)	(3,802)	(4,823)	(105,146)
Impairment losses	(17,476)	(4,164)	(944)	(2,876)	(25,460)
Share of profits less losses of associates and jointly controlled entities	—	—	—	17	17
Profit before tax	84,157	23,311	30,294	963	138,725
Capital expenditure	6,567	13,964	987	256	21,774
Depreciation and amortisation	3,280	6,975	493	128	10,876
Segment assets	3,879,101	1,073,608	4,449,759	256,060	9,658,528
Interests in associates and jointly controlled entities	—	—	—	1,791	1,791
	3,879,101	1,073,608	4,449,759	257,851	9,660,319
Deferred tax assets					10,790
Elimination					(47,754)
Total assets					9,623,355
Segment liabilities	4,723,263	4,002,153	101,545	284,912	9,111,873
Deferred tax liabilities					216
Elimination					(47,754)
Total liabilities					9,064,335
Off-balance sheet credit commitments	1,573,849	249,504	—	38,120	1,861,473

(Expressed in millions of RMB unless otherwise stated)

57 OPERATING SEGMENTS (continued)

(2) Business segments (continued)

	2008				
	Corporate banking	Personal banking	Treasury business	Others	Total
External net interest income/(expense)	148,357	(18,076)	92,651	1,988	224,920
Internal net interest (expense)/income	(22,347)	76,493	(52,023)	(2,123)	—
Net interest income	126,010	58,417	40,628	(135)	224,920
Net fee and commission income	15,350	15,286	7,085	725	38,446
Net trading gain	138	293	1,489	1,293	3,213
Dividend income	—	—	—	150	150
Net (loss)/gain arising from investment securities	—	—	(4,166)	1,914	(2,252)
Other operating income, net	578	577	2,330	1,785	5,270
Operating income	142,076	74,573	47,366	5,732	269,747
Operating expenses	(42,824)	(49,742)	(2,857)	(3,770)	(99,193)
Impairment losses	(31,884)	(4,582)	(12,999)	(1,364)	(50,829)
Share of profits less losses of associates and jointly controlled entities	—	—	—	16	16
Profit before tax	67,368	20,249	31,510	614	119,741
Capital expenditure	5,905	11,038	887	41	17,871
Depreciation and amortisation	3,061	5,723	460	107	9,351
Segment assets	3,214,610	863,351	3,358,278	142,347	7,578,586
Interests in associates and jointly controlled entities	—	—	—	1,728	1,728
	3,214,610	863,351	3,358,278	144,075	7,580,314
Deferred tax assets					7,855
Elimination					(32,717)
Total assets					7,555,452
Segment liabilities	3,431,049	3,426,013	70,789	192,751	7,120,602
Deferred tax liabilities					5
Elimination					(32,717)
Total liabilities					7,087,890
Off-balance sheet credit commitments	1,168,055	182,425	—	—	1,350,480

(Expressed in millions of RMB unless otherwise stated)

58 ENTRUSTED LENDING BUSINESS

As at the end of the reporting period, the entrusted loans and funds were as follows:

	Group and Bank	
	2009	2008
Entrusted loans	**609,565**	469,478
Entrusted funds	**609,565**	469,478

59 PLEDGED ASSETS

(1) Assets pledged as security

(a) Carrying value of pledged assets analysed by asset type

	Group		Bank	
	2009	2008	**2009**	2008
Pledged deposits	**342**	—	**342**	—
Loans	**—**	—	**2,625**	—
Government bonds	**—**	859	**—**	859
Corporate bonds	**—**	81	**—**	81
Public sector entity bonds	**—**	750	**—**	750
Financial institution bonds	**579**	3,180	**579**	3,180
Total	**921**	4,870	**3,546**	4,870

(b) Carrying value of pledged assets analysed by classification

	Group		Bank	
	2009	2008	**2009**	2008
Deposits with banks and non-bank financial institutions	**342**	—	**342**	—
Loans and advances to customers	**—**	—	**2,625**	—
Available-for-sale financial assets	**579**	2,886	**579**	2,886
Held-to-maturity investments	**—**	1,984	**—**	1,984
Total	**921**	4,870	**3,546**	4,870

(2) Collateral accepted as securities for assets

The Group conducts resale agreements under usual and customary terms of placements, and holds collateral for these transactions. As at 31 December 2009 and 2008, the Group did not hold for resale agreements any collateral which it was permitted to sell or repledge in the absence of default for the transactions.

(Expressed in millions of RMB unless otherwise stated)

60 COMMITMENTS AND CONTINGENT LIABILITIES

(1) Credit commitments

Credit commitments take the form of approved loans with signed contracts, credit card limits, financial guarantees and letters of credit. The Group assesses and makes allowance for any probable losses accordingly.

The contractual amounts of loans and credit card commitments represent the cash outflows should the contracts be fully drawn upon. The amounts of guarantees and letters of credit represent the maximum potential loss that would be recognised if counterparties failed completely to perform as contracted. Acceptances comprise undertakings by the Group to pay bills of exchange drawn on customers. The Group expects most acceptances to be settled simultaneously with the reimbursement from the customers.

As the facilities may expire without being drawn upon, the total of the contractual amounts set out in the following table is not representative of expected future cash outflows.

	Group		Bank	
	2009	2008	**2009**	2008
Loan commitments				
— with an original maturity under one year	**84,261**	47,941	**80,050**	44,028
— with an original maturity of one year or over	**443,366**	259,904	**443,138**	259,880
Credit card commitments	**260,656**	174,714	**240,391**	174,714
	788,283	482,559	**763,579**	478,622
Bank acceptances	**339,354**	219,603	**339,240**	219,487
Financing guarantees	**149,750**	182,518	**153,468**	181,979
Non-financing guarantees	**415,342**	362,668	**415,277**	362,632
Sight letters of credit	**47,091**	36,386	**47,091**	36,386
Usance letters of credit	**72,373**	35,110	**72,480**	37,499
Others	**49,280**	31,636	**49,604**	31,580
Total	**1,861,473**	1,350,480	**1,840,739**	1,348,185

(Expressed in millions of RMB unless otherwise stated)

60 COMMITMENTS AND CONTINGENT LIABILITIES (continued)

(2) Credit risk-weighted amount

The credit risk-weighted amount refers to the amount as computed in accordance with the rules set out by the CBRC and depends on the status of the counterparty and the maturity characteristics. The risk weights used range from 0% to 100% of contingent liabilities and commitments.

	Group		Bank	
	2009	2008	**2009**	2008
Credit risk-weighted amount of contingent liabilities and commitments	**898,284**	660,982	**897,511**	660,849

(3) Operating lease commitments

The Group and the Bank lease certain property and equipment under operating leases, which typically run for an initial period of one to five years and may include an option to renew the lease when all terms are renegotiated. None of the leases includes contingent rentals. As at the end of the reporting period, the future minimum lease payments under non-cancellable operating leases for property and equipment were as follows:

	Group		Bank	
	2009	2008	**2009**	2008
Within one year	**3,012**	2,458	**2,760**	2,300
After one year but within two years	**2,293**	2,018	**2,112**	1,879
After two years but within three years	**1,822**	1,571	**1,706**	1,501
After three years but within five years	**2,319**	2,150	**2,249**	2,066
After five years	**1,767**	1,345	**1,442**	1,315
Total	**11,213**	9,542	**10,269**	9,061

(4) Capital commitments

As at the end of the reporting period, the Group and the Bank had capital commitments as follows:

	Group		Bank	
	2009	2008	**2009**	2008
Contracted for	**5,511**	6,333	**5,394**	6,298
Authorised but not contracted for	**1,652**	558	**1,635**	556
Total	**7,163**	6,891	**7,029**	6,854

(5) Underwriting obligations

As at 31 December 2009, the unexpired underwriting commitments of the Group and the Bank were RMB3,890 million (2008: nil).

60 COMMITMENTS AND CONTINGENT LIABILITIES (continued)

(6) Redemption obligations

As an underwriting agent of PRC government bonds, the Group has the responsibility to buy back those bonds sold by it should the holders decide to early redeem the bonds held. The redemption price for the bonds at any time before their maturity date is based on the coupon value plus any interest unpaid and accrued up to the redemption date. Accrued interest payables to the bond holders are calculated in accordance with relevant rules of the MOF and the PBOC. The redemption price may be different from the fair value of similar instruments traded at the redemption date.

The redemption obligations, which represent the nominal value of government bonds underwritten and sold by the Group and the Bank, but not yet matured as at 31 December 2009, were RMB81,424 million (2008: RMB62,677 million).

(7) Outstanding litigation and disputes

As at 31 December 2009, the Group was the defendant in certain pending litigation and disputes with gross claims of RMB2,418 million (2008: RMB2,781 million). Provisions have been made for the estimated losses arising from such litigations based upon the opinions of the Group's internal and external legal counsels (Note 47). The Group considers that the provisions made are reasonable and adequate.

(8) Provision against commitments and contingent liabilities

The Group and the Bank assessed and made provisions for any probable outflow of economic benefits in relation to the above commitments and contingent liabilities in accordance with their accounting policies (Note 4(13)).

61 RELATED PARTY RELATIONSHIPS AND TRANSACTIONS

(1) Transactions with parent companies and their affiliates

The parent companies of the Group are CIC and Huijin.

Approved by the State Council, CIC was established on 29 September 2007 with a registered capital of USD200 billion. As a wholly owned subsidiary of CIC, Huijin exercises its rights and obligations as an investor on behalf of PRC government.

Huijin was incorporated on 16 December 2003 as a wholly state-owned investment company with the approval of the State Council. It was registered in Beijing with a registered capital of RMB552,117 million. Its principal activities are equity investments as authorised by the State Council, without engaging in other commercial operations.

As at 31 December 2009, Huijin directly held 57.09% shares of the Bank. According to the share transfer agreement signed between Huijin and Jianyin on 25 May 2009, Jianyin transferred all shares of the Bank, amounting to 20,692,250,000 H shares, to Huijin for nil consideration. The share transfer completed in July 2009.

The related companies under parent companies include the subsidiaries under parent companies and other associates and jointly controlled entities.

The Group's transactions with parent companies and their affiliates mainly include deposit taking, entrusted asset management, operating leases, lending, purchase and sale of debt securities, money market transactions and inter-bank clearing. These transactions are conducted in the normal and ordinary course of the business and under normal commercial terms.

The Group has issued subordinated debts with a nominal value of RMB80 billion (2008: RMB40 billion). These are bearer bonds and tradable in secondary market. Accordingly, the Group has no information in respect of the amount of the bonds held by the affiliates of parent companies as at the end of the reporting period.

(Expressed in millions of RMB unless otherwise stated)

61 RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (continued)

(1) Transactions with parent companies and their affiliates (continued)

(a) Transactions with parent companies

In the ordinary course of the business, transactions that the Group and the Bank entered into with parent companies are as follows:

Amounts

	2009		2008	
	Amount	**Ratio to similar transactions**	Amount	Ratio to similar transactions
Interest expense	**394**	**0.31%**	332	0.25%

Balances outstanding as at the end of the reporting period

	2009		2008	
	Balance	**Ratio to similar transactions**	Balance	Ratio to similar transactions
Deposits from banks and non-bank financial institutions	**688**	**0.09%**	—	—
Deposits from customers	**2,508**	**0.03%**	5,325	0.08%
Interest payable	**21**	**0.04%**	37	0.06%

(Expressed in millions of RMB unless otherwise stated)

61 RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (continued)

(1) Transactions with parent companies and their affiliates (continued)

(b) Transactions with the affiliates of parent companies

In the ordinary course of the business, transactions that the Group and the Bank entered into with the affiliates of parent companies are as follows:

Amounts

		2009		2008	
	Note	**Amount**	**Ratio to similar transactions**	Amount	Ratio to similar transactions
Interest income		**12,916**	**3.80%**	13,869	3.89%
Interest expense		**1,529**	**1.20%**	1,661	1.26%
Fee and commission income		**136**	**0.27%**	259	0.65%
Fee and commission expense		**94**	**5.28%**	20	1.24%
Other operating income, net		**10**	**0.39%**	62	1.18%
Operating expenses	(i)	**854**	**0.81%**	953	0.96%

(Expressed in millions of RMB unless otherwise stated)

61 RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (continued)

(1) Transactions with parent companies and their affiliates (continued)

(b) Transactions with the affiliates of parent companies (continued)

Balances outstanding as at the end of the reporting period

		2009		2008	
		Balance	**Ratio to similar transactions**	Balance	Ratio to similar transactions
Deposits with banks and non-bank financial institutions		**33,245**	**32.86%**	6,367	19.24%
Placements with banks and non-bank financial institutions		**8,165**	**36.75%**	5,049	29.99%
Financial assets at fair value through profit or loss		**3,795**	**20.11%**	2,581	5.13%
Positive fair value of derivatives		**213**	**2.25%**	504	2.37%
Financial assets held under resale agreements		**2,005**	**0.34%**	7,944	3.81%
Interest receivable		**4,860**	**12.05%**	5,132	13.39%
Loans and advances to customers		**1,586**	**0.03%**	4,829	0.13%
Available for sale financial assets		**69,457**	**10.66%**	48,271	8.76%
Held-to-maturity investments		**297,382**	**21.11%**	246,696	23.68%
Debt securities classified as receivables		**43,103**	**8.63%**	48,478	8.79%
Other assets	(ii)	**157**	**1.15%**	1,384	10.81%
Deposits from banks and non-bank financial institutions	(iii)	**99,152**	**12.80%**	48,746	10.89%
Placements from banks and non-bank financial institutions		**12,338**	**32.37%**	20,618	47.83%
Negative fair value of derivatives		**132**	**1.54%**	370	1.99%
Deposits from customers		**5,989**	**0.07%**	5,900	0.09%
Interest payable		**170**	**0.29%**	138	0.23%
Other liabilities		**372**	**1.81%**	57	0.26%

61 RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (continued)

(1) Transactions with parent companies and their affiliates (continued)

(b) Transactions with the affiliates of parent companies (continued)

(i) Operating expenses mainly represent rental expenses paid by the Group for leased assets, including properties and motor vehicles, owned by parent companies and its affiliates, and fees for related services provided by parent companies and its affiliates.

(ii) Other assets mainly represent other receivables from the affiliates of parent companies.

(iii) Deposits from the affiliates of parent companies are unsecured and are repayable under normal commercial terms.

(2) Transactions with associates and jointly controlled entities of the Group

Transactions between the Group and its associates and jointly controlled entities are conducted in the normal and ordinary course of the business and under normal commercial terms. In the ordinary course of the business, transactions that the Group entered into with associates and jointly controlled entities are as follows:

Amounts

	2009	2008
Interest income	**5**	7
Interest expense	**1**	—

Balances outstanding as at the end of the reporting period

	2009	2008
Loans and advances to customers	**211**	—
Deposits from customers	**442**	247
Interest payable	**—**	2

(Expressed in millions of RMB unless otherwise stated)

61 RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (continued)

(3) Transactions between the Bank and its subsidiaries

Transactions between the Bank and its subsidiaries are conducted in the normal and ordinary course of the business and under normal commercial terms. All the inter-group transactions and inter-group balances are eliminated when preparing the consolidated financial statements as mentioned in Note 4(1)(b).

In the ordinary course of the business, transactions that the Bank entered into with its subsidiaries are as follows:

Amounts

	2009	2008
Interest income	**82**	980
Interest expense	**135**	831
Fee and commission income	**124**	43
Fee and commission expense	**11**	—
Dividend income	**33**	—
Net trading gain	**(3)**	—
Other operating income/(loss), net	**23**	(197)
Operating expenses	**13**	218

Balances outstanding as at the end of the reporting period are presented in Note 38.

For the year ended 31 December 2009, the total maximum guarantee limit of guarantee letters issued by the Bank with its subsidiaries as beneficiary is RMB4,282 million (2008: RMB4,188 million).

For the year ended 31 December 2009, the transactions between subsidiaries of the Group are mainly deposit taking and ordinary receivables and payables. As at 31 December 2009, the balances of the above transactions were RMB452 million and RMB144 million respectively, and the corresponding interest income and interest expense was RMB4 million.

61 RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (continued)

(4) Transactions with other PRC state-owned entities

The Group operates in an economic regime currently predominated by entities directly or indirectly owned by the PRC government through its government authorities, agencies, affiliations and other organizations ("state-owned entities"). Transactions with other state-owned entities include but are not limited to: lending and deposit taking; taking and placing of inter-bank balances; entrusted lending and other custody services; insurance and securities agency, and other intermediary services; sale, purchase, underwriting and redemption of bonds issued by other state-owned entities; purchase, sale and leases of property and other assets; and rendering and receiving of utilities and other services.

These transactions are conducted in the ordinary course of the Group's banking business on terms similar to those that would have been entered into with non-state-owned entities. The Group's pricing strategy and approval processes for major products and services, such as loans, deposits and commission income, do not depend on whether the customers are state-owned entities or not. Having due regard to the substance of the relationships, the Group is of the opinion that none of these transactions are material related party transactions that require separate disclosure.

(5) Key management personnel

Key management personnel are those persons having authorities and responsibilities for planning, directing and controlling the activities of the Group, directly or indirectly, including directors, supervisors and senior executives.

(Expressed in millions of RMB unless otherwise stated)

61 RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (continued)

(5) Key management personnel (continued)

The compensation of directors and supervisors is disclosed in Note 14. The senior executives annual compensation before individual income tax during the year is as follows:

	2009			
	Remuneration paid RMB'000	Contributions to defined contribution retirement schemes RMB'000	Other benefits in kind (note (i)) RMB'000	Total RMB'000
Vice president				
Fan Yifei (note (ii))	492	26	238	756
Vice president and chief risk officer				
Zhu Xiaohuang (note (ii))	492	26	235	753
Vice president				
Hu Zheyi (note (ii))	492	26	235	753
Vice president and chief financial officer				
Pang Xiusheng (note (ii))	438	26	204	668
Chief audit officer				
Yu Yongshun (note (ii))	438	26	204	668
Secretary to the board of directors				
Chen Caihong (note (ii))	438	26	204	668
Controller of wholesale banking				
Gu Jingpu (note (ii))	438	26	204	668
Controller of retail banking				
Du Yajun (note (ii))	438	26	204	668
Controller of investment and wealth management banking				
Mao Yumin (note (ii))	3,060	11	25	3,096
	6,726	219	1,753	8,698

	2009				
	Salaries and allowance RMB'000	Variable compensation RMB'000	Contributions to defined contribution retirement schemes RMB'000	Other benefits in kind (note(i)) RMB'000	Total RMB'000
Company secretary					
Chan Mei Sheung	2,180	1,638	174	16	4,008
Qualified accountant					
Yuen Yiu Leung	2,064	731	150	20	2,965
	4,244	2,369	324	36	6,973

(Expressed in millions of RMB unless otherwise stated)

61 RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (continued)

(5) Key management personnel (continued)

	2008					
	Salaries and allowance RMB'000	Variable compensation RMB'000	Sub-total RMB'000	Contributions to defined contribution retirement schemes RMB'000	Other benefits in kind (note (i)) RMB'000	Total RMB'000
Vice president						
Chen Zuofu	741	570	1,311	23	75	1,409
Fan Yifei	741	569	1,310	23	76	1,409
Vice president and chief risk officer						
Zhu Xiaohuang	714	547	1,261	23	68	1,352
Chief financial officer						
Pang Xiusheng	659	490	1,149	23	68	1,240
Chief audit officer						
Yu Yongshun	659	490	1,149	23	68	1,240
Secretary to the board of directors						
Chen Caihong	652	500	1,152	23	65	1,240
Controller of wholesale banking						
Gu Jingpu	659	491	1,150	23	67	1,240
Controller of retail banking						
Du Yajun	659	494	1,153	23	64	1,240
Controller of investment and wealth management banking						
Mao Yumin	3,287	407	3,694	11	25	3,730
Company secretary						
Chan Mei Sheung	2,255	1,629	3,884	118	18	4,020
Qualified accountant						
Yuen Yiu Leung	2,041	442	2,483	165	30	2,678
	13,067	6,629	19,696	478	624	20,798

Notes:

(i) Other benefits in kind included the Bank's contributions to medical fund, housing fund and other social insurances, which are payable to labour and security authorities based on the lower of certain percentage of the salaries and allowance or the prescribed upper limits as required by the relevant regulations issued by the government authorities. Other benefits also included the Bank's contribution to its own corporate annuity plan (which was set up in accordance with the relevant policies issued by the government authorities) and supplementary medical insurance.

(ii) The total compensation package for these key management personnel for the year ended 31 December 2009 has not yet been finalised in accordance with regulations of the PRC relevant authorities. The amount of the compensation not provided for is not expected to have significant impact to the Group's and the Bank's financial statements for the year ended 31 December 2009. The final compensation will be disclosed in a separate announcement when determined.

61 RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (continued)

(6) Loans and advances to directors, supervisors and senior executives

The Group had no material balance of loans and advances to directors, supervisors and senior executives as at the end of the reporting period. Those loans and advances to directors, supervisors and senior executives were conducted in the normal and ordinary course of the business and under normal commercial terms or on the same terms and conditions that are available to other employees, based on terms and conditions granted to third parties adjusted for reduced risk.

(7) Contributions to defined contribution retirement schemes

The Group participates in various defined contribution retirement schemes organised by municipal and provincial governments for its employees in Mainland China. For its overseas employees, the Group participates in various defined contribution retirement schemes at funding rates determined in accordance with the local practices and regulations. The details of the Group's defined contribution retirement schemes are described in Note 4(12)(b).

62 RISK MANAGEMENT

The Group has exposure to the following risks from its use of financial instruments:

— credit risk

— market risk

— liquidity risk

— operational risk

This note presents information about the Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing risk, and the Group's management of capital.

Risk management framework

The board of directors has overall responsibility for the establishment and oversight of the Group's risk management framework. The Board has established the Risk Management Committee, which is responsible for developing and monitoring the Group's risk strategy and risk management policies and evaluating the Group's risk exposures regularly.

To identify, evaluate, monitor and manage risk, the Group has designed a comprehensive governance framework, internal control policies and procedures. The Chief Risk Officer, who reports directly to the President, is responsible for the Group's overall risk management. Risk management policies and systems are reviewed regularly to reflect changes in market conditions, products and services offered. The Group, through its training and standardised and procedural management, aims to develop a disciplined and constructive control environment, in which all employees understand their roles and obligations.

The Group Audit Committee is responsible for monitoring and evaluating internal controls, and monitoring the compliance of core businesses sectors and their management procedures. The Group Audit Committee is assisted in these functions by Audit Department. Audit Department undertakes both regular and ad-hoc reviews of risk management controls and procedures, the results of which are reported to the Group Audit Committee.

62 RISK MANAGEMENT (continued)

(1) Credit risk

Credit risk management

Credit risk represents the financial loss that arises from the failure of a debtor or counterparty to discharge its contractual obligations or commitments to the Group.

Credit business

The Risk Management Department, under the supervision of the Chief Risk Officer, is responsible for establishing credit risk management policies and performing credit risk measurement and analysis. The Credit Management Department is responsible for monitoring the implementation of credit risk management policies and coordinating credit approval and credit ratings activities. The Credit Management Department works together with the Corporate Banking Department, the Institutional Banking Department, the International Business Department, the Housing Finance & Personal Lending Department, the Credit Card Center, the Special Assets Resolution Department and the Legal and Compliance Department to implement credit risk management policies and procedures.

With respect to the credit risk management of corporate and institutional business, the Group has sped up the adjustment of its credit portfolio structure, enhanced post-lending monitoring, and refined the industry-specific guideline and policy baseline for credit approval. Management also fine-tuned the credit acceptance and exit policies, and optimised its economic capital and credit risk limit management. All these policies have been implemented to improve the overall asset quality. The Group manages credit risk throughout the entire credit process including pre-lending evaluations, credit approval and post-lending monitoring. The Group performs pre-lending evaluations by assessing the entity's credit ratings based on internal rating criteria and assessing the risk and rewards with respect to the proposed project. Credit approvals are granted by designated Credit Approval Officers. The Group continually monitors loans, particularly those related to targeted industries, geographical segments, products and clients. Any adverse events that may significantly affect a borrower's repayment ability are reported immediately and measures are implemented to prevent and control risks. In 2009, the Bank has further emphasis the importance of segregation of duties as well as enhancing the operating mechanism as a whole. During the process of optimizing the parallel operation, the Bank has also begun to escalate its business focus from parallel operation to post-lending management. The centralized risk management was also expedite in the cities of where the first-tier branches are located, and the Bank will continue to explore the ways of specify the operating characteristic for those branches, in addition to develop an intensive management for risk, reallocation of resource, improving the quality and efficiency.

With respect to the personal credit business, the Group relies on credit assessment of applicants as the basis for loan approval. Customer relationship managers are required to assess the income level, credit history, and repayment ability of the applicant. The customer relationship managers then forward the application and recommendations to the loan-approval departments for consent. The Group monitors borrowers' repayment ability, the status of collateral and any changes to collateral value. Once a loan becomes overdue, the Group starts the recovery process according to standard personal loan recovery procedures.

To mitigate risks, the Group requests the customers to provide collateral and guarantees where there are appropriate. A fine management system and operating workflow for collateral have already developed, and there is a guideline to specify the suitability of accepting specifically types of collateral, as well as determining evaluation parameters. Collateral structures and legal covenants are regularly reviewed to ensure that they still serve their intended purposes and conform to market practices.

62 RISK MANAGEMENT (continued)

(1) Credit risk (continued)

Loan grading classification

The Group adopts a loan risk classification approach to manage the loan portfolio risk. Loans are generally classified as normal, special mention, substandard, doubtful and loss according to their level of risk. Substandard, doubtful and loss loans are considered to be impaired loans and advances when one or more events demonstrate there is objective evidence of a loss event which triggers impairment. The allowance for impairment loss on impaired loans and advances is collectively or individually assessed as appropriate.

The core definitions of the five categories of loans and advances are set out below:

Normal:	Borrowers can honour the terms of their loans. There is no reason to doubt their ability to repay principal and interest in full on a timely basis.
Special mention:	Borrowers are able to service their loans currently, although repayment may be adversely affected by specific factors.
Substandard:	Borrowers' abilities to service their loans are in question and they cannot rely entirely on normal business revenues to repay principal and interest. Losses may ensue even when collateral or guarantees are invoked.
Doubtful:	Borrowers cannot repay principal and interest in full and significant losses will need to be recognised even when collateral or guarantees are invoked.
Loss:	Principal and interest of loans cannot be recovered or only a small portion of them can be recovered after taking all possible measures or resorting to all necessary legal procedures.

Treasury business

For risk management purposes, credit risk arising on debt securities and exposures relating to the Group's derivatives portfolio is managed independently and information thereon is disclosed in notes (1)(h) and (1)(i) below. The Group sets credit limits for treasury activities and monitors them regularly with reference to the fair values of the relevant financial instruments.

(Expressed in millions of RMB unless otherwise stated)

62 RISK MANAGEMENT (continued)

(1) Credit risk (continued)

(a) Maximum credit risk exposure

The maximum exposure to credit risk as at the end of the reporting period without taking into consideration any collateral held or other credit enhancement is represented by the carrying amount of each type of financial assets in the statement of financial position after deducting any impairment allowance. A summary of the maximum exposure is as follows:

	Group		Bank	
	2009	2008	**2009**	2008
Deposits with central banks	**1,418,252**	1,213,137	**1,415,172**	1,212,943
Deposits with banks and non-bank financial institutions	**101,163**	33,096	**100,679**	28,425
Placements with banks and non-bank financial institutions	**22,217**	16,836	**23,143**	28,426
Financial liabilities at fair value through profit or loss	**14,517**	47,140	**10,251**	44,491
Positive fair value of derivatives	**9,456**	21,299	**7,730**	20,335
Financial assets held under resale agreements	**589,606**	208,548	**588,706**	208,548
Interest receivable	**40,345**	38,317	**40,129**	38,297
Loans and advances to customers	**4,692,947**	3,683,575	**4,626,024**	3,639,940
Available-for-sale debt securities	**626,763**	535,379	**627,598**	536,049
Held-to-maturity investments	**1,408,873**	1,041,783	**1,408,465**	1,041,783
Debt securities classified as receivables	**499,575**	551,818	**499,575**	551,818
Other financial assets	**8,436**	8,363	**28,068**	21,791
Total	**9,432,150**	7,399,291	**9,375,540**	7,372,846
Off-balance sheet credit commitments	**1,861,473**	1,350,480	**1,840,739**	1,348,185
Maximum credit risk exposure	**11,293,623**	8,749,771	**11,216,279**	8,721,031

(Expressed in millions of RMB unless otherwise stated)

62 RISK MANAGEMENT (continued)

(1) Credit risk (continued)

(b) Distribution of loans and advances to customers in terms of credit quality is analysed as follows:

		Group		Bank	
	Note	**2009**	2008	**2009**	2008
Individually assessed and impaired gross amount		**64,794**	75,042	**64,717**	74,956
Allowances for impairment losses		**(46,360)**	(50,548)	**(46,308)**	(50,478)
Subtotal		**18,434**	24,494	**18,409**	24,478
Collectively assessed and impaired gross amount		**7,362**	8,840	**7,208**	8,840
Allowances for impairment losses		**(4,838)**	(5,698)	**(4,832)**	(5,698)
Subtotal		**2,524**	3,142	**2,376**	3,142
Overdue but not impaired	(i)				
— less than 90 days		**15,183**	28,433	**14,981**	28,383
— 90–180 days		**2,289**	2,888	**2,289**	2,886
Gross amount		**17,472**	31,321	**17,270**	31,269
Allowances for impairment losses	(ii)	**(1,328)**	(2,074)	**(1,328)**	(2,048)
Subtotal		**16,144**	29,247	**15,942**	29,221
Neither overdue nor impaired					
— Unsecured loans		**1,287,097**	941,723	**1,273,397**	928,287
— Guaranteed loans		**970,460**	786,210	**956,733**	784,879
— Loans secured by tangible assets other than monetary assets		**2,011,662**	1,579,562	**1,974,642**	1,551,246
— Loans secured by monetary assets		**460,926**	371,245	**458,168**	370,665
Gross amount		**4,730,145**	3,678,740	**4,662,940**	3,635,077
Allowances for impairment losses	(ii)	**(74,300)**	(52,048)	**(73,643)**	(51,978)
Subtotal		**4,655,845**	3,626,692	**4,589,297**	3,583,099
Total		**4,692,947**	3,683,575	**4,626,024**	3,639,940

62 RISK MANAGEMENT (continued)

(1) Credit risk (continued)

(b) Distribution of loans and advances to customers in terms of credit quality is analysed as follows : (continued)

Notes:

(i) As at 31 December 2009, the gross amount of loans and advances of the Group, which were overdue but not impaired and were subject to individual assessment, was RMB1,440 million (2008: RMB7,638 million). The covered portion and uncovered portion of these loans and advances were RMB601 million (2008: RMB5,116 million) and RMB839 million (2008: RMB2,522 million) respectively. The fair value of collateral held against these loans and advances amounted to RMB1,015 million (2008: RMB7,665 million).

As at 31 December 2009, the gross amount of loans and advances of the Bank, which were overdue but not impaired and were subject to individual assessment, was RMB1,417 million (2008: RMB7,595 million). The covered portion and uncovered portion of these loans and advances were RMB583 million (2008: RMB5,076 million) and RMB834 million (2008: RMB2,519 million) respectively. The fair value of collateral held against these loans and advances amounted to RMB996 million (2008: RMB7,600 million).

The fair value of collateral was estimated by the Group based on the latest available external valuations adjusted by taking into account the current realisation experience as well as the market situation.

(ii) The balances represent collectively assessed allowances of impairment losses.

(Expressed in millions of RMB unless otherwise stated)

62 RISK MANAGEMENT (continued)

(1) Credit risk (continued)

(c) *Loans and advances to customers analysed by economic sector concentrations*

Group

	2009			2008		
	Gross loan balance	**Percentage**	**Balance secured by collateral**	Gross loan balance	Percentage	Balance secured by collateral
Operations in Mainland China						
Corporate loans and advances						
— Manufacturing	**803,302**	**17.21%**	**306,543**	663,350	18.05%	260,224
— Transportation, storage and postal services	**519,078**	**11.12%**	**224,119**	426,803	11.62%	204,595
— Production and supply of electric power, gas and water	**486,094**	**10.41%**	**121,882**	452,472	12.31%	117,911
— Real estate	**358,651**	**7.68%**	**308,652**	329,381	8.96%	279,398
— Leasing and commercial services	**303,380**	**6.50%**	**117,459**	135,746	3.69%	56,438
— Water, environment and public utility management	**206,175**	**4.42%**	**94,603**	132,426	3.60%	69,046
— Wholesale and retail trade	**146,693**	**3.14%**	**75,727**	102,590	2.79%	56,577
— Construction	**116,379**	**2.49%**	**43,594**	116,551	3.17%	41,882
— Mining	**104,019**	**2.23%**	**18,453**	90,499	2.46%	14,600
— Education	**93,351**	**2.00%**	**35,035**	78,870	2.15%	26,118
— Telecommunications, computer services and software	**25,249**	**0.54%**	**7,158**	25,943	0.71%	5,149
— Others	**188,944**	**4.05%**	**93,226**	135,153	3.69%	76,167
Total corporate loans and advances	**3,351,315**	**71.79%**	**1,446,451**	2,689,784	73.20%	1,208,105
Personal loans and advances	**1,088,459**	**23.32%**	**1,025,887**	821,531	22.36%	775,171
Discounted bills	**228,361**	**4.89%**	**—**	163,161	4.44%	497
Total loans and advances to customers in Mainland China	**4,668,135**	**100.00%**	**2,472,338**	3,674,476	100.00%	1,983,773

(Expressed in millions of RMB unless otherwise stated)

62 RISK MANAGEMENT (continued)

(1) Credit risk (continued)

(c) *Loans and advances to customers analysed by economic sector concentrations (continued)*

***Group** (continued)*

	2009			2008		
	Gross loan balance	**Percentage**	**Balance secured by collateral**	Gross loan balance	Percentage	Balance secured by collateral
Overseas operations						
Corporate loans and advances						
— Real estate	**30,221**	**19.93%**	**18,613**	24,730	20.70%	16,381
— Manufacturing	**22,980**	**15.15%**	**3,562**	17,524	14.67%	2,948
— Transportation, storage and postal services	**21,528**	**14.20%**	**5,604**	13,031	10.91%	5,777
— Wholesale and retail trade	**18,051**	**11.90%**	**3,098**	14,863	12.44%	2,676
— Production and supply of electric power, gas and water	**8,260**	**5.45%**	**1,622**	6,489	5.43%	1,177
— Leasing and commercial services	**4,982**	**3.29%**	**2,518**	2,877	2.41%	2,529
— Telecommunications, computer services and software	**3,343**	**2.20%**	**557**	13,685	11.46%	509
— Others	**18,911**	**12.48%**	**4,840**	12,162	10.17%	5,667
Total corporate loans and advances	**128,276**	**84.60%**	**40,414**	105,361	88.19%	37,664
Personal loans and advances	**22,976**	**15.15%**	**17,907**	13,949	11.68%	13,493
Discounted bills	**386**	**0.25%**	**15**	157	0.13%	—
Total loans and advances to customers overseas	**151,638**	**100.00%**	**58,336**	119,467	100.00%	51,157
Total gross loans and advances to customers	**4,819,773**		**2,530,674**	3,793,943		2,034,930

(Expressed in millions of RMB unless otherwise stated)

62 RISK MANAGEMENT (continued)

(1) Credit risk (continued)

(c) *Loans and advances to customers analysed by economic sector concentrations (continued)*

***Group** (continued)*

Details of impaired loans, impairment allowances, charges, and amounts written off in respect of economic sectors which constitute 10% or more of total gross loans and advances to customers are as follows:

	2009				
	Gross impaired loans	**Individually assessed impairment allowances**	**Collectively assessed impairment allowances**	**Charged to profit or loss during the year**	**Written off during the year**
Manufacturing	**21,522**	**(15,861)**	**(14,548)**	**5,615**	**2,083**
Transportation, storage and postal services	**10,168**	**(4,679)**	**(9,335)**	**4,516**	**236**
Production and supply of electric power, gas and water	**3,991**	**(2,882)**	**(9,313)**	**(249)**	**109**

	2008				
	Gross impaired loans	Individually assessed impairment allowances	Collectively assessed impairment allowances	Charged to profit or loss during the year	Written off during the year
Manufacturing	24,168	(17,098)	(10,207)	7,728	2,063
Transportation, storage and postal services	5,393	(3,144)	(6,563)	3,321	1,057
Production and supply of electric power, gas and water	6,672	(4,490)	(8,148)	5,224	40

(Expressed in millions of RMB unless otherwise stated)

62 RISK MANAGEMENT (continued)

(1) Credit risk (continued)

(c) Loans and advances to customers analysed by economic sector concentrations (continued)

Bank

	2009			2008		
	Gross loan balance	**Percentage**	**Balance secured by collateral**	Gross loan balance	Percentage	Balance secured by collateral
Operations in Mainland China						
Corporate loans and advances						
— Manufacturing	**798,035**	**17.14%**	**306,516**	662,138	18.04%	260,224
— Transportation, storage and postal services	**517,698**	**11.12%**	**222,799**	426,803	11.63%	204,595
— Production and supply of electric power, gas and water	**483,231**	**10.38%**	**121,607**	450,240	12.27%	117,911
— Real estate	**356,970**	**7.67%**	**307,949**	329,341	8.97%	279,358
— Leasing and commercial services	**303,355**	**6.52%**	**117,459**	135,746	3.70%	56,438
— Water, environment and public utility management	**206,175**	**4.43%**	**94,603**	132,426	3.61%	69,046
— Wholesale and retail trade	**146,688**	**3.15%**	**75,727**	102,590	2.79%	56,577
— Construction	**116,194**	**2.50%**	**43,589**	116,379	3.17%	41,882
— Mining	**103,597**	**2.23%**	**18,453**	90,499	2.47%	14,600
— Education	**93,351**	**2.01%**	**35,035**	78,870	2.15%	26,118
— Telecommunications, computer services and software	**25,249**	**0.54%**	**7,158**	25,943	0.71%	5,149
— Others	**188,901**	**4.05%**	**93,219**	135,153	3.66%	76,167
Total corporate loans and advances	**3,339,444**	**71.74%**	**1,444,114**	2,686,128	73.17%	1,208,065
Personal loans and advances	**1,087,167**	**23.35%**	**1,025,289**	821,351	22.38%	775,169
Discounted bills	**228,361**	**4.91%**	**—**	163,161	4.45%	497
Total loans and advances to customers in Mainland China	**4,654,972**	**100.00%**	**2,469,403**	3,670,640	100.00%	1,983,731

(Expressed in millions of RMB unless otherwise stated)

62 RISK MANAGEMENT (continued)

(1) Credit risk (continued)

(c) Loans and advances to customers analysed by economic sector concentrations (continued)

***Bank** (continued)*

	2009			2008		
	Gross loan balance	**Percentage**	**Balance secured by collateral**	Gross loan balance	Percentage	Balance secured by collateral
Overseas operations						
Corporate loans and advances						
— Transportation, storage and postal services	**20,531**	**21.13%**	**5,531**	11,726	14.75%	5,704
— Manufacturing	**19,291**	**19.85%**	**2,845**	12,634	15.89%	2,378
— Real estate	**14,706**	**15.14%**	**4,680**	12,501	15.72%	5,192
— Wholesale and retail trade	**12,342**	**12.70%**	**1,757**	10,573	13.30%	1,638
— Production and supply of electric power, gas and water	**7,980**	**8.21%**	**1,622**	6,268	7.88%	1,177
— Leasing and commercial services	**4,930**	**5.07%**	**2,512**	2,877	3.62%	2,529
— Telecommunications, computer services and software	**3,140**	**3.23%**	**541**	13,518	17.00%	493
— Others	**13,842**	**14.25%**	**1,877**	9,235	11.62%	3,126
Total corporate loans and advances	**96,762**	**99.58%**	**21,365**	79,332	99.78%	22,237
Personal loans and advances	**15**	**0.02%**	**—**	13	0.02%	13
Discounted bills	**386**	**0.40%**	**15**	157	0.20%	—
Total loans and advances to customers overseas	**97,163**	**100.00%**	**21,380**	79,502	100.00%	22,250
Total gross loans and advances to customers	**4,752,135**		**2,490,783**	3,750,142		2,005,981

(Expressed in millions of RMB unless otherwise stated)

62 RISK MANAGEMENT (continued)

(1) Credit risk (continued)

(c) Loans and advances to customers analysed by economic sector concentrations (continued)

***Bank** (continued)*

Details of impaired loans, impairment allowances, charges, and amounts written off in respect of economic sectors which constitute 10% or more of total gross loans and advances to customers are as follows:

	2009				
	Gross impaired loans	**Individually assessed impairment allowances**	**Collectively assessed impairment allowances**	**Charged to profit or loss during the year**	**Written off during the year**
Manufacturing	**21,446**	**(15,810)**	**(14,441)**	**5,519**	**2,038**
Transportation, storage and postal services	**10,168**	**(4,679)**	**(9,320)**	**4,502**	**235**
Production and supply of electric power, gas and water	**3,991**	**(2,882)**	**(9,284)**	**(256)**	**109**

	2008				
	Gross impaired loans	Individually assessed impairment allowances	Collectively assessed impairment allowances	Charged to profit or loss during the year	Written off during the year
Manufacturing	24,094	(17,039)	(10,192)	7,680	2,062
Transportation, storage and postal services	5,393	(3,144)	(6,560)	3,321	1,057
Production and supply of electric power, gas and water	6,672	(4,490)	(8,127)	5,203	40

(Expressed in millions of RMB unless otherwise stated)

62 RISK MANAGEMENT (continued)

(1) Credit risk (continued)

(d) *Loans and advances to customers analysed by geographical sector concentrations*

Group

	2009			2008		
	Gross loan balance	**Percentage**	**Balance secured by collateral**	Gross loan balance	Percentage	Balance secured by collateral
Yangtze River Delta	**1,136,447**	**23.58%**	**660,273**	922,104	24.30%	554,829
Bohai Rim	**859,885**	**17.84%**	**379,304**	691,638	18.23%	303,721
Western	**819,337**	**17.00%**	**454,429**	635,905	16.76%	355,462
Central	**782,763**	**16.24%**	**391,903**	607,335	16.01%	317,762
Pearl River Delta	**728,639**	**15.12%**	**446,513**	544,999	14.36%	337,690
Northeastern	**299,385**	**6.21%**	**139,419**	233,468	6.15%	113,758
Head office	**41,679**	**0.86%**	**497**	39,027	1.03%	551
Overseas	**151,638**	**3.15%**	**58,336**	119,467	3.16%	51,157
Gross loans and advances to customers	**4,819,773**	**100.00%**	**2,530,674**	3,793,943	100.00%	2,034,930

(Expressed in millions of RMB unless otherwise stated)

62 RISK MANAGEMENT (continued)

(1) Credit risk (continued)

(d) Loans and advances to customers analysed by geographical sector concentrations (continued)

Group *(continued)*

Details of impaired loans and impairment allowances in respect of geographic sectors which constitute 10% or more of total gross loans and advances to customers are as follows:

	2009		
	Gross impaired loans	**Individually assessed impairment allowances**	**Collectively assessed impairment allowances**
Bohai Rim	**14,488**	**(11,174)**	**(14,623)**
Yangtze River Delta	**13,653**	**(8,321)**	**(17,981)**
Central	**10,706**	**(7,302)**	**(13,482)**
Western	**9,478**	**(6,636)**	**(14,717)**
Pearl River Delta	**9,058**	**(5,825)**	**(12,301)**

	2008		
	Gross impaired loans	Individually assessed impairment allowances	Collectively assessed impairment allowances
Bohai Rim	18,981	(12,492)	(11,233)
Western	16,362	(9,655)	(12,436)
Central	13,597	(8,596)	(9,615)
Yangtze River Delta	13,300	(6,545)	(13,345)
Pearl River Delta	11,609	(6,960)	(8,115)

The definitions of geographical segments are set out in Note 57(1).

(Expressed in millions of RMB unless otherwise stated)

62 RISK MANAGEMENT (continued)

(1) Credit risk (continued)

(d) Loans and advances to customers analysed by geographical sector concentrations (continued)

Bank

	2009			2008		
	Gross loan balance	Percentage	Balance secured by collateral	Gross loan balance	Percentage	Balance secured by collateral
Yangtze River Delta	1,136,301	23.91%	660,244	922,104	24.59%	554,829
Bohai Rim	849,067	17.87%	377,063	690,452	18.41%	303,681
Western	819,337	17.24%	454,429	633,681	16.90%	355,462
Central	780,564	16.43%	391,238	607,313	16.19%	317,760
Pearl River Delta	728,639	15.33%	446,513	544,999	14.53%	337,690
Northeastern	299,385	6.30%	139,419	233,064	6.21%	113,758
Head office	41,679	0.88%	497	39,027	1.04%	551
Overseas	97,162	2.04%	21,380	79,502	2.13%	22,250
Gross loans and advances to customers	4,752,134	100.00%	2,490,783	3,750,142	100.00%	2,005,981

(Expressed in millions of RMB unless otherwise stated)

62 RISK MANAGEMENT (continued)

(1) Credit risk (continued)

(d) Loans and advances to customers analysed by geographical sector concentrations (continued)

***Bank** (continued)*

Details of impaired loans and impairment allowances in respect of geographic sectors which constitute 10% or more of total gross loans and advances to customers are as follows:

	2009		
	Gross impaired loans	**Individually assessed impairment allowances**	**Collectively assessed impairment allowances**
Bohai Rim	**14,488**	**(11,174)**	**(14,482)**
Yangtze River Delta	**13,653**	**(8,321)**	**(17,980)**
Central	**10,706**	**(7,302)**	**(13,459)**
Western	**9,478**	**(6,636)**	**(14,717)**
Pearl River Delta	**9,058**	**(5,825)**	**(12,301)**

	2008		
	Gross impaired loans	Individually assessed impairment allowances	Collectively assessed impairment allowances
Bohai Rim	18,981	(12,492)	(11,221)
Western	16,362	(9,655)	(12,415)
Central	13,597	(8,596)	(9,615)
Yangtze River Delta	13,300	(6,545)	(13,345)
Pearl River Delta	11,609	(6,960)	(8,115)

The definitions of geographical segments are set out in Note 57(1).

(Expressed in millions of RMB unless otherwise stated)

62 RISK MANAGEMENT (continued)

(1) Credit risk (continued)

(e) *Loans and advances to customers analysed by types of collateral*

	Group		Bank	
	2009	2008	**2009**	2008
Unsecured loans	**1,291,942**	947,785	**1,277,924**	934,264
Guaranteed loans	**997,157**	811,228	**983,428**	809,897
Loans secured by tangible assets other than monetary assets	**2,062,981**	1,650,208	**2,025,848**	1,621,839
Loans secured by monetary assets	**467,693**	384,722	**464,935**	384,142
Gross loans and advances to customers	**4,819,773**	3,793,943	**4,752,135**	3,750,142

(Expressed in millions of RMB unless otherwise stated)

62 RISK MANAGEMENT (continued)

(1) Credit risk (continued)

(f) Rescheduled loans and advances to customers

Group

	2009		2008	
	Total	**% of gross loans and advances to customers**	Total	% of gross loans and advances to customers
Rescheduled loans and advances to customers	**3,739**	**0.08%**	3,376	0.09%
Less:				
Rescheduled loans and advances overdue for more than 90 days	**1,855**	**0.04%**	1,196	0.03%
Rescheduled loans and advances overdue for not more than 90 days	**1,884**	**0.04%**	2,180	0.06%

Bank

	2009		2008	
	Total	**% of gross loans and advances to customers**	Total	% of gross loans and advances to customers
Rescheduled loans and advances to customers	**3,589**	**0.08%**	3,354	0.09%
Less:				
Rescheduled loans and advances overdue for more than 90 days	**1,853**	**0.04%**	1,194	0.03%
Rescheduled loans and advances overdue for not more than 90 days	**1,736**	**0.04%**	2,160	0.06%

(Expressed in millions of RMB unless otherwise stated)

62 RISK MANAGEMENT (continued)

(1) Credit risk (continued)

(g) Distribution of amounts due from banks and non-bank financial institutions in terms of credit quality is as follows:

Amount due from banks and non-bank financial institutions includes deposits with banks and non-bank financial institutions, placements with banks and non-bank financial institutions and financial assets held under resale agreements of which counterparties are banks and non-bank financial institutions.

	Group		Bank	
	2009	2008	**2009**	2008
Individually assessed and impaired gross amount	**163**	341	**163**	341
Allowances for impairment losses	**(149)**	(284)	**(149)**	(284)
Subtotal	**14**	57	**14**	57
Neither overdue nor impaired				
— grade A to AAA	**227,903**	83,816	**224,543**	76,297
— grade B to BBB	**125**	759	**59**	759
— unrated	**23,444**	39,828	**26,411**	54,266
Subtotal	**251,472**	124,403	**251,013**	131,322
Total	**251,486**	124,460	**251,027**	131,379

Amounts neither overdue nor impaired are analysed above according to the Group and the Bank's internal credit rating. Unrated amounts due from banks and non-bank financial institutions include amounts due from a number of domestic banks and non-bank financial institutions for which the Group and the Bank have not assigned an internal credit rating.

(Expressed in millions of RMB unless otherwise stated)

62 RISK MANAGEMENT (continued)

(1) Credit risk (continued)

(h) Distribution of debt securities investments analysed by rating

The Group adopts a credit rating approach to manage the credit risk of the debt securities portfolio held by its operations in Mainland China. Debt securities are rated with reference to Bloomberg Composite, or major rating agencies where the issuers of the securities are located. The carrying amounts of debt securities investments analysed by the rating agency designations as at the end of the reporting period are as follows:

	Group		Bank	
	2009	2008	**2009**	2008
Individually assessed and impaired gross amount	**23,063**	37,281	**23,063**	37,281
Allowances for impairment losses	**(12,295)**	(17,836)	**(12,295)**	(17,836)
Subtotal	**10,768**	19,445	**10,768**	19,445
Neither overdue nor impaired				
Bloomberg Composite				
— AAA	**6,480**	36,826	**6,480**	36,826
— AA- to AA+	**3,715**	8,562	**3,715**	8,562
— A- to A+	**8,177**	16,512	**8,177**	16,512
— lower than A-	**815**	1,647	**815**	1,647
Subtotal	**19,187**	63,547	**19,187**	63,547
Other agency ratings				
— AAA	**155,962**	298,697	**155,962**	298,697
— AA- to AA+	**12,798**	7,139	**12,798**	7,139
— A- to A+	**2,322,456**	1,762,087	**2,322,356**	1,762,087
— lower than A-	**1,343**	1	**973**	1
Subtotal	**2,492,559**	2,067,924	**2,492,089**	2,067,924
Subtotal of debt securities held by operations in Mainland China	**2,522,514**	2,150,916	**2,522,044**	2,150,916
Debt securities held by overseas operations	**27,213**	25,204	**23,844**	23,225
Total	**2,549,727**	2,176,120	**2,545,888**	2,174,141

62 RISK MANAGEMENT (continued)

(1) Credit risk (continued)

(h) *Distribution of debt securities investments analysed by rating (continued)*

Amounts of debts securities rated from A- to A+ include those issued by the PRC government, PBOC and PRC policy banks which for the Group amounted to RMB1,624,007 million (2008: RMB1,429,641 million) and for the Bank amounted to RMB1,623,907 million (2008: RMB1,429,641 million).

(i) *Credit risk arising from the Group's derivatives exposures*

The majority of the Group's derivatives transactions with domestic customers are hedged back-to-back with overseas banks and non-bank financial institutions. The Group is exposed to credit risk both in respect of the domestic customers and the overseas banks and non-bank financial institutions. The Group manages this risk by monitoring this exposure on a regular basis.

(j) *Settlement risk*

The Group's activities may give rise to settlement risk at the time of the settlement of transactions and trades. Settlement risk is the risk of loss due to the failure of an entity to honour its obligations to deliver cash, securities or other assets as contractually agreed.

For certain types of transactions, the Group mitigates this risk by conducting settlements through a settlement or clearing agent to ensure that a trade is settled only when both parties have fulfilled their contractual settlement obligations.

62 RISK MANAGEMENT (continued)

(2) Market risk

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

The Risk Management Department is responsible for formulating a standardised market risk management policies and rules and supervising the implementation of market risk management policies and rules of the Bank. The Asset and Liability Management Department (the "ALM") is responsible for managing the size and structure of the assets and liabilities in response to non-trading market risk. The Financial Market Department manages the Head Office's RMB and foreign currency investment portfolios, conducts proprietary and customer-driven transactions, as well as implementing market risk management policies and rules. The Audit Department is responsible for regularly performing independent audits of the reliability and effectiveness of the processes constituting the risk management system.

The Group is primarily exposed to structural interest rate risk arising from interest generating commercial banking assets and interest bearing commercial banking liabilities. Interest rate risk is inherent in many of its businesses and largely arises from mismatches between the re-pricing dates of assets and liabilities. The Group manages this risk through regular interest rate gap analysis.

The Group's foreign exchange exposure mainly comprises exposures from foreign currency portfolios within treasury proprietary investments in debt securities and money market placements, and currency exposures from its overseas business. The Group manages its foreign exchange exposure by entering into cross currency interest rate swaps to hedge these exposures on a portfolio basis.

The Group is also exposed to market risk in respect of its customer driven derivatives portfolio and manages this risk by entering into back-to-back hedging transactions on a trade-by-trade basis with overseas banks and non-bank financial institutions.

The Group considers that the market risk arising from commodity or stock prices in respect of its investment portfolios is minimal.

The Group monitors market risk separately in respect of trading portfolios and non-trading portfolios. Trading portfolios include exchange rate and interest rate derivatives as well as trading securities. The historical simulation model for the Value-at-risk ("VaR") analysis is a major tool used by the Bank to measure and monitor the market risk of its trading portfolio and available-for-sale debt securities. Net interest income sensitivity analysis, interest rate repricing gap analysis and foreign exchange risk concentration analysis are the major tools used by the Group to monitor the market risk of its overall businesses.

(Expressed in millions of RMB unless otherwise stated)

62 RISK MANAGEMENT (continued)

(2) Market risk (continued)

(a) VaR analysis

VaR is a technique which estimates the potential losses that could occur on risk positions taken, due to movements in market interest rates, foreign exchange rates and other market prices over a specified time horizon and at a given level of confidence. The Risk Management Department calculates interest rate VaR for the Bank's debt investments as well as interest rate and exchange rate VaR for the Bank's derivatives. By reference to historical movements in market rates and prices, the Risk Management Department calculates VaR on a daily basis for foreign currency portfolio and at least on a weekly basis for RMB portfolios. VaR is calculated at a confidence level of 99% and with a holding period of one day.

A summary of the VaR of the Bank's trading portfolio and available-for-sale debt securities as at the end of the reporting period and during the respective year is as follows:

	2009			
	As at 31 December	Average	Maximum	Minimum
RMB trading portfolio				
Interest rate risk	13	16	24	8
RMB available-for-sale debt securities				
Interest rate risk	1,137	734	1,163	301
Foreign currency trading portfolio				
Interest rate risk	30	82	141	30
Foreign currency risk	63	455	1,123	63
Diversification	(30)	(58)	(115)	(30)
	63	479	1,149	63
Foreign currency available-for-sale debt securities				
Interest rate risk	143	168	330	106

(Expressed in millions of RMB unless otherwise stated)

62 RISK MANAGEMENT (continued)

(2) Market risk (continued)

(a) VaR analysis (continued)

	2008			
	As at 31 December	Average	Maximum	Minimum
RMB trading portfolio				
Interest rate risk	9	14	26	3
RMB available-for-sale debt securities				
Interest rate risk	404	391	532	250
Foreign currency trading portfolio				
Interest rate risk	146	154	146	119
Foreign currency risk	1,120	691	1,120	626
Diversification	(104)	(113)	(104)	(120)
	1,162	732	1,162	625
Foreign currency available-for-sale debt securities				
Interest rate risk	329	462	672	313

The above average, maximum and minimum VaR for interest rate risk, foreign currency risk and diversification of the trading portfolio represent a breakdown of the average, maximum and minimum VaR for the whole portfolio and not the individual average, maximum and minimum VaR for each risk within the portfolio.

62 RISK MANAGEMENT (continued)

(2) Market risk (continued)

(a) *VaR analysis (continued)*

Although VaR is an important tool for measuring market risk, the assumptions on which the model is based give rise to some limitations, including the following:

— A 1-day holding period assumes that it is possible to hedge or dispose of positions within that period. This is considered to be a realistic assumption in almost all cases but may not be the case in situations in which there is severe market illiquidity for a prolonged period;

— A 99 percent confidence level does not reflect losses that may occur beyond this level. Even within the model used there is one percent probability that losses could exceed the VaR;

— VaR is calculated on an end-of-day basis and does not reflect exposures that may arise on positions during the trading day;

— The use of historical data as a basis for determining the possible range of future outcomes may not always cover all possible scenarios, especially those of an exceptional nature; and

— The VaR measure is dependent upon the Bank's position and the volatility of market prices. The VaR of an unchanged position reduces if the market price volatility declines and vice versa.

(b) *Net interest income sensitivity analysis*

In monitoring interest rate risk on its overall non-derivative financial assets and liabilities, the Bank regularly measures its future net interest income sensitivity to an increase or decrease in market interest rates (assuming no asymmetrical movement in yield curves and a constant financial position). An incremental 100 basis points parallel fall or rise in all yield curves, other than that applicable to balances with central banks, would increase or decrease planned net interest income for the next twelve months from the reporting date by RMB30,230 million (2008: RMB24,449 million). Had the impact of yield curves movement for demand deposits from customers been excluded, the planned net interest income for the next twelve months from the reporting date would decrease or increase by RMB17,285 million (2008: RMB11,203 million).

The above interest rate sensitivity is for illustration purposes only and is assessed based on simplified assumptions. The figures here indicate estimated net interest income movements under various predicted yield curve scenarios and subject to the Bank's current interest rate exposures. However, account has not been taken of the possible risk management measures that can be undertaken by the Risk Management Department or related business departments to mitigate interest rate risk. In practice, the Risk Management Department strives to reduce loss arising from interest rate risk while increasing its net income. These figures are estimated on the assumption that the interest rates on various maturities will move within similar ranges, and therefore do not reflect the potential net interest income changes in the event that interest rates on some maturities may change and others remain unchanged. Moreover, the above estimations are based on other simplified assumptions, including that all positions will be held to maturity and rolled over upon maturity.

(Expressed in millions of RMB unless otherwise stated)

62 RISK MANAGEMENT (continued)

(2) Market risk (continued)

(c) *Interest rate repricing gap analysis*

Interest rate risk is inherent in many of the Group's businesses. It mainly arises from mismatches between the repricing dates of assets and liabilities.

The ALM regularly monitors such interest rate risk positions. In terms of measuring and managing the interest rate risk, the Group regularly measures interest rate repricing gaps. The primary objective of interest rate repricing gaps is to analyse potential adverse effects on net interest income due to interest rate movements.

The following tables indicate the effective interest rates for the respective year, and the expected next repricing dates (or maturity dates whichever are earlier) for the assets and liabilities as at the end of the reporting period.

Group

		2009						
	Note	Effective interest rate Note (i)	Non-interest bearing	Less than three months	Between three months and one year	Between one year and five years	More than five years	Total
Assets								
Cash and deposits with central banks		1.48%	48,520	1,410,128	–	–	–	1,458,648
Deposits and placements with banks and non-bank financial institutions		1.05%	136	78,661	33,241	11,342	–	123,380
Financial assets held under resale agreements		1.18%	–	453,686	135,920	–	–	589,606
Loans and advances to customers	(ii)	5.37%	–	2,258,105	2,378,007	21,726	35,109	4,692,947
Investments	(iii)	3.11%	30,862	277,299	985,178	613,303	673,948	2,580,590
Other assets		–	178,184	–	–	–	–	178,184
Total assets		3.85%	257,702	4,477,879	3,532,346	646,371	709,057	9,623,355
Liabilities								
Borrowings from central banks		1.89%	–	6	–	–	–	6
Deposits and placements from banks and non-bank financial institutions		1.73%	–	673,617	29,937	109,351	–	812,905
Financial liabilities at fair value through profit or loss		3.62%	2,359	5,633	–	–	–	7,992
Deposits from customers		1.51%	41,763	5,824,497	1,710,949	415,971	8,143	8,001,323
Debt securities issued		3.81%	–	11,394	4,616	24,719	57,915	98,644
Other liabilities		–	143,465	–	–	–	–	143,465
Total liabilities		1.55%	187,587	6,515,147	1,745,502	550,041	66,058	9,064,335
Asset-liability gap		2.30%	70,115	(2,037,268)	1,786,844	96,330	642,999	559,020

(Expressed in millions of RMB unless otherwise stated)

62 RISK MANAGEMENT (continued)

(2) Market risk (continued)

(c) Interest rate repricing gap analysis (continued)

Group *(continued)*

		2008						
	Note	Effective interest rate Note (i)	Non-interest bearing	Less than three months	Between three months and one year	Between one year and five years	More than five years	Total
Assets								
Cash and deposits with central banks		1.77%	34,313	1,213,137	–	–	–	1,247,450
Deposits and placements with banks and non-bank financial institutions		2.53%	–	45,014	4,909	–	9	49,932
Financial assets held under resale agreements		3.48%	–	195,996	12,552	–	–	208,548
Loans and advances to customers	(ii)	7.16%	–	1,675,358	1,941,878	26,454	39,885	3,683,575
Investments	(iii)	3.64%	20,356	101,455	1,025,695	717,620	331,350	2,196,476
Other assets		–	169,471	–	–	–	–	169,471
Total assets		5.13%	224,140	3,230,960	2,985,034	744,074	371,244	7,555,452
Liabilities								
Borrowings from central banks		1.89%	–	6	–	–	–	6
Deposits and placements from banks and non-bank financial institutions		1.83%	–	392,589	18,123	79,860	–	490,572
Financial liabilities at fair value through profit or loss		3.83%	–	2,663	1,093	75	144	3,975
Financial assets sold under repurchase agreements		3.09%	–	864	–	–	–	864
Deposits from customers		2.03%	25,618	4,462,409	1,476,902	405,761	5,225	6,375,915
Debt securities issued		4.73%	–	8,060	41,966	3,784	–	53,810
Other liabilities		–	162,748	–	–	–	–	162,748
Total liabilities		2.03%	188,366	4,866,591	1,538,084	489,480	5,369	7,087,890
Asset-liability gap		3.10%	35,774	(1,635,631)	1,446,950	254,594	365,875	467,562

Notes:

(i) Effective interest rate represents the ratio of interest income/expense to average interest bearing assets/liabilities.

(ii) For loans and advances to customers, the “less than three months” category includes overdue amounts (net of allowances for impairment losses) of RMB27,518 million as at 31 December 2009 (2008: RMB38,482 million).

(iii) Investments include financial assets at fair value through profit or loss, available-for-sale financial assets, held-to-maturity investment, debt securities classified as receivables and investments in associate and jointly controlled entity.

(Expressed in millions of RMB unless otherwise stated)

62 RISK MANAGEMENT (continued)

(2) Market risk (continued)

(c) *Interest rate repricing gap analysis (continued)*

Bank

	Note	2009						
	Note	Effective interest rate Note (i)	Non-interest bearing	Less than three months	Between three months and one year	Between one year and five years	More than five years	Total
Assets								
Cash and deposits with central banks		1.48%	48,322	1,407,048	–	–	–	1,455,370
Deposits and placements with banks and non-bank financial institutions		1.14%	123	77,087	35,270	11,342	–	123,822
Financial assets held under resale agreements		1.18%	–	452,786	135,920	–	–	588,706
Loans and advances to customers	(ii)	5.41%	–	2,205,339	2,365,034	20,703	34,948	4,626,024
Investments	(iii)	3.10%	31,197	277,392	984,008	610,609	673,880	2,577,086
Other assets		–	194,123	–	–	–	–	194,123
Total assets		3.86%	273,765	4,419,652	3,520,232	642,654	708,828	9,565,131
Liabilities								
Borrowings from central banks		1.89%	–	6	–	–	–	6
Deposits and placements from banks and non-bank financial institutions		1.74%	–	672,665	26,534	109,351	–	808,550
Financial liabilities at fair value through profit or loss		3.62%	2,359	5,633	–	–	–	7,992
Financial assets sold under repurchase agreements		1.80%	–	1,778	847	–	–	2,625
Deposits from customers		1.51%	41,677	5,779,323	1,710,669	415,486	8,085	7,955,240
Debt securities issued		3.82%	–	11,621	4,445	24,402	57,915	98,383
Other liabilities		–	141,016	–	–	–	–	141,016
Total liabilities		1.56%	185,052	6,471,026	1,742,495	549,239	66,000	9,013,812
Asset-liability gap		2.30%	88,713	(2,051,374)	1,777,737	93,415	642,828	551,319

(Expressed in millions of RMB unless otherwise stated)

62 RISK MANAGEMENT (continued)

(2) Market risk (continued)

(c) *Interest rate repricing gap analysis (continued)*

***Bank** (continued)*

		2008						
	Note	Effective interest rate Note (i)	Non-interest bearing	Less than three months	Between three months and one year	Between one year and five years	More than five years	Total
Assets								
Cash and deposits with central banks		1.77%	34,110	1,212,943	–	–	–	1,247,053
Deposits and placements with banks and non-bank financial institutions		2.78%	–	51,018	5,824	–	9	56,851
Financial assets held under resale agreements		3.48%	–	195,996	12,552	–	–	208,548
Loans and advances to customers	(ii)	7.19%	–	1,632,953	1,941,111	26,064	39,812	3,639,940
Investments	(iii)	3.64%	19,777	102,051	1,024,095	716,703	331,292	2,193,918
Other assets		–	180,258	–	–	–	–	180,258
Total assets		5.14%	234,145	3,194,961	2,983,582	742,767	371,113	7,526,568
Liabilities								
Borrowings from central banks		1.89%	–	6	–	–	–	6
Deposits and placements from banks and non-bank financial institutions		1.91%	–	403,319	18,473	79,860	–	501,652
Financial liabilities at fair value through profit or loss		3.83%	–	2,663	1,093	75	144	3,975
Financial assets sold under repurchase agreements		3.09%	–	864	–	–	–	864
Deposits from customers		2.03%	25,618	4,432,433	1,474,691	405,028	5,215	6,342,985
Debt securities issued		4.76%	–	6,651	41,966	3,914	–	52,531
Other liabilities		–	160,999	–	–	–	–	160,999
Total liabilities		2.05%	186,617	4,845,936	1,536,223	488,877	5,359	7,063,012
Asset-liability gap		3.09%	47,528	(1,650,975)	1,447,359	253,890	365,754	463,556

(i) Effective interest rate represents the ratio of interest income/expense to average interest bearing assets/liabilities.

(ii) For loans and advances to customers, the "less than three months" category includes overdue amounts (net of allowances for impairment losses) of RMB27,304 million as at 31 December 2009 (2008: RMB38,473 million).

(iii) Investments include financial assets at fair value through profit or loss, available-for-sale financial assets, held-to-maturity investments, debt securities classified as receivables and investments in subsidiaries.

62 RISK MANAGEMENT (continued)

(2) Market risk (continued)

(d) Currency risk

The Group's foreign exchange exposure mainly comprises exposures that arise from the foreign currency portfolio within the treasury's proprietary investments, and currency exposures originated by the Group's overseas businesses.

The Group manages other currency risk by spot and forward foreign exchange transactions and by matching its foreign currency denominated assets with corresponding liabilities in the same currency, and also uses derivatives (principally foreign exchange swaps and cross currency swaps) in the management of its own foreign currency asset and liability portfolios and structural positions.

(Expressed in millions of RMB unless otherwise stated)

62 RISK MANAGEMENT (continued)

(2) Market risk (continued)

(d) Currency risk (continued)

The currency exposures of the Group's and the Bank's assets and liabilities as at the end of the reporting period are as follows:

Group

	Note	2009			
		RMB	USD (RMB equivalent)	Others (RMB equivalent)	Total
Assets					
Cash and deposits with central banks		1,429,270	5,001	24,377	1,458,648
Deposits and placements with banks and non-bank financial institutions	(i)	674,002	31,229	7,755	712,986
Loans and advances to customers		4,420,375	163,925	108,647	4,692,947
Investments		2,516,653	41,228	22,709	2,580,590
Other assets		169,692	1,857	6,635	178,184
Total assets		9,209,992	243,240	170,123	9,623,355
Liabilities					
Borrowings from central banks		6	–	–	6
Deposits and placements from banks and non-bank financial institutions	(ii)	737,888	54,571	20,446	812,905
Financial liabilities at fair value through profit or loss		7,939	27	26	7,992
Deposits from customers		7,767,928	116,533	116,862	8,001,323
Debt securities issued		82,760	5,206	10,678	98,644
Other liabilities		127,626	11,402	4,437	143,465
Total liabilities		8,724,147	187,739	152,449	9,064,335
Net position		485,845	55,501	17,674	559,020
Net notional amount of derivatives		54,182	(53,844)	(154)	144

(Expressed in millions of RMB unless otherwise stated)

62 RISK MANAGEMENT (continued)

(2) Market risk (continued)

(d) Currency risk (continued)

***Group** (continued)*

		2008			
	Note	RMB	USD (RMB equivalent)	Others (RMB equivalent)	Total
Assets					
Cash and deposits with central banks		1,230,907	8,248	8,295	1,247,450
Deposits and placements with banks and non-bank financial institutions	(i)	239,646	12,327	6,507	258,480
Loans and advances to customers		3,478,643	128,092	76,840	3,683,575
Investments		2,084,361	93,412	18,703	2,196,476
Other assets		150,198	5,015	14,258	169,471
Total assets		7,183,755	247,094	124,603	7,555,452
Liabilities					
Borrowings from central banks		6	—	—	6
Deposits and placements from banks and non-bank financial institutions	(ii)	432,779	44,784	13,873	491,436
Financial liabilities at fair value through profit or loss		1,881	1,401	693	3,975
Deposits from customers		6,200,337	95,610	79,968	6,375,915
Debt securities issued		42,802	3,699	7,309	53,810
Other liabilities		152,096	6,105	4,547	162,748
Total liabilities		6,829,901	151,599	106,390	7,087,890
Net position		353,854	95,495	18,213	467,562
Net notional amount of derivatives		100,333	(99,012)	1,066	2,387

Notes:

(i) Including financial assets held under resale agreements

(ii) Including financial assets sold under repurchase agreements

(Expressed in millions of RMB unless otherwise stated)

62 RISK MANAGEMENT (continued)

(2) Market risk (continued)

(d) Currency risk (continued)

Bank

		2009			
	Note	RMB	USD (RMB equivalent)	Others (RMB equivalent)	Total
Assets					
Cash and deposits with central banks		1,428,959	4,979	21,432	1,455,370
Deposits and placements with banks and non-bank financial institutions	(i)	673,226	32,010	7,292	712,528
Loans and advances to customers		4,407,375	156,665	61,984	4,626,024
Investments		2,521,148	38,227	17,711	2,577,086
Other assets		188,935	825	4,363	194,123
Total assets		9,219,643	232,706	112,782	9,565,131
Liabilities					
Borrowings from central banks		6	–	–	6
Deposits and placements from banks and non-bank financial institutions	(ii)	736,756	55,778	18,641	811,175
Financial liabilities at fair value through profit or loss		7,939	27	26	7,992
Deposits from customers		7,766,173	108,134	80,933	7,955,240
Debt securities issued		82,890	5,035	10,458	98,383
Other liabilities		126,244	11,291	3,481	141,016
Total liabilities		8,720,008	180,265	113,539	9,013,812
Net position		499,635	52,441	(757)	551,319
Net notional amount of derivatives		54,152	(54,349)	107	(90)

(Expressed in millions of RMB unless otherwise stated)

62 RISK MANAGEMENT (continued)

(2) Market risk (continued)

(d) Currency risk (continued)

***Bank** (continued)*

	Note	2008 RMB	2008 USD (RMB equivalent)	2008 Others (RMB equivalent)	2008 Total
Assets					
Cash and deposits with central banks		1,230,711	8,248	8,094	1,247,053
Deposits and placements with banks and non-bank financial institutions	(i)	237,213	20,606	7,580	265,399
Loans and advances to customers		3,474,844	120,979	44,117	3,639,940
Investments		2,087,174	91,219	15,525	2,193,918
Other assets		164,580	4,916	10,762	180,258
Total assets		7,194,522	245,968	86,078	7,526,568
Liabilities					
Borrowings from central banks		6	—	—	6
Deposits and placements from banks and non-bank financial institutions	(ii)	433,789	52,891	15,836	502,516
Financial liabilities at fair value through profit or loss		1,881	1,401	693	3,975
Deposits from customers		6,199,296	87,769	55,920	6,342,985
Debt securities issued		42,932	3,699	5,900	52,531
Other liabilities		151,502	6,072	3,425	160,999
Total liabilities		6,829,406	151,832	81,774	7,063,012
Net position		365,116	94,136	4,304	463,556
Net notional amount of derivatives		100,324	(98,841)	891	2,374

Notes:

(i) Including financial assets held under resale agreements

(ii) Including financial assets sold under repurchase agreements

62 RISK MANAGEMENT (continued)

(3) Liquidity risk

Liquidity risk is the risk that insufficient funds are available to meet liabilities as they fall due. It is caused by mismatches of assets and liabilities in terms of their amounts and maturity dates. In accordance with liquidity policies, the Group monitors the future cash flows to ensure that an appropriate level of highly liquid assets is maintained.

At the Group level, liquidity is managed and coordinated through the ALM. The ALM is responsible for formulation of the liquidity policies in accordance with regulatory requirements and prudential principles. Such policies include:

— adopting a prudent strategy and ensuring sufficient funds are available at any moment to satisfy any payment request;

— optimising the Group's asset and liability structure, diversifying and stabilising the source of funds, and reserving an appropriate proportion of highly credit-rated and liquid asset portfolio; and

— managing and utilising centrally the Bank's liquid funds.

The Group principally uses liquidity analysis and gap analysis to measure the liquidity risk. Gap analysis is used to predict the cash flow within one year. Scenario analyses are then applied to assess the impact of liquidity risk.

(Expressed in millions of RMB unless otherwise stated)

62 RISK MANAGEMENT (continued)

(3) Liquidity risk (continued)

(a) *Maturity analysis*

The following tables provide an analysis of the assets and liabilities of the Group and the Bank based on the remaining periods to repayment as at the end of the reporting period:

Group

	2009							
	Indefinite	Repayable on demand	Within one month	Between one month and three months	Between three months and one year	Between one year and five years	More than five years	Total
Assets								
Cash and deposits with central banks	1,152,799	305,849	–	–	–	–	–	1,458,648
Deposits and placements with banks and non-bank financial institutions	83	34,450	23,651	20,613	33,241	11,342	–	123,380
Financial assets held under resale agreements	–	–	194,531	259,155	135,920	–	–	589,606
Loans and advances to customers	27,877	34,097	181,801	346,437	1,172,502	1,447,143	1,483,090	4,692,947
Investments								
– Financial assets at fair value through profit or loss	4,354	–	123	1,323	2,166	8,140	2,765	18,871
– Available-for-sale financial assets	34,786	–	16,523	58,777	285,746	148,149	107,499	651,480
– Held-to-maturity investments	2,926	–	17,305	58,048	425,461	546,935	358,198	1,408,873
– Debt securities classified as receivables	–	–	–	19,639	132,152	22,103	325,681	499,575
– Investments in associate and jointly controlled entity	1,791	–	–	–	–	–	–	1,791
Other assets	111,606	37,405	2,731	10,432	7,195	2,968	5,847	178,184
Total assets	1,336,222	411,801	436,665	774,424	2,194,383	2,186,780	2,283,080	9,623,355
Liabilities								
Borrowings from central banks	–	6	–	–	–	–	–	6
Deposits and placements from banks and non-bank financial institutions	–	622,129	39,231	12,257	29,937	109,351	–	812,905
Financial liabilities at fair value through profit or loss	–	2,359	–	5,580	–	–	53	7,992
Deposits from customers	–	4,806,603	374,168	684,135	1,708,954	416,806	10,657	8,001,323
Debt securities issued								
– Certificates of deposit issued	–	–	1,241	3,774	4,760	6,113	5	15,893
– Bonds issued	–	–	–	–	2,863	–	–	2,863
– Subordinated bonds issued	–	–	–	–	–	–	79,888	79,888
Other liabilities	216	32,487	8,308	17,186	58,795	16,446	10,027	143,465
Total liabilities	216	5,463,584	422,948	722,932	1,805,309	548,716	100,630	9,064,335
Long/(short) position	1,336,006	(5,051,783)	13,717	51,492	389,074	1,638,064	2,182,450	559,020
Notional amount of derivatives								
– Interest rate contracts	–	–	2,219	1,761	35,061	92,522	41,607	173,170
– Exchange rate contracts	–	–	84,519	73,773	337,413	3,464	11,662	510,831
– Precious metal contracts	–	–	1,244	–	–	–	–	1,244
– Equity instrument contracts	–	–	–	–	1,040	391	109	1,540
Total	–	–	87,982	75,534	373,514	96,377	53,378	686,785

(Expressed in millions of RMB unless otherwise stated)

62 RISK MANAGEMENT (continued)

(3) Liquidity risk (continued)

(a) Maturity analysis (continued)

***Group** (continued)*

	2008							
	Indefinite	Repayable on demand	Within one month	Between one month and three months	Between three months and one year	Between one year and five years	More than five years	Total
Assets								
Cash and deposits with central banks	935,156	312,294	–	–	–	–	–	1,247,450
Deposits and placements with banks and non-bank financial institutions	57	24,552	14,933	5,472	4,909	–	9	49,932
Financial assets held under resale agreements	–	–	98,569	97,427	12,552	–	–	208,548
Loans and advances to customers	38,258	38,088	124,660	263,120	1,119,663	1,071,249	1,028,537	3,683,575
Investments								
– Financial assets at fair value through profit or loss	3,169	–	3,370	2,890	28,445	10,344	2,091	50,309
– Available-for-sale financial assets	32,695	–	38,885	120,285	187,419	112,779	58,775	550,838
– Held-to-maturity investments	4,614	–	9,806	21,674	136,016	601,250	268,423	1,041,783
– Debt securities classified as receivables	–	–	–	310	315,917	155,145	80,446	551,818
– Investments in associate and jointly controlled entity	1,728	–	–	–	–	–	–	1,728
Other assets	97,300	35,525	2,561	12,772	8,002	6,263	7,048	169,471
Total assets	1,112,977	410,459	292,784	523,950	1,812,923	1,957,030	1,445,329	7,555,452
Liabilities								
Borrowings from central banks	–	6	–	–	–	–	–	6
Deposits and placements from banks and non-bank financial institutions	–	310,641	38,819	22,729	18,123	100,260	–	490,572
Financial liabilities at fair value through profit or loss	–	–	756	1,907	1,093	75	144	3,975
Financial assets sold under repurchase agreements	–	–	288	576	–	–	–	864
Deposits from customers	–	3,596,778	327,958	552,759	1,482,616	409,035	6,769	6,375,915
Debt securities issued								
– Certificates of deposit issued	–	–	313	1,527	5,002	4,175	–	11,017
– Bonds issued	–	–	–	–	–	2,854	–	2,854
– Subordinated bonds issued	–	–	–	–	–	–	39,939	39,939
Other liabilities	5	100,950	4,970	8,775	25,263	13,636	9,149	162,748
Total liabilities	5	4,008,375	373,104	588,273	1,532,097	530,035	56,001	7,087,890
Long/(short) position	1,112,972	(3,597,916)	(80,320)	(64,323)	280,826	1,426,995	1,389,328	467,562
Notional amount of derivatives								
– Interest rate contracts	–	–	2,130	4,341	19,023	112,026	46,175	183,695
– Exchange rate contracts	–	–	89,557	80,926	290,180	15,627	13,141	489,431
– Precious metal contracts	–	–	510	–	–	–	–	510
– Equity instrument contracts	–	–	–	–	28	778	–	806
Total	–	–	92,197	85,267	309,231	128,431	59,316	674,442

(Expressed in millions of RMB unless otherwise stated)

62 RISK MANAGEMENT (continued)

(3) Liquidity risk (continued)

(a) Maturity analysis (continued)

Bank

	2009							
	Indefinite	Repayable on demand	Within one month	Between one month and three months	Between three months and one year	Between one year and five years	More than five years	Total
Assets								
Cash and deposits with central banks	1,152,594	302,776	–	–	–	–	–	1,455,370
Deposits and placements with banks and non-bank financial institutions	83	27,723	26,009	23,395	35,270	11,342	–	123,822
Financial assets held under resale agreements	–	–	193,631	259,155	135,920	–	–	588,706
Loans and advances to customers	27,447	33,520	176,277	345,682	1,160,784	1,423,558	1,458,756	4,626,024
Investments								
– Financial assets at fair value through profit or loss	–	–	–	864	1,452	5,238	2,697	10,251
– Available-for-sale financial assets	32,450	–	16,734	58,606	284,946	149,772	107,471	649,979
– Held-to-maturity investments	2,926	–	16,997	58,048	425,361	546,935	358,198	1,408,465
– Debt securities classified as receivables	–	–	–	19,639	132,152	22,103	325,681	499,575
– Investments in subsidiaries	8,816	–	–	–	–	–	–	8,816
Other assets	129,659	38,453	2,374	10,109	5,145	2,609	5,774	194,123
Total assets	1,353,975	402,472	432,022	775,498	2,181,030	2,161,557	2,258,577	9,565,131
Liabilities								
Borrowings from central banks	–	6	–	–	–	–	–	6
Deposits and placements from banks and non-bank financial institutions	–	624,126	39,652	8,887	26,534	109,351	–	808,550
Financial liabilities at fair value through profit or loss	–	2,359	–	5,580	–	–	53	7,992
Financial assets sold under repurchase agreements	–	–	1,694	84	847	–	–	2,625
Deposits from customers	–	4,793,194	352,547	673,906	1,708,673	416,321	10,599	7,955,240
Debt securities issued								
– Certificates of deposit issued	–	–	1,195	4,567	4,076	5,664	–	15,502
– Bonds issued	–	–	–	–	2,993	–	–	2,993
– Subordinated bonds issued	–	–	–	–	–	–	79,888	79,888
Other liabilities	22	31,319	8,429	17,107	57,871	16,267	10,001	141,016
Total liabilities	22	5,451,004	403,517	710,131	1,800,994	547,603	100,541	9,013,812
Long/(short) position	1,353,953	(5,048,532)	28,505	65,367	380,036	1,613,954	2,158,036	551,319
Notional amount of derivatives								
– Interest rate contracts	–	–	2,108	1,701	34,227	90,789	41,573	170,398
– Exchange rate contracts	–	–	70,253	66,540	272,910	3,450	11,662	424,815
– Precious metal contracts	–	–	1,244	–	–	–	–	1,244
– Equity instrument contracts	–	–	–	–	–	34	–	34
Total	–	–	73,605	68,241	307,137	94,273	53,235	596,491

(Expressed in millions of RMB unless otherwise stated)

62 RISK MANAGEMENT (continued)

(3) Liquidity risk (continued)

(a) Maturity analysis (continued)

***Bank** (continued)*

	2008							
	Indefinite	Repayable on demand	Within one month	Between one month and three months	Between three months and one year	Between one year and five years	More than five years	Total
Assets								
Cash and deposits with central banks	935,019	312,034	–	–	–	–	–	1,247,053
Deposits and placements with banks and non-bank financial institutions	57	22,075	15,589	13,297	5,824	–	9	56,851
Financial assets held under resale agreements	–	–	98,569	97,427	12,552	–	–	208,548
Loans and advances to customers	38,241	37,015	121,778	259,791	1,114,335	1,058,247	1,010,533	3,639,940
Investments								
– Financial assets at fair value through profit or loss	–	–	3,172	2,890	26,950	9,446	2,033	44,491
– Available-for-sale financial assets	32,343	–	39,237	120,771	187,298	112,762	58,745	551,156
– Held-to-maturity investments	4,614	–	9,806	21,674	136,016	601,250	268,423	1,041,783
– Debt securities classified as receivables	–	–	–	310	315,917	155,145	80,446	551,818
– Investments in subsidiaries	4,670	–	–	–	–	–	–	4,670
Other assets	109,511	35,142	2,308	12,186	7,889	6,174	7,048	180,258
Total assets	1,124,455	406,266	290,459	528,346	1,806,781	1,943,024	1,427,237	7,526,568
Liabilities								
Borrowings from central banks	–	6	–	–	–	–	–	6
Deposits and placements from banks and non-bank financial institutions	–	310,941	41,524	30,454	18,473	100,260	–	501,652
Financial liabilities at fair value through profit or loss	–	–	756	1,907	1,093	75	144	3,975
Financial assets sold under repurchase agreements	–	–	288	576	–	–	–	864
Deposits from customers	–	3,591,991	310,423	542,857	1,482,499	408,456	6,759	6,342,985
Debt securities issued								
– Certificates of deposit issued	–	–	309	343	4,869	4,087	–	9,608
– Bonds issued	–	–	–	–	–	2,984	–	2,984
– Subordinated bonds issued	–	–	–	–	–	–	39,939	39,939
Other liabilities	–	99,794	4,621	8,766	25,104	13,570	9,144	160,999
Total liabilities	–	4,002,732	357,921	584,903	1,532,038	529,432	55,986	7,063,012
Long/(short) position	1,124,455	(3,596,466)	(67,462)	(56,557)	274,743	1,413,592	1,371,251	463,556
Notional amount of derivatives								
– Interest rate contracts	–	–	2,130	4,341	18,826	111,599	46,141	183,037
– Exchange rate contracts	–	–	78,561	79,658	285,689	15,627	13,141	472,676
– Precious metal contracts	–	–	510	–	–	–	–	510
– Equity instrument contracts	–	–	–	–	–	34	–	34
Total	–	–	81,201	83,999	304,515	127,260	59,282	656,257

(Expressed in millions of RMB unless otherwise stated)

62 RISK MANAGEMENT (continued)

(3) Liquidity risk (continued)

(b) *Contractual undiscounted cash flow*

The following tables provide an analysis of the contractual undiscounted cash flow of the non-derivative financial liabilities and off balance sheet loan commitments and credit card commitments of the Group and the Bank as at the end of the reporting period. The Group's and the Bank's expected cash flows on these instruments may vary significantly from this analysis.

Group

	2009							
	Carrying amount	Gross cash outflow	Repayable on demand	Within one month	Between one month and three months	Between three months and one year	Between one year and five years	More than five years
Non-derivative financial liabilities								
Borrowings from central banks	6	6	6	–	–	–	–	–
Deposits and placements from banks and non-bank financial institutions	812,905	835,834	622,149	39,300	12,488	30,329	131,568	–
Financial liabilities at fair value through profit or loss	7,992	8,009	2,359	–	5,580	1	8	61
Deposits from customers	8,001,323	8,139,908	4,809,129	377,963	695,661	1,755,130	482,243	19,782
Debt securities issued								
– Certificates of deposit issued	15,893	16,055	–	1,255	3,786	4,838	6,171	5
– Bonds issued	2,863	2,939	–	–	23	2,916	–	–
– Subordinated bonds issued	79,888	136,420	–	–	1,504	1,696	12,800	120,420
Other financial liabilities	31,006	31,006	23,498	1,452	673	1,489	3,377	517
Total	8,951,876	9,170,177	5,457,141	419,970	719,715	1,796,399	636,167	140,785
Off balance sheet loan commitments and credit card commitments (Note)	–	788,283	648,295	41,554	16,680	40,256	32,448	9,050
Financial guarantees issued maximum amount guaranteed (Note)	497	684,556	–	120,067	73,247	151,916	180,049	159,277

(Expressed in millions of RMB unless otherwise stated)

62 RISK MANAGEMENT (continued)

(3) Liquidity risk (continued)

(b) *Contractual undiscounted cash flow (continued)*

***Group** (continued)*

	2008							
	Carrying amount	Gross cash outflow	Repayable on demand	Within one month	Between one month and three months	Between three months and one year	Between one year and five years	More than five years
Non-derivative financial liabilities								
Borrowings from central banks	6	6	6	–	–	–	–	–
Deposits and placements from banks and non-bank financial institutions	490,572	512,889	310,652	38,989	22,822	18,650	121,776	–
Financial liabilities at fair value through profit or loss	3,975	4,077	–	762	1,922	1,110	126	157
Financial assets sold under repurchase agreements	864	871	–	291	580	–	–	–
Deposits from customers	6,375,915	6,521,465	3,597,683	333,137	568,589	1,539,379	474,652	8,025
Debt securities issued								
– Certificates of deposit issued	11,017	11,441	–	352	1,573	5,230	4,286	–
– Bonds issued	2,854	3,041	–	–	–	–	3,041	–
– Subordinated bonds issued	39,939	57,098	–	–	–	2,042	12,045	43,011
Other financial liabilities	25,716	25,716	22,194	731	59	2,143	50	539
Total	6,950,858	7,136,604	3,930,535	374,262	595,545	1,568,554	615,976	51,732
Off balance sheet loan commitments and credit card commitments (Note)	–	482,559	334,442	24,669	26,703	47,597	21,831	27,317

(Expressed in millions of RMB unless otherwise stated)

62 RISK MANAGEMENT (continued)

(3) Liquidity risk (continued)

(b) Contractual undiscounted cash flow (continued)

Bank

	2009							
	Carrying amount	Gross cash outflow	Repayable on demand	Within one month	Between one month and three months	Between three months and one year	Between one year and five years	More than five years
Non-derivative financial liabilities								
Borrowings from central banks	6	6	6	–	–	–	–	–
Deposits and placements from banks and non-bank financial institutions	808,550	831,379	624,146	39,720	9,056	26,889	131,568	–
Financial liabilities at fair value through profit or loss	7,992	8,009	2,359	–	5,580	1	8	61
Financial assets sold under repurchase agreements	2,625	2,632	–	1,694	84	854	–	–
Deposits from customers	7,955,240	8,093,816	4,796,409	355,650	685,433	1,754,849	481,752	19,723
Debt securities issued								
– Certificates of deposit issued	15,502	15,656	–	1,209	4,578	4,151	5,718	–
– Bonds issued	2,993	3,073	–	–	24	3,049	–	–
– Subordinated bonds issued	79,888	136,420	–	–	1,504	1,696	12,800	120,420
Other financial liabilities	29,876	29,876	22,425	1,728	655	1,321	3,230	517
Total	8,902,672	9,120,867	5,445,345	400,001	706,914	1,792,810	635,076	140,721
Off balance sheet loan commitments and credit card commitments (Note)	–	763,579	648,295	21,289	15,664	37,227	32,054	9,050
Financial guarantees issued maximum amount guaranteed (Note)	497	688,316	–	119,925	73,376	151,465	180,019	163,531

(Expressed in millions of RMB unless otherwise stated)

62 RISK MANAGEMENT (continued)

(3) Liquidity risk (continued)

(b) *Contractual undiscounted cash flow (continued)*

***Bank** (continued)*

	2008							
	Carrying amount	Gross cash outflow	Repayable on demand	Within one month	Between one month and three months	Between three months and one year	Between one year and five years	More than five years
Non-derivative financial liabilities								
Borrowings from central banks	6	6	6	–	–	–	–	–
Deposits and placements from banks and non-bank financial institutions	501,652	524,108	310,952	41,724	30,631	19,025	121,776	–
Financial liabilities at fair value through profit or loss	3,975	4,077	–	762	1,922	1,110	126	157
Financial assets sold under repurchase agreements	864	871	–	291	580	–	–	–
Deposits from customers	6,342,985	6,488,301	3,592,896	315,576	558,633	1,539,215	473,968	8,013
Debt securities issued								
– Certificates of deposit issued	9,608	10,020	–	347	383	5,094	4,196	–
– Bonds issued	2,984	3,178	–	–	–	–	3,178	–
– Subordinated bonds issued	39,939	57,098	–	–	–	2,042	12,045	43,011
Other financial liabilities	24,719	24,719	21,322	731	53	2,074	–	539
Total	6,926,732	7,112,378	3,925,176	359,431	592,202	1,568,560	615,289	51,720
Off balance sheet loan commitments and credit card commitments (Note)	–	478,622	334,442	24,343	26,051	44,825	21,644	27,317

Note: The loan commitments and credit card commitments may expire without being drawn upon.

Financial guarantees issued do not represent the amount to be paid.

62 RISK MANAGEMENT (continued)

(4) Operational risk

Operational risk represents the risk of loss due to deficient and flawed internal processes, personnel and information system, or other external events.

The Group manages this risk through a control-based environment by establishing a framework of policies and procedures in order to identify, assess, report, manage and control risks. The framework covers all business functions ranging from finance, accounting, credit, settlement, savings, treasury, intermediary business, application and management of information system, assets safeguard and legal compliance. This has allowed the Group to comprehensively identify and address the operational risk inherent in all key products, activities, processes and systems. Major operational risk management measures adopted by the Group include:

— improved the self-assessment of operational risk and internal control, identified and assessed key risk area and optimised measures of internal control; boosted business continuity management, set up emergency recovery plan for major production systems, conducted contingent drills and enhanced the bank wide emergency recovery ability;

— promoted the project for operational risk management of information systems; built up a standard platform for operational risk management throughout the Bank to achieve self-evaluation of operational risk and internal controls, and enhanced the interaction and application of the management tools of historical loss database and key risk indicators so as to support the operational risk management and decisions-making;

— established an internal reporting system for any staff misconduct which may adversely affect the Group's business. Under the system, statistics for staff misconduct are regularly reported to the Head Office, while significant incidents are required to be reported to the Head Office within 24 hours after such incidents are uncovered;

— amended and improved the internal control system on a continuous basis; enhanced staff training; implemented an accountability system to ensure compliance with policies and processes; as well as established relevant policies and procedures, in which the management is held responsible for any staff misconduct;

— strengthened business operational checks and balance between departments and different positions, as well as the centralised appointment and rotation of key personnel;

62 RISK MANAGEMENT (continued)

(4) Operational risk (continued)

— developed a systematic authorisation management and business operational policies;

— backed-up data in the Group's key data processing system to minimise operational risks from an IT malfunction, and set up a computer disaster recovery centre to automatically back-up operational data;

— set up an anti-money laundering team within the Legal and Compliance Department to coordinate and monitor anti-money laundering activities, ensure the regulatory requirements of anti-money laundering are properly satisfied by verifying clients' identities, preserving clients' identity documents and transactions records, reporting money laundering transactions, suspicious transactions and transactions which potentially related to financing criminal activities, as well as conducting anti-money laundering training and publicity activities;

— enhanced the controls over operational risks arising from essential segments of business units; examined and monitored major risks affecting business units; and strengthened the content of controls and risk management for business units; and

— enhanced information system checks and security enforcement; examined and assessed information security risk; tested and evaluated graded protection security technology for key information systems; and conducted contingent drills for potential information system risk to ensure normal operation of network and information systems.

(Expressed in millions of RMB unless otherwise stated)

62 RISK MANAGEMENT (continued)

(5) Fair value

(a) Financial assets

The Group's financial assets mainly include cash and deposits with central banks, deposits and placements with banks and non-bank financial institutions, financial assets at fair value through profit or loss, financial assets held under resale agreements, loans and advances to customers, available-for-sale financial assets, held-to-maturity investments and debt securities classified as receivables.

Deposits with central banks, deposits and placements with banks and non-bank financial institutions and financial assets held under resale agreements

Deposits with central banks, deposits and placements with banks and non-bank financial institutions and financial assets held under resale agreements are mainly priced at market interest rates and mature within one year. Accordingly, the carrying values approximate the fair values.

Loans and advances to customers

Majority of the loans and advances to customers are repriced at least annually to the market rate. Accordingly, their carrying values approximate the fair values.

Investments

Available-for-sale and financial assets at fair value through profit or loss are stated at fair value in the financial statements. The following table shows the carrying values and the fair values of the debt securities classified as receivables and held-to-maturity investments which are not presented in the statement of financial position at their fair values.

Group

	Carrying value		**Fair value**	
	2009	2008	**2009**	2008
Debt securities classified as receivables	**499,575**	551,818	**473,719**	560,096
Held-to-maturity investments	**1,408,873**	1,041,783	**1,420,608**	1,087,483
Total	**1,908,448**	1,593,601	**1,894,327**	1,647,579

Bank

	Carrying value		**Fair value**	
	2009	2008	**2009**	2008
Debt securities classified as receivables	**499,575**	551,818	**473,719**	560,096
Held-to-maturity investments	**1,408,465**	1,041,783	**1,420,200**	1,087,483
Total	**1,908,040**	1,593,601	**1,893,919**	1,647,579

62 RISK MANAGEMENT (continued)

(5) Fair value (continued)

(b) Financial liabilities

The Group's financial liabilities mainly include borrowings from central banks, deposits and placements from banks and non-bank financial institutions, financial liabilities at fair value through profit or loss, financial assets sold under repurchase agreements, deposits from customers, and debt securities issued. The carrying values of financial liabilities approximated their fair values as at the end of the reporting period, except that the fair value of subordinated bonds issued as at 31 December 2009 was RMB75,816 million, which was lower than their carrying value of RMB79,888 million.

(6) Valuation of financial instruments

The Group measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements:

Level 1: Quoted market price (unadjusted) in an active market for an identical instrument.

Level 2: Valuation techniques based on observable inputs, either directly (i.e., as prices) or indirectly (i.e., derived from prices). This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques where all significant inputs are directly or indirectly from market data.

Level 3: Valuation techniques using significant unobservable inputs. This category includes all instruments where the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments where significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

(Expressed in millions of RMB unless otherwise stated)

62 RISK MANAGEMENT (continued)

(6) Valuation of financial instruments (continued)

The table below analyses financial instruments, measured at fair value at the end of the reporting period, by the level in the fair value hierarchy into which the fair value measurement is categorised:

Group

	Level 1	Level 2	Level 3	Total
Assets				
Financial assets at fair value through profit or loss				
Financial assets held for trading purpose				
— Debt securities	93	10,513	—	10,606
— Equity instruments and funds	867	—	—	867
Financial assets designated as at fair value through profit or loss				
— Debt securities	526	905	2,480	3,911
— Equity instruments	977	—	2,510	3,487
Positive fair value of derivatives	—	5,422	4,034	9,456
Available-for-sale financial assets				
— Debt securities	23,531	600,398	2,834	626,763
— Equity instruments and funds	16,552	2,228	704	19,484
Total	42,546	619,466	12,562	674,574
Liabilities				
Financial liabilities at fair value through profit or loss				
Financial liabilities designated as at fair value through profit or loss	—	7,963	29	7,992
Negative fair value of derivatives	—	5,490	3,085	8,575
Total	—	13,453	3,114	16,567

(Expressed in millions of RMB unless otherwise stated)

62 RISK MANAGEMENT (continued)

(6) Valuation of financial instruments (continued)

Bank

	Level 1	Level 2	Level 3	Total
Assets				
Financial assets at fair value through profit or loss				
Financial assets held for trading purpose				
— Debt securities	93	10,158	—	10,251
Positive fair value of derivatives	—	4,666	3,064	7,730
Available-for-sale financial assets				
— Debt securities	23,265	601,499	2,834	627,598
— Equity instruments and funds	16,234	2,157	—	18,391
Total	39,592	618,480	5,898	663,970
Liabilities				
Financial liabilities at fair value through profit or loss				
Financial liabilities designated as at fair value through profit or loss	—	7,963	29	7,992
Negative fair value of derivatives	—	4,838	3,056	7,894
Total	—	12,801	3,085	15,886

For the year ended 31 December 2009, there were no significant transfer between level 1 and level 2 of the fair value hierarchy.

(Expressed in millions of RMB unless otherwise stated)

62 RISK MANAGEMENT (continued)

(6) Valuation of financial instruments (continued)

The following table shows a reconciliation from the beginning balances to the ending balances for fair value measurement in level 3 of the fair value hierarchy:

Group

	Financial assets designated as at fair value through profit or loss			Available-for-sale financial assets			Financial liabilities designated		
	Debt securities	Equity instruments and funds	Positive fair value of derivatives	Debt securities	Equity instruments and funds	Total assets	as at fair value through profit or loss	Negative fair value of derivatives	Total liabilities
As at 1 January 2009	2,195	2,564	8,008	8,916	320	22,003	(27)	(7,590)	(7,617)
Total gains or losses:									
In profit or loss	189	211	(3,375)	68	23	(2,884)	(2)	4,001	3,999
In other comprehensive income	–	–	–	647	149	796	–	–	–
Purchases	1,131	–	–	–	1,915	3,046	–	–	–
Sales and settlements	(1,035)	(265)	(599)	(6,797)	(1,703)	(10,399)	–	504	504
As at 31 December 2009	2,480	2,510	4,034	2,834	704	12,562	(29)	(3,085)	(3,114)
Total gains or losses for the period included in profit or loss for assets and liabilities held at the end of the reporting period	(82)	170	(2,327)	(326)	–	(2,565)	(2)	2,953	2,951

In Level 3 of the fair value hierarchy, total gains or losses included in profit or loss for the year in the above table are presented in net trading gain, net gain/(loss) arising from investment securities and impairment losses of the statement of comprehensive income.

(Expressed in millions of RMB unless otherwise stated)

62 RISK MANAGEMENT (continued)

(6) Valuation of financial instruments (continued)

Bank

	Positive fair value of derivatives	Available-for-sale financial assets: Debt securities	Available-for-sale financial assets: Equity instruments and funds	Total assets	Financial liabilities designated as at fair value through profit or loss	Negative fair value of derivatives	Total liabilities
As at 1 January 2009	7,494	8,916	–	16,410	(27)	(7,590)	(7,617)
Total gains or losses:							
In profit or loss	(3,938)	68	–	(3,870)	(2)	4,030	4,028
In other comprehensive income	–	647	–	647	–	–	–
Sales and settlements	(492)	(6,797)	–	(7,289)	–	504	504
As at 31 December 2009	3,064	2,834	–	5,898	(29)	(3,056)	(3,085)
Total gains or losses for the period included in profit or loss for assets and liabilities held at the end of the reporting period	(2,890)	(326)	–	(3,216)	(2)	2,982	2,980

(7) Capital management

The Group's capital management comprises the management of the capital adequacy ratio, capital financing, and economic capital, of which the prime focus is capital adequacy ratio management. The Group calculates capital adequacy ratio in accordance with the guidelines issued by the CBRC. The capital of the Group is analysed into core capital and supplementary capital.

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

Capital adequacy ratio management is a core issue of capital management. The capital adequacy ratio reflects the Group's quality of operations and risk management. The Group's capital adequacy ratio management objectives are to meet the legal and regulatory requirements, and to prudently determine the capital adequacy ratio under realistic exposures with reference to the capital adequacy ratio levels of leading global banks and the Group's operating situations.

The Group predicts, plans, and manages the capital adequacy ratio by using scenario models and stress tests based on its strategic development plans, business expansion needs, and risk exposure trends.

62 RISK MANAGEMENT (continued)

(7) Capital management (continued)

Capital allocation

Maximisation of the return on risk-adjusted capital is the principal basis used in determining how capital is allocated within the Group to particular businesses or activities. Account is also taken of synergies with other businesses and activities, the availability of management and other resources, and the fit of the activity with the Group's longer term strategic objectives. The Group's policies in respect of capital management and allocation are reviewed regularly by the board of directors.

The amount of capital allocated to each business or activity is based primarily upon the regulatory capital, but in some cases the regulatory requirements do not reflect fully the varying degree of risk associated with different activities. In such cases the capital requirements may be flexed to reflect differing risk profiles. The process of allocating capital to specific businesses and activities is undertaken by the ALM.

(Expressed in millions of RMB unless otherwise stated)

62 RISK MANAGEMENT (continued)

(7) Capital management (continued)

The Group's consolidated regulatory capital positions calculated in accordance with the guidance issued by the CBRC as at 31 December 2009 and 2008 are as follows:

	Note	2009	2008
Core capital adequacy ratio	(a)	**9.31%**	10.17%
Capital adequacy ratio	(b)	**11.70%**	12.16%
Components of capital base			
Core capital:			
— Share capital		**233,689**	233,689
— Capital reserve, investment revaluation reserve and exchange reserve	(d)	**82,427**	83,202
— Surplus reserve and general reserve		**84,227**	73,550
— Retained earnings	(c) (d)	**87,564**	39,316
— Minority interests		**3,545**	1,596
		491,452	431,353
Supplementary capital:			
— General provision for doubtful debts		**48,463**	38,110
— Positive changes in fair value of financial instruments at fair value through profit or loss		**10,815**	8,684
— Long-term subordinated bonds		**80,000**	40,000
		139,278	86,794
Total capital base before deductions		**630,730**	518,147
Deductions:			
— Goodwill		**(1,590)**	(1,527)
— Unconsolidated equity investments		**(8,903)**	(5,682)
— Others	(e)	**(12,004)**	(522)
Total capital base after deductions		**608,233**	510,416
Risk-weighted assets	(f)	**5,197,545**	4,196,493

62 RISK MANAGEMENT (continued)

(7) Capital management (continued)

Notes:

(a) Core capital adequacy ratio is calculated by dividing the net amount of core capital, which is after deductions of 100% of goodwill, 50% of unconsolidated equity investments, and other items, by risk-weighted assets.

(b) Capital adequacy ratio is calculated by dividing the total capital base after deductions by risk-weighted assets.

(c) The dividend proposed after the reporting period has been deducted from retained earnings.

(d) The investment revaluation reserve arising from the accumulated net positive changes in the fair value of available-for-sale financial assets is excluded from the core capital and 50% of the balance is included in the supplementary capital. In addition, the unrealised accumulated net positive changes in fair value of trading financial instruments, net of income tax, are excluded from the core capital and included in the supplementary capital.

(e) Others mainly represent investments in those asset backed securities specified by CBRC which required reduction.

(f) The balances of risk-weighted assets include an amount equal to 12.5 times the Group's market risk capital.

63 EVENTS AFTER THE REPORTING PERIOD

Acquisition of Pacific-Antai Life Insurance Co. Ltd ("Antai Life")

On 29 December 2009, the Bank signed Equity Transfer Agreement with ING Group. In accordance with the Agreement, the Bank would acquire 50% of equity interests of Antai Life held by ING Group. Antai Life is a life insurance corporation established on 16 October 1998, with a registered capital of RMB800 million. The completion of the aforesaid acquisition is subject to the approval from CBRC and China Insurance Regulatory Commission.

64 COMPARATIVE FIGURES

Certain comparative figures have been adjusted to conform with changes in disclosures in current year.

65 ULTIMATE PARENT

As stated in Note 1, the immediate and ultimate parent of the Group is Huijin and CIC respectively.

66 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE

Up to the date of issue of the financial statements, the IASB has issued the following amendments, new standards and interpretations which are not yet effective for the year ended 31 December 2009 and which have not been adopted in the these financial statements.

- Revised IFRS 3, *Business combinations*;
- Revised IAS 24, *Related party disclosures*;
- Amendments to IAS 27, *Consolidated and separate financial statements*;
- Amendments to IAS 39, *Financial instruments: Recognition and measurement — Eligible hedged items*;
- IFRIC 17, *Distribution of non-cash assets to owners*;
- Improvements to IFRSs 2009;
- IFRS 9, *Financial instruments.*

The Group is in the process of making assessment of what the impact of these amendments is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the Group's results of operations and financial position except for IFRS 9, Financial instruments, which may have an impact on the Group's results and financial position.

(Expressed in millions of RMB unless otherwise stated)

The information set out below does not form part of the audited financial statements, and is included herein for information purposes only.

1 DIFFERENCE BETWEEN THE FINANCIAL STATEMENTS PREPARED UNDER IFRS AND THOSE PREPARED IN ACCORDANCE WITH PRC GAAP

China Construction Bank Corporation (the "Bank") prepares consolidated financial statements, which include the financial statements of the Bank and its subsidiaries (collectively the "Group"), in accordance with International Financial Reporting Standards ("IFRS") and its interpretations promulgated by the International Accounting Standards Board and the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

As a financial institution incorporated in the People's Republic of China (the "PRC") and listed in the Shanghai Stock Exchange, the Group also prepares its consolidated financial statements for the year ended 31 December 2009 in accordance with the Accounting Standards for Business Enterprises and other relevant regulations issued by the regulatory bodies of the PRC (collectively "PRC GAAP").

There is no difference in the net profit for the year ended 31 December 2009 or total equity as at 31 December 2009 between the Group's consolidated financial statements prepared under IFRS and those prepared under PRC GAAP respectively.

2 LIQUIDITY RATIOS

Group

	As at 31 December 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	**49.63%**	**48.20%**	52.74%	47.45%
Foreign currency current assets to foreign currency current liabilities	**61.86%**	**95.18%**	109.84%	111.27%

The above liquidity ratios are calculated in accordance with the formula promulgated by the China Banking Regulatory Commission.

The Hong Kong Banking (Disclosure) Rules (the "Rules") took effect on 1 January, 2007. It requires the disclosure of average liquidity ratio, which being the arithmetic mean of each calendar month liquidity ratio. The Group prepared liquidity ratio on a semi-annual basis and the disclosed average liquidity ratio is the arithmetic mean of two consecutive liquidity ratios as at 30 June and 31 December.

(Expressed in millions of RMB unless otherwise stated)

3 CURRENCY CONCENTRATIONS

Group

	2009			
	USD (RMB equivalent)	**HKD (RMB equivalent)**	**Others (RMB equivalent)**	**Total**
Spot assets	**261,575**	**136,801**	**35,768**	**434,144**
Spot liabilities	**(206,074)**	**(116,857)**	**(38,038)**	**(360,969)**
Forward purchases	**216,426**	**22,873**	**35,663**	**274,962**
Forward sales	**(270,310)**	**(15,499)**	**(43,191)**	**(329,000)**
Net long/(short) position	**1,617**	**27,318**	**(9,798)**	**19,137**
Net structural position	**67**	**127**	**157**	**351**

	2008			
	USD (RMB equivalent)	HKD (RMB equivalent)	Others (RMB equivalent)	Total
Spot assets	267,877	82,948	43,113	393,938
Spot liabilities	(172,382)	(72,158)	(35,691)	(280,231)
Forward purchases	160,471	12,764	76,185	249,420
Forward sales	(259,483)	(5,877)	(82,006)	(347,366)
Net (short)/long position	(3,517)	17,677	1,601	15,761
Net structural position	—	169	136	305

The net option position is calculated using the delta equivalent approach required by the Hong Kong Monetary Authority (the "HKMA"). The net structural position of the Group includes the structural positions of the Bank's overseas branches, banking subsidiaries and other subsidiaries substantially involved in foreign exchange. Structural assets and liabilities include:

— investments in property and equipment, net of accumulated depreciation;

— capital and statutory reserves of overseas branches; and

— investments in overseas subsidiaries and related companies.

(Expressed in millions of RMB unless otherwise stated)

4 CROSS-BORDER CLAIMS

The Group is principally engaged in business operations within Mainland China, and regards all claims on overseas third parties as cross-border claims.

For the purpose of this unaudited supplementary financial information, Mainland China excludes the Hong Kong Special Administrative Region of the PRC ("Hong Kong"), the Macau Special Administrative Region of the PRC ("Macau") and Taiwan.

Cross-border claims include loans and advances to customers, deposits and placements with banks and non-bank financial institutions, holdings of trade bills and certificates of deposit and investment securities.

Cross-border claims have been disclosed by country or geographical area. A country or geographical area is reported where it constitutes 10% or more of the aggregate amount of cross-border claims, after taking into account any risk transfers. Risk transfers are only made if the claims are guaranteed by a party in a country which is different from that of the counterparty or if the claims are on an overseas branch of a bank whose head office is located in another country.

Group

	2009			
	Banks and non-bank financial institutions	**Public sector entities**	**Others**	**Total**
Asia Pacific excluding Mainland China	**15,236**	**1,360**	**72,457**	**89,053**
— of which attributed to Hong Kong	**6,263**	**685**	**47,916**	**54,864**
Europe	**10,160**	**156**	**4,829**	**15,145**
North and South America	**47,246**	**2,288**	**23,462**	**72,996**
	72,642	**3,804**	**100,748**	**177,194**

	2008			
	Banks and non-bank financial institutions	Public sector entities	Others	Total
Asia Pacific excluding Mainland China	16,029	2,665	59,694	78,388
— of which attributed to Hong Kong	11,459	1,358	37,296	50,113
Europe	17,859	59	8,997	26,915
North and South America	61,840	10,092	31,840	103,772
	95,728	12,816	100,531	209,075

The above cross-border claims are disclosed in accordance with the requirements of the Rules. According to these requirements, "others" includes the transactions with sovereign counterparties.

(Expressed in millions of RMB unless otherwise stated)

5 OVERDUE LOANS AND ADVANCES TO CUSTOMERS BY GEOGRAPHICAL SECTOR

Group

	2009	2008
Bohai Rim	**12,816**	15,063
Yangtze River Delta	**12,184**	7,353
Central	**9,555**	11,192
Pearl River Delta	**6,979**	7,604
Western	**6,949**	10,495
Northeastern	**5,241**	5,390
Head office	**1,587**	1,569
Overseas	**385**	374
Total	**55,696**	59,040

The above analysis represents the gross amount of loans and advances overdue for more than 90 days as required by the Rules.

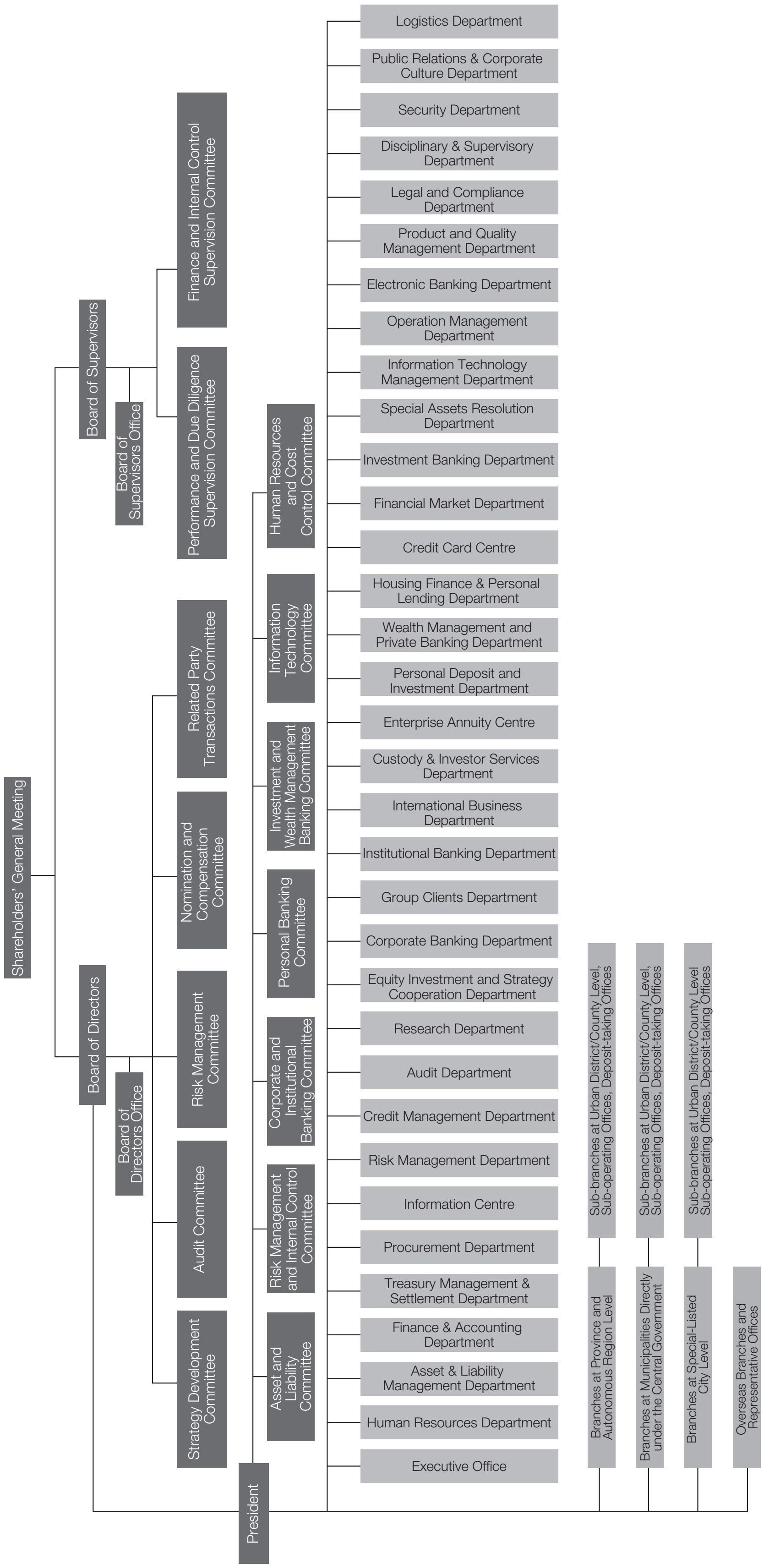
Loans and advances with a specific repayment date are classified as overdue when the principal or interest is overdue.

Loans and advances repayable on demand are classified as overdue when a demand for repayment has been served on the borrower but repayment has not been made in accordance with the instructions. If the loans and advances repayable on demand are outside the approved limit that was advised to the borrower, they are also considered as overdue.

As at 31 December 2009, the amounts of RMB47,075 million (2008: RMB48,922 million) and RMB8,621 million (2008: RMB10,118 million) of the above overdue loans and advances were subject to individual assessment and collective assessment for impairment respectively. The covered portion and uncovered portion of these individually assessed loans and advances were RMB6,459 million and RMB40,616 million respectively (2008: RMB8,863 million and RMB40,059 million respectively). The fair value of collateral held against these individually assessed loans and advances was RMB6,763 million (2008: RMB9,377 million). The fair value of collateral was estimated by management based on the latest available external valuations adjusted by taking into account the current realisation experience as well as market situation. The impairment allowances made against these individually assessed loans and advances were RMB39,358 million (2008: RMB39,617 million).

6 NON-BANK MAINLAND CHINA EXPOSURE

The Bank is a commercial bank incorporated in Mainland China with its banking business primarily conducted in Mainland China. As at 31 December 2009, substantial amounts of the Bank's exposures arose from businesses with Mainland China entities or individuals. Analyses of various types of exposures by counterparty have been disclosed in the respective notes to the financial statements.


Shareholders' General Meeting
Board of Supervisors
Board of Supervisors Office
Performance and Due Diligence Supervision Committee
Finance and Internal Control Supervision Committee
Board of Directors
Board of Directors Office
Strategy Development Committee
Audit Committee
Risk Management Committee
Nomination and Compensation Committee
Related Party Transactions Committee
President
Asset and Liability Committee
Risk Management and Internal Control Committee
Corporate and Institutional Banking Committee
Personal Banking Committee
Investment and Wealth Management Banking Committee
Information Technology Committee
Human Resources and Cost Control Committee
Logistics Department
Public Relations & Corporate Culture Department
Security Department
Disciplinary & Supervisory Department
Legal and Compliance Department
Product and Quality Management Department
Electronic Banking Department
Operation Management Department
Information Technology Management Department
Special Assets Resolution Department
Investment Banking Department
Financial Market Department
Credit Card Centre
Housing Finance & Personal Lending Department
Wealth Management and Private Banking Department
Personal Deposit and Investment Department
Enterprise Annuity Centre
Custody & Investor Services Department
International Business Department
Institutional Banking Department
Group Clients Department
Corporate Banking Department
Equity Investment and Strategy Cooperation Department
Research Department
Audit Department
Credit Management Department
Risk Management Department
Information Centre
Procurement Department
Treasury Management & Settlement Department
Finance & Accounting Department
Asset & Liability Management Department
Human Resources Department
Executive Office
Branches at Province and Autonomous Region Level
Sub-branches at Urban District/County Level, Sub-operating Offices, Deposit-taking Offices
Branches at Municipalities Directly under the Central Government
Sub-branches at Urban District/County Level, Sub-operating Offices, Deposit-taking Offices
Branches at Special-Listed City Level
Sub-branches at Urban District/County Level Sub-operating Offices, Deposit-taking Offices
Overseas Branches and Representative Offices

Branches and Subsidiaries

TIER-ONE BRANCHES IN MAINLAND CHINA

Anhui Branch

Address : No. 255, Huizhou Road, Hefei
Postcode : 230001
Telephone : (0551) 2874100
Facsimile : (0551) 2872014

Beijing Branch

Address : No. 4, Building 28, Xuanwumen West Street, Beijing
Postcode : 100053
Telephone : (010) 63603682
Facsimile : (010) 63603656

Chongqing Branch

Address : No. 123, Minzu Road, Yuzhong District, Chongqing
Postcode : 400010
Telephone : (023) 63771855
Facsimile : (023) 63771835

Dalian Branch

Address : No. 1, Jiefang Street, Zhongshan District, Dalian
Postcode : 116001
Telephone : (0411) 88066666
Facsimile : (0411) 82804560

Fujian Branch

Address : No. 142, Guping Road, Fuzhou
Postcode : 350003
Telephone : (0591) 87838467
Facsimile : (0591) 87856865

Gansu Branch

Address : No. 77, Qin'an Road, Lanzhou
Postcode : 730030
Telephone : (0931) 4891555
Facsimile : (0931) 4891862

Guangdong Branch

Address : No. 509, Dongfengzhong Road, Guangzhou
Postcode : 510045
Telephone : (020) 83018888
Facsimile : (020) 83013950

Guangxi Branch

Address : No. 92, Minzu Road, Nanning
Postcode : 530022
Telephone : (0771) 5513110
Facsimile : (0771) 5513012

Guizhou Branch

Address : No. 56, Zhonghua North Road, Guiyang
Postcode : 550001
Telephone : (0851) 6696367
Facsimile : (0851) 6696371

Hainan Branch

Address : CCB Plaza, No. 8, Guomao Avenue, Haikou
Postcode : 570125
Telephone : (0898) 68587488
Facsimile : (0898) 68587569

Hebei Branch

Address : No. 40, Ziqiang Road, Shijiazhuang
Postcode : 050000
Telephone : (0311) 87888866
Facsimile : (0311) 88601001

Henan Branch

Address : No. 80, Huayuan Road, Zhengzhou
Postcode : 450003
Telephone : (0371) 65556699
Facsimile : (0371) 65556688

Heilongjiang Branch

Address : No. 67, Hongjun Street, Nan'gang District, Harbin
Postcode : 150001
Telephone : (0451) 53619788
Facsimile : (0451) 53625552

Hubei Branch

Address : No. 709, Jianshe Street, Wuhan
Postcode : 430015
Telephone : (027) 65775888
Facsimile : (027) 65775881

Hunan Branch

Address : Yin'gang Plaza, No. 2, Baisha Road, Changsha
Postcode : 410005
Telephone : (0731) 84419191
Facsimile : (0731) 84419141

Jilin Branch

Address : No. 810, Xi'an Road, Changchun
Postcode : 130061
Telephone : (0431) 88573030
Facsimile : (0431) 88988748

Jiangsu Branch

Address : No. 188, Hongwu Road, Nanjing
Postcode : 210002
Telephone : (025) 84200545
Facsimile : (025) 84209316

Jiangxi Branch

Address : No. 366, Bayi Street, Nanchang
Postcode : 210002
Telephone : (0791) 6848200
Facsimile : (0791) 6848318

Liaoning Branch

Address : No. 176, Zhongshan Road, Heping District, Shenyang
Postcode : 110002
Telephone : (024) 22787600
Facsimile : (024) 22856915

Inner Mongolia Branch

Address : No. 9, Zhao Wuda Street, Huhhot
Postcode : 010010
Telephone : (0471) 6200256
Facsimile : (0471) 6200257

Ningbo Branch

Address : No. 31, Guangji Street, Ningbo
Postcode : 315010
Telephone : (0574) 87313888
Facsimile : (0574) 87325019

Ningxia Branch

Address : No. 98, Nanxun West Road, Yinchuan
Postcode : 750001
Telephone : (0951) 4126111
Facsimile : (0951) 4106165

Qingdao Branch

Address : No. 71, Guizhou Road, Qingdao
Postcode : 266002
Telephone : (0532) 82651888
Facsimile : (0532) 82670157

Qinghai Branch

Address : No. 59, West Street, Xining
Postcode : 810000
Telephone : (0971) 8261181
Facsimile : (0971) 8261225

Three Gorges Branch

Address : No. 1, Xiling First Road, Yichang, Hubei
Postcode : 443000
Telephone : (0717) 6736888 -3515
Facsimile : (0717) 6738137

Shandong Branch

Address : No. 178, Luoyuan Street, Jinan
Postcode : 250012
Telephone : (0531) 82088108
Facsimile : (0531) 86169108

Shaanxi Branch

Address : No. 38, South Guangji Street, Xi’an
Postcode : 710002
Telephone : (029) 87617515
Facsimile : (029) 87617514

Shanxi Branch

Address : No. 126, Yingze Street, Taiyuan
Postcode : 030001
Telephone : (0351) 4957800
Facsimile : (0351) 4957871

Shanghai Branch

Address : No. 900, Lujiazui Ring Road, Shanghai
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Telephone : (021) 58880000
Facsimile : (021) 68490311

Shenzhen Branch

Address : East Section, Finance Centre, South Hongling Road, Shenzhen
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Sichuan Branch

Address : Sichuan CCB Plaza, No. 86, Tidu Street, Chengdu
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Suzhou Branch

Address : No. 18, Suhua Road, Suzhou Industrial Park, Suzhou
Postcode : 215021
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Facsimile : (0512) 62788783

Tianjin Branch

Address : Plus 1 No. 19, Nanjing Road, Hexi District, Tianjin
Postcode : 300203
Telephone : (022) 23401110
Facsimile : (022) 23400520

Xiamen Branch

Address : No. 98, Lujiang Road, Xiamen
Postcode : 361001
Telephone : (0592) 2158888
Facsimile : (0592) 2158862

Tibet Branch

Address : No. 21, Beijing West Road, Lhasa
Postcode : 850008
Telephone : (0891) 6836070
Facsimile : (0891) 6833641

Xinjiang Branch

Address : No. 99, Minzhu Road, Urumqi
Postcode : 830002
Telephone : (0991) 2848666
Facsimile : (0991) 2819160

Yunnan Branch

Address : CCB Plaza, No. 306, Jinbi Road, Kunming
Postcode : 650021
Telephone : (0871) 3060997
Facsimile : (0871) 3060333

Zhejiang Branch

Address : No. 288, Tiyuchang Road, Hangzhou
Postcode : 310003
Telephone : (0571) 85313263
Facsimile : (0571) 85313001

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Hong Kong Branch

Address : 44-45/F, Tower One, Lippo Centre, 89 Queensway, Admiralty, Hong Kong
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Facsimile : (852) 25377182
Website : www.ccbhk.com

Singapore Branch

Address : 9 Raffles Place, #33-01/02, Republic Plaza, Singapore 048619
Telephone : (65) 65358133
Facsimile : (65) 65356533
Website : www.ccb.com.sg

Frankfurt Branch

Address : Bockenheimer Landstrasse 51-53, 60325 Frankfurt am Main, Germany
Telephone : (49) 69-9714950
Facsimile : (49) 69-97149588, 97149577
Website : www.ccbff.de

Johannesburg Branch

Address : 95 Grayston Drive, Morningside, Sandton, South Africa 2196
Telephone : (27) 11-5209400
Facsimile : (27) 11-5209411
Website : www.ccbjhb.com

Tokyo Branch

Address : Toranomon 2, Chome Building 8F, 2-3-17 Toranomon Minatoku, Tokyo 105-0001, Japan
Telephone : (81) 3-5511-0188
Facsimile : (81) 3-5511-0189
Website : www.ccbtokyo.com

Seoul Branch

Address : 7th Floor, Seoul Finance Centre, 84 Taepyungro 1-GA, Chung-gu, Seoul 100-768, Korea
Telephone : (82) 2-67301702
Facsimile : (82) 2-67301701
Website : www.ccbseoul.com

New York Branch

Address : 33rd Floor, 1095 Avenue of the Americas, New York, USA NY 10036
Telephone : (1) 212-207-8188
Facsimile : (1) 212-207-8288

Sydney Representative Office

Address : Level 33, Deutsche Bank Place, 126 Phillip Street, Sydney, NSW 2000, Australia
Telephone : (61) 2-92328818
Facsimile : (61) 2-92239099

SUBSIDIARIES

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Telephone : (852) 3718 2288
Facsimile : (852) 3718 2249
Website : www.asia.ccb.com

CCB International (Holdings) Limited

Address : Room 3408, 34/F, Two Pacific Place, 88 Queensway, Admiralty, Hong Kong
Telephone : (852) 25326100
Facsimile : (852) 25326100
Website : www.ccbintl.com

Sino-German Bausparkasse Co. Ltd.

Address : 27th Floor, Plus 1 No. 19, Nanjing Road, Hexi District, Tianjin
Postcode : 300203
Telephone : (022) 23126699
Facsimile : (022) 23122828
Website : www.sgb.cn

CCB Principal Asset Management Co., Ltd.

Address : 16/F, Winland International Finance Centre, No. 7, Finance Street, Xicheng District, Beijing
Postcode : 100034
Telephone : (010) 66228888
Facsimile : (010) 66228889
Website : www.ccbfund.cn

CCB Financial Leasing Corporation Limited

Address : 6th Floor, 1-4, Naoshikou Street, Xicheng District, Beijing, China
Postcode : 100031
Telephone : (010) 67594575
Facsimile : (010) 66275809
Website : www.ccbleasing.com

Jianxin Trust Co., Limited

Address : No. 45, Jiushiqiao Street, Hefei, Anhui Province
Postcode : 230001
Telephone : (0551) 5295555
Facsimile : (0551) 2679542
Website : www.ccbtrust.com.cn

Hunan Taojiang Jianxin Rural Bank Limited

Address : Junction of Furong Road and Taohui Road, Taohuajiang Town, Taojiang County, Hunan Province
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Telephone : (0737) 8213820
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Zhejiang Cangnan Jianxin Rural Bank Co., Limited

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China Construction Bank (London) Limited

Address : 18th Floor, 40 Bank Street, Canary Wharf, London E14 5NR, UK
Telephone : (44) 20-7038 6000
Facsimile : (44) 20-7038 6001

Definitions

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

"Bank"	China Construction Bank Corporation
"Bank of America"	Bank of America Corporation
"Baosteel Group"	Baosteel Group Corporation
"Board"	Board of directors
"CBRC"	China Banking Regulatory Commission
"CCB Asia"	China Construction Bank (Asia) Corporation Limited
"CCB Financial Leasing"	CCB Financial Leasing Corporation Limited
"CCB International"	CCB International (Holdings) Limited
"CCB London"	China Construction Bank (London) Limited
"CCB Principal Asset Management"	CCB Principal Asset Management Co., Ltd.
"Company Law"	The Company Law of the People's Republic of China
"CSRC"	China Securities Regulatory Commission
"Fullerton Financial"	Fullerton Financial Holdings Pte Ltd
"Group", "CCB"	China Construction Bank Corporation and its subsidiaries
"Hong Kong Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Huijin"	Central Huijin Investment Limited.
"IFRS"	International Financial Reporting Standards
"Jianyin"	China Jianyin Investment Limited
"Listing Rules of Hong Kong Stock Exchange"	Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
"MOF"	Ministry of Finance of the People's Republic of China
"PBC"	People's Bank of China
"PRC GAAP"	*Accounting Standards for Business Enterprises* promulgated by the MOF on 15 February 2006 and other relevant requirements
"RMB"	Renminbi
"SAFE"	State Administration of Foreign Exchange
"SFO"	Securities and Futures Ordinance
"Sino-German Bausparkasse"	Sino-German Bausparkasse Corporation Limited
"State Grid"	State Grid Corporation of China
"Temasek"	Temasek Holdings (Private) Limited
"Yangtze Power"	China Yangtze Power Co., Limited