ICBC

INDUSTRIAL AND COMMERCIAL BANK OF CHINA LIMITED

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

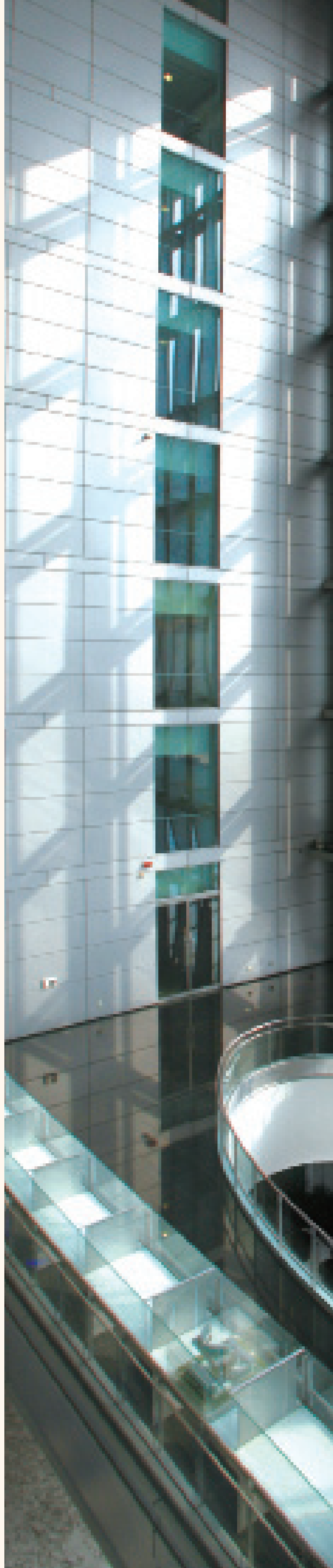
Stock Code: 1398

2008 Annual Report

Company Profile

Industrial and Commercial Bank of China Limited (also referred to as ICBC) was established on 1 January 1984. The Bank was wholly restructured to a joint-stock limited company in October 2005. On 27 October 2006, the Bank was listed on both the Shanghai Stock Exchange and The Stock Exchange of Hong Kong Limited.

ICBC has a leading market position in China and boasts an excellent customer base, a diversified business structure, strong innovation capabilities and competitiveness and outstanding brand value. Total assets of ICBC reached RMB9,757,146 million at the end of 2008, with profit after tax for the year 2008 of RMB111,226 million and total market capitalization of USD173.9 billion, becoming the most profitable bank with the largest market capitalization in the world. ICBC provides financial services to 3.10 million corporate banking customers and 190 million personal banking customers by virtue of the distribution network consisting of 16,252 domestic institutions, 134 overseas institutions and over 1,440 correspondent banks worldwide, as well as through its e-banking network comprising a range of online and telephone banking services, 7,085 self-service banking centers and 28,656 automated teller machines.



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Important Notice

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

The meeting of the Board of Directors of the Bank held on 25 March 2009 reviewed and approved the 2008 Annual Report and the results announcement. All directors attended the meeting.

The 2008 financial statements prepared by the Bank in accordance with CASs and IFRSs have been audited by Ernst & Young Hua Ming and Ernst & Young, respectively, based on Chinese and International Standards on Audit, with standard unqualified auditors' reports being issued.

Board of Directors of Industrial and Commercial Bank of China Limited

25 March 2009

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

Corporate Information

Legal name in Chinese

中國工商銀行股份有限公司（“中國工商銀行”）

Legal name in English

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

Legal representative

Jiang Jianqing

Registered address and office address

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

Principal place of business in Hong Kong

ICBC Tower, 3 Garden Road, Central, Hong Kong

Authorized representatives

Yang Kaisheng, Gu Shu

Board Secretary and Company Secretary

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

Qualified accountant

Yeung Manhin

Selected newspapers for disclosure

China Securities Journal, Shanghai Securities News, Securities Times

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

www.sse.com.cn

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

www.hkexnews.hk

Legal advisors

Mainland China

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

Hong Kong, China

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

Share registrars

A Share

China Securities Depository and Clearing Corporation Limited, Shanghai Branch
36/F, China Insurance Building, 166 Lujiazui Dong Road, Pudong New Area, Shanghai, PRC

H Share

Computershare Hong Kong Investor Services Limited
Rooms 1806–1807, 18/F, Hopewell Center, 183 Queen's Road East, Wanchai, Hong Kong

Location where copies of this annual report are kept

Office of the Board of Directors of the Bank

Place where shares are listed, stock name and stock code

A Share

Shanghai Stock Exchange
Stock name: 工商銀行
Stock code: 601398

H Share

The Stock Exchange of Hong Kong Limited
Stock name: ICBC
Stock code: 1398

Other relevant information of the Bank

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

Name and address of auditors

Domestic auditors

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

International auditors

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

This Annual Report is prepared in both Chinese and English. Should there be any discrepancy between the Chinese and English versions, the Chinese version shall prevail.

Financial Highlights

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

Financial Data

	2008	2007	2006
Annual operating results (in RMB millions)			
Net interest income	263,037	224,465	163,542
Net fee and commission income(1)	44,002	38,359	16,344
Operating income(1)	310,195	257,428	181,638
Allowance for impairment losses	55,462	37,406	32,189
Operating expenses(1)	111,335	104,660	77,397
Operating profit	143,398	115,362	72,052
Profit before tax	145,376	115,378	72,065
Profit after tax	111,226	82,254	49,880
Net profit attributable to equity holders of the parent company	110,841	81,520	49,263
Net cash flow generated from operating activities	370,913	296,129	382,271
Cash dividend (with tax)(2)	55,113	44,425	5,344
As at the end of the reporting period (in RMB millions)			
Total assets	9,757,146	8,683,712	7,508,751
Total loans and advances to customers	4,571,994	4,073,229	3,631,171
Allowance for impairment losses of loans	135,983	115,687	97,193
Net investment in securities	3,048,310	3,107,328	2,860,798
Total liabilities	9,150,516	8,140,036	7,037,750
Due to customers	8,223,446	6,898,413	6,326,390
Due to banks and other financial institutions	646,254	805,174	400,318
Equity attributable to equity holders of the parent company	602,675	538,371	466,464
Net capital base	620,033	576,741	530,805
Net core capital base	510,549	484,085	462,019
Supplementary capital	121,998	94,648	69,650
Risk-weighted assets(3)	4,748,893	4,405,345	3,779,170
Per share data (in RMB)			
Net assets per share(4)	1.80	1.61	1.40
Basic earnings per share	0.33	0.24	0.18
Diluted earnings per share	0.33	0.24	0.18
Net cash flow per share from operating activities	1.11	0.89	1.14
Credit rating			
S&P(5)	A–/Positive	A–/Positive	BBB+/Positive
Moody's(5)	A1/Stable	A1/Stable	A2/Positive

Notes: (1) The Bank has changed the classification of certain components of net fee and commission income since the first half of 2008 (see the 2008 Interim Report of the Bank). For comparison purpose, this Annual Report restated the net fee and commission income, operating income and operating expense of 2007.

(2) The amount of cash dividend proposed by the Board of Directors is subject to the approval at the annual general meeting for 2008. The amount of cash dividend of 2006 excludes the interim dividend and special dividend distributed prior to the listing.

(3) Being risk-weighted assets and market risk capital adjustment. Please refer to "Discussion and Analysis — Capital Management".

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

(5) The rating result represents "long-term foreign currency deposits rating/outlook".

Financial Indicators

	2008	2007	2006
Profitability (%)			
Return on average total assets(1)	1.21	1.02	0.71
Return on weighted average equity(2)	19.43	16.23	15.37
Net interest spread(3)	2.80	2.67	2.32
Net interest margin(4)	2.95	2.80	2.41
Return on risk-weighted assets(5)	2.43	2.01	1.44
Ratio of net fee and commission income to operating income	14.19	14.90	9.00
Cost-to-income ratio(6)	29.84	35.02	36.32
Ratio of cash dividend(7)	50	54	59
Asset quality (%)			
Non-performing loans ("NPL") ratio(8)	2.29	2.74	3.79
Allowance to NPL(9)	130.15	103.50	70.56
Allowance to total loans ratio(10)	2.97	2.84	2.68
Capital adequacy (%)			
Core capital adequacy ratio(11)	10.75	10.99	12.23
Capital adequacy ratio(11)	13.06	13.09	14.05
Total equity to total assets ratio	6.22	6.26	6.27
Risk-weighted assets to total assets ratio	48.67	50.73	50.33

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

(2) Calculated by dividing profit attributable to equity holders of the parent company by the average balance of equity attributable to equity holders of the parent company in accordance with the "Rules for the Compilation and Submission of Information Disclosure by Companies that Offer Securities to the Public No. 9 — Computation and Disclosure of Return on Net Assets and Earnings per Share" (Revision 2007) issued by CSRC.

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

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

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

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

(7) Calculated by dividing the cash dividend (with tax) by net profit attributable to equity holders of the parent company for the period. The cash dividend of 2006 is the ratio of cash dividend distributed in 2006 after listing to the net profit (before restatement) earned from the date of initial public offering to 31 December 2006.

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

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

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

(11) Please refer to "Discussion and Analysis — Capital Management".

Five-Year Financial Summary

	2008	2007	2006	2005	2004
Annual operating results (in RMB millions)					
Net interest income(1)	263,037	224,465	163,542	153,603	134,728
Net fee and commission income	44,002	38,359	16,344	10,546	8,208
Operating income	310,195	257,428	181,638	171,620	147,959
Profit before tax	145,376	115,378	72,065	63,026	54,411
Profit after tax	111,226	82,254	49,880	38,019	31,218
Net profit attributable to equity holders of the parent company	110,841	81,520	49,263	37,555	30,863
As at the end of the reporting period (in RMB millions)					
Total assets	9,757,146	8,683,712	7,508,751	6,456,131	5,069,324
Loans and advances to customers, net	4,436,011	3,957,542	3,533,978	3,205,861	3,109,191
Net investment in securities	3,048,310	3,107,328	2,860,798	2,305,689	1,230,416
Total liabilities	9,150,516	8,140,036	7,037,750	6,196,255	5,577,369
Due to customers	8,223,446	6,898,413	6,326,390	5,736,866	5,176,282
Equity attributable to equity holders of the parent company	602,675	538,371	466,464	255,839	(511,713)
Per share data (in RMB)					
Basic earnings per share	0.33	0.24	0.18	0.15	0.12
Diluted earnings per share	0.33	0.24	0.18	0.15	0.12
Financial indicators (%)					
Return on average total assets	1.21	1.02	0.71	0.66	0.65
Net interest spread	2.80	2.67	2.32	2.58	2.54
Net interest margin	2.95	2.80	2.41	2.61	2.55
Ratio of net fee and commission income to operating income	14.19	14.90	9.00	6.14	5.55
Cost-to-income ratio(2)	29.84	35.02	36.32	40.09	34.02
NPL ratio	2.29	2.74	3.79	4.69	21.16
Allowance to NPL	130.15	103.50	70.56	54.20	76.28
Allowance to total loans ratio	2.97	2.84	2.68	2.54	16.14

Notes: (1) Due to the changes in the presentation of the financial statements, the approaches adopted to calculate the "net interest income" of 2006–2008 and 2004–2005 are different. Please refer to The 2007 Annual Report of the Bank for details.

(2) Calculated by dividing the operating expense (less business tax and surcharges and expenses in relation to the special government bond for 2004 and the period ended 30 November 2005) by the operating income (less interest income from the special government bond for 2004 and the period ended 30 November 2005).

Other Financial Indicators

		Regulatory criteria	2008	2007	2006
Liquidity ratio (%)[2]	RMB	>=25.0	33.3	26.8	48.9
	Foreign currency	>=25.0	83.5	97.9	84.8
Loan-to-deposit ratio (%)[3]	RMB and foreign currency	<=75.0	56.4	56.3	51.4
Percentage of loans to single largest customer (%)[4]		<=10.0	2.9	3.1	3.1
Percentage of loans to top 10 customers (%)[5]			20.4	21.1	21.7
Loan migration ratio (%)[6]	Pass		4.6	3.5	—
	Special mention		9.3	10.4	—
	Sub-standard		39.4	41.3	—
	Doubtful		10.2	10.2	—

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

(2) Calculated by dividing the year end balance of current assets by the year end balance of current liabilities. The scope of current assets and current liabilities has been reduced based on the "Notice on Official Execution of 2007 Off-site Supervisory Information System" issued by CBRC and the liquidity ratios as at the end of 2008 and 2007 are calculated accordingly.

(3) Calculated by dividing loan balance by deposit balance. Loan balances at the end of 2007 and 2006 exclude the discounted bills and the deposit balances exclude fiscal deposits and outward remittance.

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

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

(6) Calculated in accordance with the "Notice on Printing and Distribution of Definitions and Formulas of Off-site Supervisory Indicators" issued by CBRC.

Chairman's Statement

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

2008 is an exceptionally unusual and extraordinary year for China's economic and social development and deserved to be profoundly marked in the development history of ICBC. Guided by the strategic objectives set by the Board of Directors, the Bank forged ahead and coped effectively with the difficulties and challenges arising from the abrupt changes in both domestic and global economies and also from the sudden massive natural disasters in the year. The Bank sustained a stable and healthy development momentum, successfully accomplished the first three-year development plan after its joint-stock reform and initial public offering. The Bank created new value for its shareholders, customers and employees and contributed considerably to the social and economic development.

The Bank derived its growth by persistently pursuing the philosophy of scientific development. By concentrating on improving the business structure, strengthening internal management and pushing forward innovative development, the Bank achieved considerable profit growth in an austere and complicated business environment. The Group's profit after tax increased by 35.2% over the previous year, and maintained a continuously rapid growth since international audit was introduced in 2003. Compound annual growth rate reached 37.5%, making the Bank one of the most profitable banks in the world and one of the international banks with highest growth potential. The income structure was further optimized. Net fee and commission income accounted for 14.19% of operating income, up 8.05 percentage points over 2005 when the joint-stock reform was launched. Cost-to-income ratio was 29.84%, a decrease of 5.18 percentage points from the previous year, indicating that the Bank has maintained sound costs control. Return on investment continued to grow. Return on weighted average equity and return on average total assets were 19.43% and 1.21% respectively, representing an increase of 3.20 percentage points and 0.19 percentage point compared to 2007, respectively. In this regard, the Bank maintains a leading position among global leading banks. Earnings per share reached RMB0.33, an increase of 37.5% over 2007 and 83.3% over 2006 when the Bank went public. Due to the good profit growth and improvement of the business structure, the Bank's capital adequacy remains healthy even in the midst of the rapid development of various businesses. Capital adequacy ratio and core capital adequacy ratio were 13.06% and 10.75% respectively at the end of 2008. The Bank tops all the other listed banks in the world in terms of market capitalization which reached USD173,918 million by the end of the year.

The Bank integrated its support of economic development with its adherence to commercial banking principles, and took advantage of every opportunity to maintain a healthy development trend in a complicated business environment. In response to the government's macro-control policy and changes in the central bank's monetary policy, the Bank promptly modified its credit strategy, actively but prudently increased lending, thus facilitating the implementation of the State's domestic demand-driven growth policy and improving the Bank's profitability at the same time. The Bank adapted to the ever-growing financial services needs, relied on its advanced information technology platform to accelerate new products development, and set up the Tibet Branch. All these measures have made the Bank one of the strongest banking institutions in China in the provision of diversified financial services. In line with the trend of diversified and globalized development, the Bank launched private banking services, integrated its investment banking business in Hong Kong, and established various new branches, including Sydney Branch, New York Branch, Doha Branch and the Middle East Subsidiary Bank, signifying a new step in the Bank's diversified and globalized development.

The Bank monitored closely the development of the global financial crisis and its impact on the Bank's various businesses. By taking effective measures to mitigate and control risk impacts, the Bank has endured the test of severe risks. The response to the financial crisis was proactive and the measures adopted were timely and effective. Risks, in particular the risks associated with foreign currency bonds, have been effectively controlled and prudently managed, and overseas operations had adequate liquidity and smooth business operations. Credit risk has been effectively managed in a timely manner, with the non-performing loans ("NPL") and NPL ratio both declining. The Bank improved its provisioning, with an allowance to NPL of 130.15%, an increase of 26.65 percentage points over the previous year. This significantly enhanced the Bank's ability to resist risks.

Leveraging on the opportunity of the "Olympic Service Year" and benchmarking against higher international standards, the Bank systematically improved customer service system in areas of service outlets, business process, IT system, products innovation and service management, and embarked on a customer experience project, providing refined and differentiated services with higher efficiency to customers. With "zero accident" and "zero customer complaint" during the service for the Beijing Olympic Games, the Bank improved its brand image and pushed forward the improvement of its integrated services.

The Bank improved the efficiency of corporate governance by continuously refining the mechanism of corporate governance. According to domestic and overseas regulatory requirements and the inherent need for corporate development, the Bank further revised the terms of reference for the Audit Committee under the Board of Directors, the terms of reference for the Independent Directors and the Secretary of the Board of Directors, and formulated the terms of reference for independent directors in preparation of annual reports, thereby making the Bank's corporate governance structure even more systematic. The Bank successfully completed the succession of the first session of its Board of Directors and Board of Supervisors. Here I would like to, on behalf of the Board of Directors, express my sincere gratitude to the leaving Directors and incumbent Directors and Supervisors, who diligently assisted the first session of the Board of Directors and Board of Supervisors in accomplishing their tasks and promoted the Bank's business development with their devotion and expertise. The newly elected six Non-executive Directors are: Mr. Huan Huiwu, Ms. Li Chunxiang and Mr. Wei Fusheng (who were nominated by the Ministry of Finance); Mr. Gao Jianhong, Mr. Li Jun and Mr. Li Xiwen (who were nominated by Central SAFE Investments Limited). Mr. Wong Kwong Shing, Frank was elected as an Independent Director. All seven directors have strong expertise in economics and finance, and with exceptionally rich practical experience as well. I believe they will play an important role in improving the Bank's corporate governance and driving its scientific development.

The Bank earnestly performed its social responsibility and further established its image of a responsible leading bank. After the Wenchuan earthquake, the Bank provided high quality and efficient financial services and benevolent aid. It was one of the banks providing the most quake relief loans and donations. An aggregate of RMB28.8 billion of loans were extended for quake relief and post-disaster production recovery, and the Bank donated RMB142 million, out of which RMB88.69 million was from employees. In response to the severe challenge of the financial crisis, the Bank provided various financial support in accordance with commercial banking principles to those enterprises with good fundamentals which were in financial difficulties, in order to help these enterprises to mitigate the impact of this crisis. The Bank continued to promote the "Green Credit Policy" program and imposed strict limitations on loans to industries with high energy consumption or high pollution, but increased the support for energy saving and environmentally friendly industries. At the end of 2008, the percentages of the number of borrowers and outstanding loans of the Bank in line with China's environmental protection policy to the total were more than 99%.

Strong performance, continuous improvement in corporate governance and earnest performance of social responsibility further enhanced the market image and reputation of the Bank both domestically and globally. In 2008, the Bank won 131 awards, including the "Bank of the Year 2008 (China)" and "Bank of the Year 2008 (Asia)", from many renowned media and intermediary agencies, such as *Global Finance, The Banker* and *The Asset.*

Since the financial crisis is still evolving, the financial industry and the economy are facing unprecedented challenges. However, we have witnessed the joint efforts made by countries all over the world to respond to the crisis, and we realized that significant opportunities lie at times of the crisis and sensed a positive note in this cold winter. We have full confidence in the healthy development of both the Chinese economy and the Bank. From 2009 onward we will start to implement the second three-year development plan after the joint-stock reform. We will strive to maintain reasonable profit growth by market expansion and structural adjustment, and ensure that our asset quality is stable and that various risks are under control by enhancing risk management and internal control. We will continue to progress business transformation to sustain our development capability and instill vitality and energy to the Bank through improvement of corporate governance and acceleration of reform and innovation.

Despite the huge impact of the financial crisis, we will continue to grow and gather momentum to welcome the global economic revival.

Chairman: Jiang Jianqing

25 March 2009

President's Statement

President **Yang Kaisheng**

In the extraordinary year of 2008, the Bank experienced austere challenges from the global financial turmoil just like its peers at home and abroad. However, it is quite a relief to see that, through proactive response and painstaking efforts, the Bank continued to demonstrate strong competitiveness, risk resistibility and growth in financial performance in the complicated and volatile business environment, and made satisfactory achievements for its shareholders, investors, depositors and the society.

In an extremely volatile business environment, the Bank continued its vigorous profit growth. In response to the unprecedented international financial crisis, sluggish capital markets, interest rate adjustment and massive natural disasters which resulted in income reduction and expenditure increase, the Bank accelerated its innovation, adjusted its business structure, broadened its source of income and cut back its expenditures. Due to these measures, the Bank’s profit after tax hit a record high in 2008, reaching RMB111,226 million, an increase of 35.2% over the previous year, and maintained a robust momentum of growth since the international audit was introduced in 2003. The satisfactory financial business performance was attributed to the ceaseless efforts in refining the income structure. Despite the continuous narrowing of the nominal interest spread in 2008, the net interest margin (NIM) still increased by 0.15 percentage point year-on-year to 2.95%, which was primarily due to the improvement of business structure. Net fee and commission income totaled RMB44,002 million, accounting for 14.19% of operating income.

While keeping up with the dynamics of the macro-economy, the Bank gave full play to its role as a leading bank in the national economy. In the past year, we proactively designed our credit policy so as to conform with the national fiscal policy, industrial policy and regional policy, and controlled the total exposure and structure of credits at a reasonable level. Following the third quarter of 2008, the Bank increased its lending in line with the orientation, focus and strength of China’s macro economic policy. In the fourth quarter, the Bank further accelerated the pace of credit extension. New RMB loans extended by domestic branches increased by RMB190,065 million or 14.3% to RMB536,765 million in 2008, ranking first among all financial institutions in China. Such loans were mainly used to support the construction of key projects in China and to finance key industries and key customers conforming to the national industrial policy. The Bank actively supported the development of small and medium enterprises and expansion of consumption. Small and medium enterprise loans and personal loans extended by domestic branches grew by RMB200,842 million and RMB77,229 million, respectively, the sum of which accounted for 51.8% of total new loans. The Bank also supported independent innovation, energy conservation and environmental protection through imposing limitations on lending to industries with high energy consumption, high pollution and overcapacity, thereby promoting environmental protection and resources conservation through financial leverage means.

The Bank achieved healthy and robust business development in its various businesses despite the increasingly fierce market competition. In response to the changes in customers’ cash flows, the Bank promptly adjusted its business strategy and realized coordinated growth of both the deposits-taking and the wealth management businesses. New customer deposits in 2008 reached RMB1,325,033 million, hitting a record high, and increased by RMB753,010 million over the previous year, and incremental deposit ranked first in the market. The sales of banking wealth management products amounted to RMB2,129.7 billion, maintaining a leading position in the industry. Various emerging business lines continued their rapid and healthy development, and all major indicators ranked first in domestic banking industry. In 2008, the Bank maintained its top position as underwriter of bonds, with a total of 52 bonds with an aggregate amount of RMB164.6 billion underwritten. The Bank has been the No.1 custodian bank in China for ten consecutive years in terms of the size of assets under custody, and maintained a leading position in the fields of fund management and insurance products agency. It held a market share of close to 50% in major markets of the enterprise annuity business, making it the largest enterprise annuity service institution in China. The Bank issued over 238 million bank cards, with consumption volume of nearly RMB800 billion in 2008, of which more than 39 million in number and RMB250 billion in consumption volume were credit cards. The Bank’s leading position was further strengthened. The functionality and service modes of E-banking products were continuously upgraded, and off-counter business accounted for 43.1% of the Bank’s total business volume, improving service efficiency and reducing operating costs.

The Bank effectively controlled risks in coping with the impact of the global financial crisis. Based on the principle of prudent operation, the Bank stepped up its efforts in applying the internal rating-based approach in assessing credit risk, thereby further improving its risk management capability and attaining the objective of controlling the overall risks in the recent global financial turmoil. Since early 2008, the Bank adjusted its investment strategy, optimized its investment portfolio and currency portfolio in response to the changes in the international financial market. The Bank substantially reduced its outstanding position in risky foreign currency denominated bonds and used the proceeds to conduct frequent trading in low-risk bonds, making some profits to offset the loss from the reduction in high-risk bond positions and protected the Bank against potentially high risks. As at the end of 2008, the balance of non-performing loans (NPLs) dropped by RMB7,292 million, and NPL ratio decreased by 0.45 percentage point to 2.29%. The NPL balance and NPL ratio have declined for nine successive years. Allowance to NPL reached 130.15%, an increase of 26.65 percentage points over the previous year, further enhancing the Bank's ability to resist risks.

Provision of financial services for the Beijing Olympic Games improved the Bank's services level and brand image. Following a customer-centered modern servicing concept, the Bank leveraged on the opportunity of the "Olympic Service Year" to improve its service capability by a far margin and continuously refined its customer services. With "zero accident" and "zero complaint" during the Olympic Games, we made active contributions to the successful hosting of the Olympic Games. In 2008, the Bank launched private banking services to cater for the needs of the growing economy for diversified financial services. A total of 100 premier wealth management centers and 3,000 VIP service centers were established, and a large number of outlets were renovated. E-banking service network coverage was enhanced and a multi-level regional service system took shape. The customer services became more refined and personalized. In respect of technological innovation, the Bank continued to maintain a leading position in the industry, with a number of key projects in operation. The construction of the 4th-generation application system that targets future financial services needs has formally commenced. With accelerated products innovation, the Bank provides over 2,055 financial products, making it one of the banking institutions in China with the most financial products in number and category offered. Through a comprehensive improvement in services, the Bank has instilled its new concept and values to the minds of our customers.

However, we must stay alert and think ahead. We are well aware that the Bank will face severe challenges in 2009, and at the same time, 2009 presents us with significant development opportunity. We shall continue to be brave and confident, and shall push forward the implementation of our new three-year development plan. We shall combat various challenges in a proactive attitude. We shall strive to achieve healthy, steady and rapid development in complicated environment and open a new chapter in our development towards a first class financial institution in the world.

President: Yang Kaisheng

25 March 2009

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

2008 Awards

• The Banker

Bank of the Year 2008 (Asia)
Bank of the Year 2008 (China)
Deal of the Year 2008 (China)
Deal of the Year 2008 (South Africa)
Business Continuity & Governance Project

• Global Finance

Best Bank in China
Best Corporate Lending Bank in China
Best Sub-Custodian Bank in China
Best Consumer Internet Bank in China
Best Corporate/Institutional Internet Bank in China
Best Investment Management Services for Consumer Banking in Asia
Best Investment Management Services for Corporate/ Institutional Banking in Asia
Best Consumer Internet Bank in Asia

• The Asian Banker

Best Retail Bank in China
Best Mega Retail Bank in China
Excellence in Multi-Channel Distribution in China

• The Asset

Best Domestic Bank (China)
Best Transaction Bank (China)
Best Domestic Custodian (China)
Best Cash Management Bank (China)

• Euromoney

Best Bank in China
Best for Fixed Income Portfolio Management (China)
Best for Trust Services (China)

• Asiamoney

Best RMB Cash Management Services (China)

• FinanceAsia

Best Bank in China
Best Cash Management Bank in China

• Global Custodian

Domestic Top Rated Provider (China)

• Emerging Markets

Banking Achievement 2008, Asia

• Lafferty Group

Best Annual Report — China: Highly Commended

• League of American Communications Professionals

Vision Awards — Annual Report: Bronze Award

• Hong Kong Institute of Certified Public Accountants

Best Corporate Governance Disclosure Awards: Gold Award

• The Chamber of Hong Kong Listed Companies, Centre for Corporate Governance and Financial Policy of Hong Kong Baptist University

Hong Kong Corporate Governance Excellence Award

• Asia Legal Business

China In-House Team of the Year

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

• Asia Risk

House of the Year, China

Chief Risk Officer of the Year, Asia

• Project Finance

Deals of the Year 2007 (Asia-Pacific Downstream Oil & Gas)

• IR Magazine

Best Investor Relations by a Chairman, China

Best Investor Relations by a CEO, China

• Visa Inc.

Award for Leading Technology of Credit Card

• MasterCard Worldwide

Best Platinum Card of the Year

Best Product Innovation of the Year

Best Commercial Product of the Year

• Contact Centre Association of Singapore, Contact Centre Association of Malaysia and Hong Kong Call Centre Association

China Best Call Center

China Best Call Center Manager

Asia-Pacific Best Call Center

• Assessment Committee for State-Level Enterprise Management Modernization Innovation Achievements

The First Place of State-Level Enterprise Management Modernization Innovation Achievement

• 21st Century Business Herald

Best Commercial Bank in Asia

Best Corporate Citizen

• Network Center of the People's Daily

People's Award for Social Responsibility

• National Informatization Evaluation Center

The First Place of Top 500 Enterprise Informatization in China

• China Business News

Corporate Social Responsibility Ranking in China: Outstanding Enterprise Award

Corporate Financial Services Brand

Best Retail Financial Services Brand

• Global Entrepreneur

The First Place of China's Top 50 Best Performance Companies

• Southern Weekend

The Third Place of the Top 100 "CSR Ranking of the State-owned Listed Companies"

• China Securities Journal

Top 100 Chinese Listed Companies Gold Bull Award

• Securities Times

Outstanding Achievement Award

Best Online Bank

10 Best Management Teams of the Financial Institution Websites

Best Security Performance Award

Best Fund Custodian Bank of China

• Shanghai Securities News

Gold Fund: Ten Years of Excellent Contribution Award

• Securities Association of China

Best Securities & Futures and Science & Technology Innovation Award

• Hexun

Outstanding Service Award of China's Banking Sector

The First Place of Best Customer Experience for Online Banking

Best User Experience, China Credit Card Appraisal

Best Card Issuer, China Credit Card Appraisal

Best Technology Innovation, China Credit Card Appraisal

Platinum Card Award, China Credit Card Appraisal

• Sina

Best Online Bank

• Sohu

Excellent Credit Card Service

• Tencent

Outstanding Contribution Honor

Most Influential Credit Card Honor

Best Credit Card of the Year

• China Financial Certification Authority

China's Best Online Bank

• Wisemoney, China Finance Online, China National Radio

Most Popular Credit Card

• Shanghai Stock Exchange, Shenzhen Stock Exchange and the Investor Relations Management Study Center for China's Listed Companies

Top 100 Best Investor Relations Management

Best Board Secretary

Best IR Homepage

• China UnionPay

Outstanding Contribution to the Development of China UnionPay Card Merchants

Outstanding Contribution to the Promotion of China UnionPay Classic Cards

Outstanding Contribution to the China UnionPay Card Trans-Bank Transactions

Best Bank Implementing the China UnionPay Card Standards & Criteria

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

Top 10 Commercial Banks Supporting the Development of Small and Medium-sized Enterprises

• Red Cross Society of China

China Red Cross Medal

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

Golden Censer Prize for the Listed Company in China's Securities Market

• World Finance Laboratory, World Entrepreneur, World Executive

50 Most Respectable Listed Companies in China (No. 1)

Best Board of Directors of China's Listed Companies

Best Board Secretary of China's Listed Companies

• China Banking Regulatory Commission

National Advanced Unit of Financial Services for Small Enterprises

• Organizing Committee for the Top 10 Most Influential Brands Election

Most Influential Brand of Financial Services in China

• China Foundation of Poverty Alleviation

2008 Chinese People's Livelihood Action Pioneer

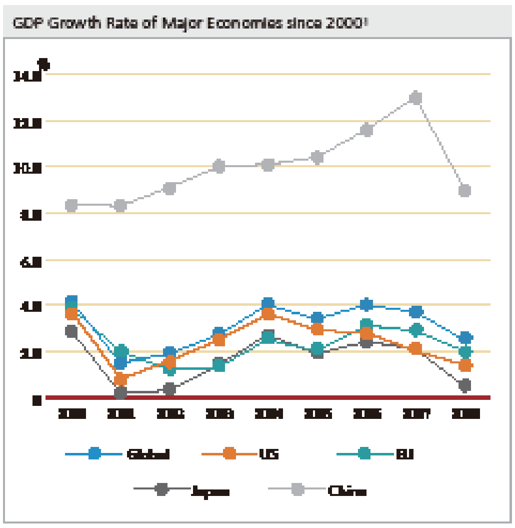
• State Council Leading Group Office of Poverty Alleviation and Development

Poverty Alleviation Leading Unit among Central Government Organs

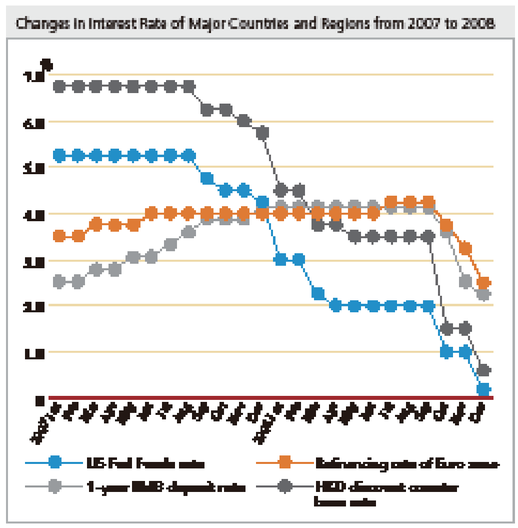
ECONOMIC, FINANCIAL AND REGULATORY ENVIRONMENTS

International Economic, Financial and Regulatory Environments

In 2008, the financial crisis spread from part of the world to the whole world, from developed countries to emerging market economies and developing countries, and from financial industry to the real economy. As a result, the global economic growth slowed down obviously, international financial market became increasingly volatile and uncertain and unstable factors of the international economic environment increased. The US, Euro Zone and Japan have been suffering economic recession, and the economic growth of emerging market slowed down obviously. Global inflation pressure was eased, while the risk of deflation escalated. On 28 January 2009, IMF predicted that the growth rate of the global economy would drop to 3.4% in 2008, decreasing by 1.8 percentage points from 2007.



Data sources: Bloomberg, the World Bank and EU Bureau of Statistics.



Data source: Bloomberg.

Affected by the continuous deterioration of financial crisis and slowdown of global economic growth, the volatility of the international financial market was increasing. The exchange rates between major currencies fluctuated drastically. The US dollar declined and then rallied, Japanese Yen climbed amid fluctuation, and Euro showed a trend of depreciation. As at the end of 2008, US Dollar Index (USDX) was closed at 81.308, representing an appreciation of 6.01% as compared to that at the end of 2007; the exchange rate of USD against Euro was closed at 1.3978, with the USD appreciating 4.4%; the exchange rate of Japanese Yen against USD was closed at 90.60, with the Japanese Yen appreciating 22.9%, which hit a new high over the past 16 years. The interest rates in the major financial markets have been fluctuating sharply. 1-year USD LIBOR decreased from 4.1875% at the beginning of 2008 to 2.00375% at the end of the year, and 1-year HKD HIBOR dropped from 3.45143% to 1.84929%. The yields of the major bonds in the international market declined. The yield of US treasury bonds showed an overall downward trend and dropped to a new low, especially the yield of short-term treasury bonds was close to zero.

1 The forecast of economic growth of EU in 2008 was derived from the EU Bureau of Statistics, and the data of the whole world and other economies in 2008 were predicted by the World Bank.

In 2008, the global stock market declined drastically, with the drop of the stock indices and the shrinkage of market capitalization both hitting a historic record. As at the end of 2008, the MSCI All-Country World Index was closed at 920.23, representing a decrease of 42.08% from the end of the previous year, which was the largest decrease over the past nearly 40 years since the index was introduced. The drop of the stock indices resulted in the huge shrinkage of global market capitalization, which was USD32.13 trillion as at the end of 2008, representing a decrease of 47.19% from the end of 2007.

Since the sub-prime mortgage crisis broke out, various large financial institutions in the world have suffered profit decline for several successive quarters and have been facing expanding asset write-down and credit losses. As at the end of 2008, the total amount of the asset write-down and credit losses in the world had reached USD1,004.0 billion, out of which USD678.6 billion came from the US, USD294.7 billion from Europe and USD30.7 billion from Asia.

To react to the crisis, major economies in the world have successively lowered interest rates, improved market liquidity through various channels, rescued financial institutions with problems and launched large-scale economic stimulus plans. After the seven cuts in interest rate by the US Federal Reserve in 2008, the federal funds rate was lowered from 4.25% to the "target range" of 0–0.25%, which was the lowest benchmark interest rate in the history of the US. Besides, the US Federal Reserve reduced rediscount rate eight times from 4.75% at the beginning of 2008 to 0.5% at the end of the year. Since the third quarter of 2008, the European Central Bank has cut the benchmark interest rate five times to 1.5%, the Bank of England has lowered the benchmark interest rates six times to 0.5%, and the Central Bank of Japan has reduced the benchmark interest rate twice to 0.1%, which was also the first time for the country to cut the interest rate successively over the past seven years.

Economic, Financial and Regulatory Environments in China

China's economic and social development experienced an unusual and exceptional year in 2008. In the year, China successfully combated against the unprecedented ice and snow storm and Wenchuan earthquake on 12 May, and actively reacted to the international financial crisis. The national economy showed a trend of rapid growth, price stabilization, structural optimization and improvement of the people's livelihood.

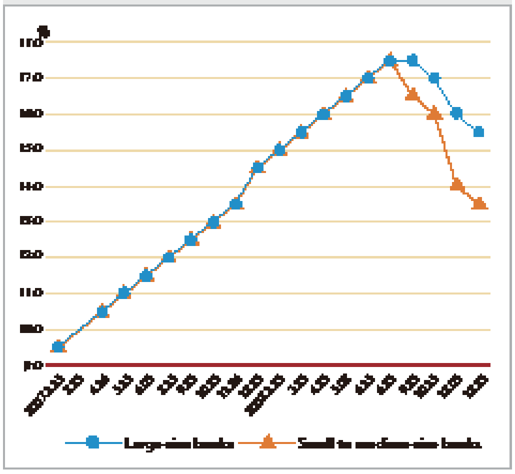
China's GDP reached RMB30.07 trillion, representing a year-on-year increase of 9.0%, which was 4.0 percentage points lower than the growth a year earlier. GDP increased by 10.6%, 10.1%, 9.0% and 6.8%, respectively in each quarter. The growth of industrial output and enterprise profits slowed down. Investment in fixed asset maintained rapid growth, and investment structure was improved to a certain degree. Price growth slid down and became stable in the second half of the year, and the consumer price index (CPI) increased by 5.9% in the year, representing an increase of 1.1 percentage points. The production price index (PPI) rose by 6.9%, while declined by 1.1% month-on-month in December; and the growth rate in the year increased by 3.8 percentage points as compared to that in the previous year. The selling prices of properties in 70 large and medium cities climbed by 6.5%, while decreased by 0.4% month-on-month in December, and the growth rate in the year decreased by 1.1 percentage points as compared to that in the previous year. Volume of foreign trade increased relatively quickly but the growth slowed down obviously in the fourth quarter. The imports and exports trade amounted to USD2.56 trillion in 2008, representing an increase of 17.8%, yielding a trade surplus of USD295.5 billion, representing an increase of 12.5%. The foreign exchange reserve of the state increased by 27.3% to USD1.95 trillion and income of urban and rural residents continued to increase.

In response to the complicated changes in domestic and foreign macro-economic situations, in the first half of 2008, China changed its macro-economic policy from "Double Preventions" (to prevent relatively rapid economic growth from turning into economic overheating, and to prevent structured price increase from turning into evident inflation) fixed in the beginning of the year to the "One Maintain and One Control" (to maintain smooth and rapid economic growth and to control overly rapid commodity price growth) fixed in the middle of the year, and pursued a prudent fiscal policy and tight monetary policy. PBOC took various measures to strengthen liquidity management of banking industry, including increase of required reserve ratio six times from 14.5% in early 2008 to 17.5%.

In the second half of 2008, especially from the beginning of September, China established a macro-economic policy of "expanding domestic demand, promoting growth and adjusting structure", and started to pursue a proactive fiscal policy and moderately ease monetary policy. The PBOC has lifted the restriction on the credit scale of commercial banks, lowered deposit reserve ratio four times, and carried out differentiated adjustment for large banks and small and medium banks. The deposit reserve ratio of large banks, including the Bank, has been lowered from 17.5% to 15.5%, and that of small and medium banks has been lowed from 17.5% to 13.5%. As at the end of 2008, according to dynamic calculation, the reduction of deposit reserve ratio released liquidity of approximately RMB800.0 billion. The PBOC has also reduced required reserve ratio and excess reserve ratio by 0.27 percentage point, respectively, and lowered the benchmark interest rates of RMB deposits and loans for four times and five times, respectively. Following the interest rate cut, the benchmark interest rate of 1-year deposits was reduced by 1.89 percentage points from 4.14% to 2.25%, and that of 1-year loans was reduced by 2.16 percentage points from 7.47% to 5.31%. The PBOC also reduced the relending and rediscount interest rates twice in November and December. To reduce the withdrawal of currency from circulation through open operations, the PBOC has suspended the issue of 3-year, 6-month and 1-year central bank bills since July, and lowered the issue frequency of 3-month central bank bills.

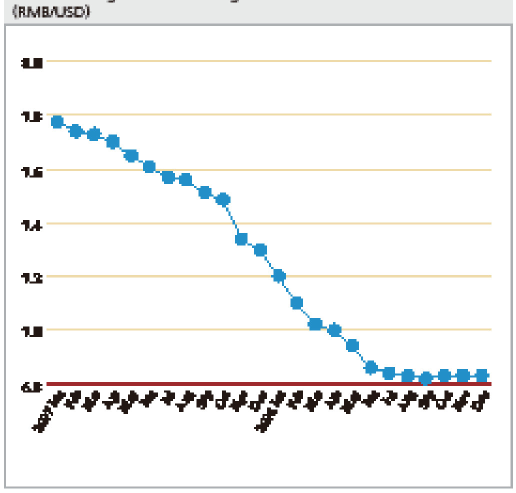
As at the end of 2008, the balance of M2 reached RMB47.5 trillion, representing a year-on-year increase of 17.8%, 1.1 percentage points higher than the growth of the previous year. The balance of M1 stood at RMB16.6 trillion, representing an increase of 9.1%, 12.0 percentage points lower than the growth of the previous year. The base currency grew smoothly, and the financial system, as a whole, had an adequate liquidity.

Adjustment of RMB Deposit Reserve Ratio of Domestic Deposit-Taking Financial Institution from 2007 to 2008



Data source: PBOC.

Mean Exchange Rate of RMB against USD from 2007 to 2008 (RMB/USD)



Data source: State Administration of Foreign Exchange.

Financial institutions achieved a steady growth in loans, with the year-end balance of various loans in RMB and foreign currencies amounting to RMB32.01 trillion, an increase of 17.95%. Among which, outstanding loans in RMB rose by RMB4.91 trillion to RMB30.35 trillion, a year-on-year increase of RMB1.28 trillion or 18.76%, 2.66 percentage points higher than the growth of last year. Deposits from financial institutions increased rapidly, with a balance of various deposits in RMB and foreign currencies reaching RMB47.84 trillion, an increase of 19.30%. Among which, RMB deposits rose by RMB7.69 trillion to RMB46.62 trillion, a year-on-year increase of RMB2.3 trillion or 19.73%, with an obvious tendency toward time deposits.

The fundamental role of foreign exchange market in terms of supply and demand was brought into fuller play, and the exchange rate of RMB floated in a two-way manner and increased from an overall perspective. In the first half of 2008, the exchange rate of RMB against USD appreciated 6.50%, showing a tendency of accelerated appreciation. In the second half, the exchange rate appreciated only 0.36%, indicating that the appreciation has slowed down obviously. As at the end of 2008, the mean exchange rate of RMB against USD was 6.8346, appreciating 6.88% in the year and 21.10% since the exchange rate reform.

The financial market developed smoothly by and large. Inter-bank market continued to maintain a healthy development momentum with brisk transactions and sharp increase in transaction volume; the bond product offering became more diversified, and the short and medium-term bonds accounted for a larger proportion in the total issue of bonds. The market liquidity was ample, interest rate in the money market decreased in general and showed a marked gradual change, and the yield curve tended to slide down. SHIBOR continued to play an important role in pricing bond issue, and it increased first and then declined. The types of market participants were further abundant and institutional investors were more diversified.

In the sluggish stock market, stock indices fell and the trading volume declined sharply, and funds raised from the stock market also decreased. In 2008, the trading volume in Shanghai and Shenzhen stock markets totaled RMB26.71 trillion, a year-on-year decrease of RMB19.34 trillion, with a 42.95% decrease in daily trading volume to RMB108,582 million. As at the end of 2008, Shanghai and Shenzhen composite indices were closed at 1821 and 553, down 65.4% and 61.8% respectively. The market capitalization reached RMB4.52 trillion, a decrease of 51.4% as compared to last year. In 2008, funds raised from the stock market declined obviously. Non-financial institutions and financial institutions raised a total of RMB365.7 billion from domestic and overseas stock markets through public offering (including additional public offering), rights issue and issue of convertible bonds, a decrease of RMB502.3 billion or 57.9%. The trading volume of securities investment funds decreased by more than 50%. Insurance demand increased obviously. Insurance industry generated original insurance premium of RMB978.41 billion, an increase of 39.1%, the highest growth since 2002.

Outlook for 2009: Challenges and Opportunities

In 2009, developed economies may be plunged into more obvious recession, and the growth of economies of emerging market and developed economies will slow down. On 28 January 2009, IMF predicted that the global economic growth would drop from 3.4% in 2008 to 0.5% in 2009. The continuous tendency of de-leveraging process of financial institutions, uncertainties of inflation under relaxed monetary policy and the performance and potential impact of measures taken by each country in response to restrain recession and cement confidence will become the major factors that impact on the global economic growth in the future.

Since the impact of global financial crisis on China's economy became intensified, external demand shrank evidently, some domestic industries faced overcapacity, and enterprises' production and operation were in difficulties. The jobless rate in urban and rural areas increased, and economic growth tended to slow down. On the whole, however, China has a broad market with great growth potential. The long-term economic growth trend and advantages remain unchanged. Together with the macro-control policy, China's national economy is expected to continue smooth and rapid growth. The Chinese government has explicitly pointed out that its priority of economic work in 2009 would be given to smooth and rapid economic growth. To this end, it will implement a proactive fiscal policy and a moderately relaxed monetary policy. According to relevant financial policies and measures adopted to stimulate economic development, the Chinese government will enhance the financial support for economic development, maintain adequate liquidity in the banking system and promote the reasonable and smooth growth of monetary credits. The PBOC also further stressed that it would strive to maintain the M2 growth at around 17%.

In 2009, domestic banking industry will face the severest difficulties and challenges after entering the new century. Since the second half of 2008, enterprises have faced more operating difficulties, the credit risk arising from some industries has increased and the real estate market remained sluggish. As the global financial crisis intensified, there is a potential risk that the value of the overseas bonds investment may depreciate. The foreign currency operation and overseas branch operation are valuable to credit risk, liquidity risk and counterparty risk. Changes in the assets quality may lead to an increase in provision for reserve and a decrease in profits. With the gradual promotion of interest rate liberalization and the large-scale release of liquidity from banking industry since the adoption of a moderately relaxed monetary policy, the market interest rate decreased rapidly, net interest spread shrank continuously, and the growth pressure of net interest income escalated. Due to the sluggish capital markets, the growth of handling fees and commissions of domestic banking industry which has maintained many years slowed down obviously. Financial competition also experienced new changes and each bank is seizing the opportunity to speed up innovation and expand market, making competition fiercer. All these factors above have made domestic banking industry more difficult to achieve profit growth in 2009.

Crisis and challenges generally imply opportunities, and the opportunity that changes the competition and development situations often occurs in the most complicated and difficult times. The financial crisis does not change the fundamental of China's economic development and the country is still in the critical period full of strategic opportunities. With respect to China's banking industry, now there are four advantages:

Firstly, the market room is huge. A series of major policies and measures launched by the Chinese government in order to expand domestic demand and promote economic growth will bring about new opportunities for the banking industry's business development and profit growth. Implementation of the policies to improve the people's livelihood and stimulate consumption, continuous development of direct financing market and adequate liquidity in the financial market will also create new market for commercial banks.

Secondly, the policy environment is favorable. Moderately relaxed monetary policy and a series of financial policies and measures pursued to spur economic development also pave the way for the innovative development of financial market and banks at each level. The launch of new financing methods, including acquisition and restructuring loans, real estate investment trusts (REITs) and equity investment funds, provides new channels for commercial banks to expand new financing services and investment banking business. China's implementation of such policies and measures as adjusting and reviving important industries, supporting merger and acquisition, and giving financial institutions bigger authority to dispose non-performing assets provides commercial banks with new policy conditions to prevent and hedge credit risk and maintain stable asset quality.

Thirdly, international opportunities are valuable. The segmentation and adjustment of international financial market, higher position and influence of China's financial industry in the international market, and some international financial institutions' slowdown of pace in market expansion provide domestic commercial banks with valuable opportunities to expand overseas business.

Fourthly, the business development foundation of domestic commercial banks has been solider. With many years of institutional reform, business transformation and innovative development, especially the joint-stock reform and public offering, domestic banking industry has made remarkable progress in terms of business and income structure, risk management capability, and financial and risk compensation capability.

FINANCIAL STATEMENTS ANALYSIS

Income Statement Analysis

In 2008, in response to the complicated and changing domestic and global economic environment, the Bank has been continuously undergoing business transformation, accelerating business innovation, optimizing revenue structure, and tightening cost control. As a result, the Bank effectively mitigated the adverse influence from the global financial crisis and the economic downturn of China, and achieved a sound growth of earnings in 2008. Profit after tax reached RMB111,226 million, representing an increase of RMB28,972 million or 35.2% over the previous year. Operating income registered a growth of RMB52,767 million or 20.5%, of which net interest income increased by RMB38,572 million or 17.2%; and non-interest income surged by RMB14,195 million or 43.1%. Operating expenses increased by RMB6,675 million or 6.4%, and the allowance for impairment losses increased by RMB18,056 million or 48.3%. The adoption of the new corporate income tax rate also contributed to the growth of the Bank's profit after tax.

CHANGES OF KEY INCOME STATEMENT ITEMS

In RMB millions, except for percentages

Item	2008	2007	Increase/ (decrease)	Growth rate (%)
Net interest income	263,037	224,465	38,572	17.2
Non-interest income	47,158	32,963	14,195	43.1
Operating income	310,195	257,428	52,767	20.5
Less: Operating expenses	111,335	104,660	6,675	6.4
Less: Allowance for impairment losses	55,462	37,406	18,056	48.3
Operating profit	143,398	115,362	28,036	24.3
Share of profits and losses of associates	1,978	16	1,962	12,262.5
Profit before tax	145,376	115,378	29,998	26.0
Less: Income tax expense	34,150	33,124	1,026	3.1
Profit after tax	111,226	82,254	28,972	35.2
Attributable to:				
Equity holders of the parent company	110,841	81,520	29,321	36.0
Minority interests	385	734	(349)	–47.5

Note: The growth in the share of profits and losses of associates is mainly due to the Bank's acquisition of 20% equity interests in Standard Bank, which was completed in March 2008.

Net Interest Income

Net interest income is the major component of the Bank's operating income. In 2008, the Bank's net interest income increased by 17.2% to RMB263,037 million, accounting for 84.8% of the operating income. Interest income amounted to RMB440,574 million, of which interest income on loans and advances to customers, interest income on investment in securities and other interest income accounted for 69.7%, 23.3% and 7.0%, respectively.

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

In RMB millions, except for percentages

Item	2008			2007		
	Average balance	Interest income/ expense	Average yield/cost (%)	Average balance	Interest income/ expense	Average yield/cost (%)
Assets						
Loans and advances to customers	4,341,052	307,103	7.07	3,893,311	237,880	6.11
Investment in securities	3,072,444	102,688	3.34	3,001,210	91,724	3.06
Investment in securities not related to restructuring	2,066,299	80,222	3.88	1,958,873	68,175	3.48
Investment in securities related to restructuring(2)	1,006,145	22,466	2.23	1,042,337	23,549	2.26
Due from central banks	1,254,668	22,634	1.80	827,014	14,805	1.79
Due from banks and other financial institutions(3)	252,565	8,149	3.23	307,887	12,878	4.18
Total interest-earning assets	**8,920,729**	**440,574**	**4.94**	**8,029,422**	**357,287**	**4.45**
Non-interest-earning assets	392,892			316,639		
Allowance for impairment losses	(130,132)			(110,063)		
Total assets	**9,183,489**			**8,235,998**		
Liabilities						
Deposits	7,380,312	160,253	2.17	6,559,635	116,336	1.77
Due to banks and other financial institutions(3)	897,473	16,043	1.79	886,071	15,305	1.73
Subordinated bonds	35,000	1,241	3.55	35,000	1,181	3.37
Total interest-bearing liabilities	**8,312,785**	**177,537**	**2.14**	**7,480,706**	**132,822**	**1.78**
Non-interest-bearing liabilities	316,547			277,293		
Total liabilities	**8,629,332**			**7,757,999**		
Net interest income		**263,037**			**224,465**	
Net interest spread			**2.80**			**2.67**
Net interest margin			**2.95**			**2.80**

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

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

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

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

In RMB millions

Item	Comparison between 2008 and 2007		
	Increase/(decrease) due to		Net increase/ (decrease)
	Volume	Interest rate	
Assets			
Loans and advances to customers	31,847	37,376	69,223
Investment in securities	3,442	7,522	10,964
Investment in securities not related to restructuring	4,212	7,835	12,047
Investment in securities related to restructuring	(770)	(313)	(1,083)
Due from central banks	7,746	83	7,829
Due from banks and other financial institutions	(1,804)	(2,925)	(4,729)
Changes in interest income	**41,231**	**42,056**	**83,287**
Liabilities			
Deposits	17,678	26,239	43,917
Due to banks and other financial institutions	206	532	738
Subordinated bonds	—	60	60
Change in interest expense	**17,884**	**26,831**	**44,715**
Change in net interest income	**23,347**	**15,225**	**38,572**

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

• *Net Interest Spread and Net Interest Margin*

In 2008, return on assets has been further improved as a result of the Bank's efforts in seizing market opportunities, proactively adjusting and optimizing the structure of assets, improving interest rate management and enhancing the bargaining power in loan transactions in reaction to changes in the domestic and global economic environment. In addition, the Bank achieved further improvement in the profitability of its assets and liabilities operations by following the trend of capital markets in promoting deposits, and adjusted deposit mix by guiding customers to reasonably adjust their portfolio of financial assets. As a result, the net interest spread and net interest margin reached 2.80% and 2.95%, respectively, representing an increase of 13 and 15 basis points as compared to the previous year.

As a result of the improvement of loan re-pricing capability, interest rate management and bargaining power and the optimization of loan quality and structure, the average yield of loans to customers increased from 6.11% in 2007 to 7.07% in 2008. In view of the movement of the yield curve of Renminbi bond markets, the Bank further optimized the investment portfolio and increased the average yield of investment in securities from 3.06% in 2007 to 3.34% in 2008. As a result of the above, the average yield of interest-earning assets increased by 49 basis points to 4.94%. Due to the cumulative effect of interest rate rises and the increase of deposits, in particular the time deposits, caused by capital market volatility, the average cost of deposits increased from 1.77% in 2007 to 2.17% in 2008. The cost of liabilities was further increased due to the decrease in amount due to banks and other financial institutions with lower average cost. As a result, the average cost of the interest-bearing liabilities went up by 36 basis points to 2.14%. As the growth in average yield on interest-earning assets is slightly higher than the growth in average cost of interest-bearing liabilities, the net interest spread and net interest margin further increased.

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

Percentages

Item	2008	2007	Increase/ (decrease) (basis point)
Yield of interest-earning assets	4.94	4.45	49
Cost of interest-bearing liabilities	2.14	1.78	36
Net interest spread	2.80	2.67	13
Net interest margin	2.95	2.80	15

• *Interest Income*

Interest income amounted to RMB440,574 million, representing an increase of RMB83,287 million or 23.3% as compared to the previous year. The aggregate growth of interest income on loans and advances to customers and investment in securities accounted for 96.3% of the total increase in interest income. The increase in interest income was principally attributable to the rise in the average yield and average balance of loans and advances to customers as well as the increase in the average yield of investment in securities not related to restructuring.

• *Interest Income on Loans and Advances to Customers*

Interest income on loans and advances to customers constituted the largest component of the Bank's interest income. In 2008, the interest income on loans and advances to customers was RMB307,103 million, representing an increase of RMB69,223 million or 29.1%. The increase in interest income is mainly attributable to the rise of average yield of loans and advances to customers from 6.11% in 2007 to 7.07% and the increase of RMB447,741 million in the average balance. The factors causing the increasing average yield principally include: (1) under the cumulative effect of six times benchmark interest rate hike for loans as announced by PBOC, the higher interest rate was applied to the loans granted by the Bank in the first three quarters of 2008. As a result, the benchmark interest rate of 1-year RMB loans was 7.47% at the beginning of 2008, representing an increase of 135 basis points from the beginning of 2007; (2) loan re-pricing. The increased interest rates announced by PBOC in 2007 became effective for certain loans since 1 January 2008; (3) the continuous improvement in loan quality; and (4) the improvement of interest rate management and bargaining power, which resulted in improvement in the pricing of loan interest rate.

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

In RMB millions, except for percentages

	2008			2007		
Item	Average balance	Interest income	Average yield (%)	Average balance	Interest income	Average yield (%)
Corporate loans	3,135,615	226,646	7.23	2,743,088	174,441	6.36
Discounted bills	230,444	15,529	6.74	354,253	14,343	4.05
Personal loans	796,763	56,776	7.13	664,134	41,869	6.30
Overseas and others	178,230	8,152	4.57	131,836	7,227	5.48
Total loans and advances to customers	**4,341,052**	**307,103**	**7.07**	**3,893,311**	**237,880**	**6.11**

The interest income on corporate loans recorded an increase of 29.9% and accounted for 73.8% of the total interest income on loans and advances to customers. The growth of interest income was principally attributable to the increase by RMB392,527 million in the average balance and the increase by 87 basis points in the average yield. The increase in average yield was mainly due to: (1) under the cumulative effect of interest rate rises in 2007, higher interest rates were applied to loans granted in the first three quarters of 2008, (2) the loan re-pricing, and (3) the improvement of interest rate management and bargaining power.

With respect to the maturity structure, the average balance of short-term corporate loans was RMB1,165,521 million, which generated interest income of RMB82,180 million with an average yield of 7.05%; and the average balance of medium to long-term corporate loans was RMB1,970,094 million, which generated interest income of RMB144,466 million with an average yield of 7.33%.

The interest income on discounted bills increased by 8.3%. The growth of interest income was due to the increase by 269 basis points in the average yield and was partially offset by the decrease in average balance of discounted bills. The increase in average yield was mainly driven by the cumulative effect of tightened monetary policies as well as the high SHIBOR-based interest rate applied to discounted bills in the first three quarters of 2008. The decrease in the average balance of discounted bills was principally caused by the reduction of discounted bills in the first three quarters to support other credit businesses.

Interest income on personal loans increased by 35.6%. The growth of interest income was mainly attributable to the increase by RMB132,629 million in the average balance and the increase by 83 basis points in the average yield. The increase of average yield was mainly because: (1) under the cumulative effect of interest rate rises in 2007, higher interest rates were applied to loans granted in the first three quarters of 2008, and (2) loan re-pricing.

The interest income on loans to customers from overseas operations and others increased by 12.8%. The growth of interest income was mainly due to the increase by RMB46,394 million in the average balance of loans and was partially offset by the decrease by 91 basis points in the average yield. The increase in average balance was mainly caused by the growth of the trade finance business of the Bank's overseas institutions and the incorporation of Seng Heng Bank into the consolidated financial statements. The decrease in average yield was mainly caused by the deterioration of average LIBOR and HIBOR in 2008.

• *Interest Income on Investment in Securities*

Interest income on investment in securities represents the second largest component of the Bank's interest income. In 2008, interest income on investment in securities was RMB102,688 million, representing an increase of RMB10,964 million or 12.0%. Interest income on investment in securities not related to restructuring increased by RMB12,047 million, as a result of the increase from 3.48% of 2007 to 3.88% in the average yield and the increase of RMB107,426 million in the average balance. Improvement of the average yield of investment in securities not related to restructuring was mainly because: (1) the Bank increased the investment in debt securities during the period when the yield of RMB debt securities was high, which led to a significant growth on return from new investments; (2) in response to changes in the domestic and global macro economic environment and financial markets, the Bank adjusted the investment portfolio on a timely basis, increased the investment in medium to long-term debt securities denominated in RMB and reduced the investment in debt securities denominated in foreign currencies, thereby improving the currency mix and maturity structure of investment portfolios. The interest income on investment in securities related to restructuring decreased by RMB1,083 million or 4.6%, which was mainly attributable to the decrease in average balance resulted from the MOF's repayment of RMB51,208 million related to MOF receivables during the reporting period.

• *Interest Income on Due from Central Banks*

Due from central banks mainly included the mandatory reserve deposits with central banks and excess reserve deposits. In 2008, the interest income on due from central banks was RMB22,634 million, representing an increase of RMB7,829 million or 52.9%. The increase in interest income was caused by the increase of RMB427,654 million in the average balance and the increase in the average yield from 1.79% in 2007 to 1.80%. The increase in average balance was attributable to the increase in the customer deposit balance and the rises in mandatory reserve deposit ratio by PBOC in the first half of 2008. The increase in average yield was mainly due to the continuous improvement of liquidity management and the decrease in the proportion of low-interest-rate excessive reserve deposits in the amounts of due from central banks.

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

Interest income on due from banks and other financial institutions was RMB8,149 million, representing a decrease by RMB4,729 million or 36.7%. The decrease in interest income was mainly caused by the decrease in the average yield from 4.18% to 3.23% and the decrease of RMB55,322 million in the average balance. The decrease in the average yield was principally due to the high proportion of the amount due from banks and other financial institutions denominated in foreign currency, which had a lower yield due to the decrease of LIBOR and HIBOR. The Bank capitalized on the high interest rate on the inter-bank money market in the first three quarters and enhanced the operation of reverse repurchase agreements, which partially offset the decrease in the average yield of due from banks and other financial institutions.

• *Interest Expense*

Interest expense reached RMB177,537 million, representing an increase of RMB44,715 million or 33.7%. The increase in interest expense was mainly due to: (1) the cumulative effect of interest rate rises in 2007 and higher proportion of time deposits in the total amount of due to customers, which increased the average cost of interest-bearing liabilities from 1.78% in 2007 to 2.14%; and (2) the average balance of interest-bearing liabilities increased from RMB7,480,706 million in 2007 to RMB8,312,785 million, representing an increase of RMB832,079 million or 11.1%.

• *Interest Expense on Deposits*

Deposits have been a major source of funding of the Bank. In 2008, interest expense on deposits amounted to RMB160,253 million, representing an increase of RMB43,917 million or 37.8% and accounted for 90.3% of the total interest expense. The increase in interest expense on deposits was mainly due to the increase in the average cost from 1.77% in 2007 to 2.17% and the increase of RMB820,677 million in the average balance. The increase in average deposit balance and the rise in the average cost was mainly attributed to: (1) the cumulative effect of six times benchmark interest rate hike for time deposits announced by PBOC during 2007, which increased the benchmark interest rate of 1-year RMB deposits to 4.14% from the beginning of 2008 till 8 October 2008, representing an increase of 162 basis points from the beginning of 2007; and (2) the adjustment of capital markets, high interest rate and the abolishment of interest income tax on savings deposits led to an upsurge of personal deposits, and increased the proportion of time deposits in the total customer deposits. In 2008, the Bank actively adjusted the maturity structure of deposits, shortened the average term of time deposits and increased the proportion of time deposits with a term of less than one year, which partially offset the rising cost incurred on deposits.

ANALYSIS OF AVERAGE DEPOSIT COST BY PRODUCTS

In RMB millions, except for percentages

	2008			2007		
Item	Average balance	Interest expense	Average cost (%)	Average balance	Interest expense	Average cost (%)
Corporate deposits						
Time deposits	1,227,435	41,938	3.42	979,717	25,445	2.60
Demand deposits[(1)]	2,439,832	24,721	1.01	2,192,679	21,607	0.99
Sub-total	**3,667,267**	**66,659**	**1.82**	**3,172,396**	**47,052**	**1.48**
Personal deposits						
Time deposits	2,276,616	82,313	3.62	2,131,112	54,892	2.58
Demand deposits	1,281,000	7,590	0.59	1,136,852	9,150	0.80
Sub-total	**3,557,616**	**89,903**	**2.53**	**3,267,964**	**64,042**	**1.96**
Overseas deposits	**155,429**	**3,691**	**2.37**	**119,275**	**5,242**	**4.39**
Total deposits	**7,380,312**	**160,253**	**2.17**	**6,559,635**	**116,336**	**1.77**

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

• Interest Expense on Due to Banks and Other Financial Institutions

The interest expense on due to banks and other financial institutions was RMB16,043 million, representing an increase of RMB738 million or 4.8%. The increase in interest expense was due to the increase in average cost from 1.73% in 2007 to 1.79% and the increase in average balance of RMB11,402 million. The rise in average cost was mainly due to the adjustment of capital markets in 2008, which decreased the proportion of due to bank and other financial institutions with relatively low average cost. The decrease of average LIBOR in 2008 dragged down the average interest cost incurred on the repurchase agreements, and partially offset the rise in the average cost of due to banks and other financial institutions.

• Interest Expense on Subordinated Bonds

The interest expense on subordinated bonds was RMB1,241 million, representing an increase of RMB60 million. The average cost increased from 3.37% in 2007 to 3.55%, which was mainly due to the increase in the coupon rate for the floating-rate subordinated bonds issued in 2005 as compared to the previous year. Please see "Note 37 to the Financial Statements: Subordinated Bonds" for details about the subordinated bonds issued by the Bank.

Non-Interest Income

In 2008, non-interest income reached RMB47,158 million, representing an increase of RMB14,195 million or 43.1%, and accounted for 15.2% of total operating income, an increase of 2.4 percentage points, which implying a continuous improvement in the revenue structure. Net fee and commission income posted a slower growth of 14.7%. The other non-interest income, net, turned around from a net loss position in the previous year and reached RMB3,156 million.

COMPOSITION OF NON-INTEREST INCOME

In RMB millions, except for percentages

Item	2008	2007	Increase/ (decrease)	Growth rate (%)
Fee and commission income	46,711	40,015	6,696	16.7
Less: Fee and commission expense	2,709	1,656	1,053	63.6
Net fee and commission income	44,002	38,359	5,643	14.7
Other non-interest related gain/(loss)	3,156	(5,396)	8,552	N/A
Total	**47,158**	**32,963**	**14,195**	**43.1**

Net fee and commission income was RMB44,002 million, representing an increase of 14.7% and accounting for 14.19% of total operating income. The Bank implemented a strategy of diversifying the revenue streams, by expediting the innovation of services and products and developing channels, and diligently exploiting the intermediary business market. In 2008, despite that the income from funds agency business decreased significantly as compared to the previous year, as affected by the adjustment of capital markets, the Bank maintained a relatively rapid growth in business lines such as settlement, clearing and cash management, investment banking, corporate wealth management, asset fiduciary, guarantee and commitment etc.. During the reporting period, the Bank realized RMB3,846 million of income from the entrusted wealth management services, and RMB7,692 million from various agency services.

COMPOSITION OF NET FEE AND COMMISSION INCOME

In RMB millions, except for percentages

Item	2008	2007	Increase/ (decrease)	Growth rate (%)
Settlement, clearing business and cash management	13,002	9,215	3,787	41.1
Personal wealth management and private banking services	10,327	15,994	(5,667)	–35.4
Investment banking business	8,028	4,505	3,523	78.2
Bank card business	7,199	5,372	1,827	34.0
Corporate wealth management services	2,788	1,949	839	43.0
Asset fiduciary business	2,066	1,465	601	41.0
Guarantee and commitment business	1,849	563	1,286	228.4
Trust and agency services	756	584	172	29.5
Others	696	368	328	89.1
Fee and commission income	**46,711**	**40,015**	**6,696**	**16.7**
Less: Fee and commission expense	**2,709**	**1,656**	**1,053**	**63.6**
Net fee and commission income	**44,002**	**38,359**	**5,643**	**14.7**

The income from settlement, clearing business and cash management business was RMB13,002 million, representing an increase of RMB3,787 million or 41.1%. The increase was mainly due to the increase of income from RMB settlement, international settlement and corporate account management businesses.

The income from investment banking business increased by RMB3,523 million or 78.2% to RMB8,028 million, mainly due to the continuous increase of income from businesses such as investment and financing advisory, regular financial advisory and corporate information service business, as well as the rapid growth of underwriting of corporate bonds such as short-term finance bills.

The income from bank card business increased by RMB1,827 million or 34.0% to RMB7,199 million, mainly due to the rapid growth in the number of new cards issued and transaction volume which drove the growth of commission income for bank card settlement, service charge for instalment payment and the annual fee income charged for bank cards.

The income from corporate wealth management services amounted to RMB2,788 million, representing an increase of RMB839 million or 43.0%. The increase was mainly due to the rapid growth in the sales volume of corporate wealth management products, which resulted in an increase of commission income, management fee and operating income from corporate wealth management products.

The income from asset fiduciary business amounted to RMB2,066 million, representing an increase of RMB601 million or 41.0%, which was mainly due to the increase in the income from custody services of securities investment funds, the continuous optimization of assets structure and the steady expansion of assets in custody including the fund on settlement accounts, enterprise annuity and social security funds.

The income from guarantee and commitment business was RMB1,849 million, representing an increase of RMB1,286 million or 228.4%, which was mainly resulted from the growth of loan commitment and non-financing guarantee businesses.

The income from trust and agency and business was RMB756 million, representing an increase of RMB172 million or 29.5%, which was mainly due to the increase of income from entrusted loan business.

The income from personal wealth management and private banking business was RMB10,327 million, representing a decrease of RMB5,667 million or 35.4%, which was mainly due to the sharp decline of income from personal fund agency services caused by the downturn of capital markets. Excluding the influence from the above factor, the income from personal wealth management and private banking business recorded an increase of RMB3,134 million or 89.0%, owing to the significant increase of income from personal wealth management products and insurance products agency services. Please refer to "Discussion and Analysis: Business Overview" for further details.

OTHER NON-INTEREST RELATED INCOME/(EXPENSE)

In RMB millions, except for percentages

Item	2008	2007	Increase/ (decrease)	Growth rate (%)
Net trading income	1,883	1,351	532	39.4
Net loss on financial assets and liabilities designated at fair value through profit or loss	(699)	(1,415)	716	N/A
Net gain/(loss) on financial investments	(367)	499	(866)	–173.5
Other operating income/(expense), net	2,339	(5,831)	8,170	N/A
Total	**3,156**	**(5,396)**	**8,552**	**N/A**

Other non-interest income was RMB3,156 million, an increase of RMB8,552 million, which was mainly due to the sharp decrease of net loss from foreign exchange and foreign exchange products of other operating income/(expense), net. The net loss from foreign exchange and foreign exchange products was RMB851 million, a decrease of RMB8,606 million, which was mainly because the Bank proactively adjusted the currency structure of assets and liabilities, and reduced the net foreign exchange exposure (long position) by USD15,734 million to USD851 million. Please refer to "Discussion and Analysis: Risk Management" and "Note 11 to the Financial Statements: Other Operating Income/(Expense), Net" for details.

Operating Expenses

OPERATING EXPENSES

In RMB millions, except for percentages

Item	2008	2007	Increase/ (decrease)	Growth rate (%)
Staff costs	53,252	54,899	(1,647)	–3.0
Premises and equipment expenses	15,017	14,042	975	6.9
Other administrative expenses	17,243	14,816	2,427	16.4
Business tax and surcharges	18,765	14,511	4,254	29.3
Amortization of assets	1,300	1,174	126	10.7
Others	5,758	5,218	540	10.3
Total	**111,335**	**104,660**	**6,675**	**6.4**

The operating expenses were RMB111,335 million, representing an increase of RMB6,675 million or 6.4% from the previous year. The cost-to-income ratio was 29.84%, a decrease of 5.18 percentage points.

Staff costs amounted to RMB53,252 million, a decrease of RMB1,647 million or 3.0% as compared to last year. The Bank implemented strict cost management and control and improved the allocation of expenses and resources. Other administrative expenses amounted to RMB17,243 million, representing an increase of 16.4%.

Allowance for Impairment Losses

Allowance for impairment losses increased by RMB18,056 million or 48.3% to RMB55,462 million, of which, the allowance for impairment loss on loans and advances to customers increased by RMB3,451 million to RMB36,512 million, mainly due to the growth of outstanding loans and the impact of macro-economic environment on credit risk. The allowance for impairment losses on other assets increased by RMB14,605 million to RMB18,950 million, which was mainly caused by the increase of allowance for impairment loss on foreign currency-denominated debt securities. Please refer to "Note 26 to the Financial Statements: Loans and Advances to Customers" and "Note 15 to the Financial Statements: Impairment Losses on Assets Other than Loans and Advances to Customers" for details.

Income Tax Expense

The Bank adopted the new corporate income tax rate in 2008. As a result, the Bank's statutory income tax rate decreased from 33% to 25%. The income tax expense increased by RMB1,026 million or 3.1% from last year to RMB34,150 million. The effective tax rate decreased by 5.2 percentage points to 23.5%. The effective tax rate was lower than the statutory tax rate mainly because the interest income from investment in PRC government bonds is not taxable under the tax law. Please see "Note 16 to the Financial Statements: Income Tax Expense" for reconciliation of income tax expense calculated based on the statutory tax rate and the actual income tax expense.

Segment Information

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

SUMMARY BUSINESS SEGMENT INFORMATION

In RMB millions, except for percentages

Item	2008		2007	
	Amount	Percentage (%)	Amount	Percentage (%)
Corporate banking	153,068	49.3	127,636	49.6
Personal banking	106,301	34.3	86,174	33.5
Treasury operations	49,927	16.1	41,432	16.1
Others	899	0.3	2,186	0.8
Total operating income	**310,195**	**100.0**	**257,428**	**100.0**

The operating income from corporate banking was RMB153,068 million, an increase of 19.9%; the operating income from personal banking was RMB106,301 million, an increase of 23.4%; and the operating income from treasury operation was RMB49,927 million, an increase of 20.5%. Please refer to "Discussion and Analysis: Business Overview" for the details of the products and services offered in these segments.

SUMMARY GEOGRAPHICAL SEGMENT INFORMATION

In RMB millions, except for percentages

Item	2008		2007	
	Amount	Percentage (%)	Amount	Percentage (%)
Head Office	28,742	9.3	29,285	11.4
Yangtze River Delta	74,394	24.0	59,181	23.0
Pearl River Delta	46,079	14.8	36,385	14.1
Bohai Rim	57,558	18.5	46,288	18.0
Central China	37,871	12.2	30,535	11.9
Northeast China	14,478	4.7	12,924	5.0
Western China	44,360	14.3	36,790	14.3
Overseas and others	6,713	2.2	6,040	2.3
Total operating income	**310,195**	**100.0**	**257,428**	**100.0**

Note: Please see "Note 47 to the Financial Statements: Segment Information" for classification of geographic regions.

The total operating income from Yangtze River Delta, Pearl River Delta and Bohai Rim was RMB178,031 million in aggregate, accounting for 57.3% of the total operating income and representing an increase of 25.7%, 26.6% and 24.3% compared to the last year, respectively. The operating income from Central China and Western China was RMB37,871 million and RMB44,360 million, respectively, representing an increase of 24.0% and 20.6% year-on-year, respectively.

Balance Sheet Analysis

In 2008, the Bank reasonably controlled the aggregate volume and granting pace of credit business pursuant to the domestic and global macro-economic situation and the changes in national macro-economic control policies, proactively adjusted the loan orientation, and improved the deployment of credit resources. In line with the movement in international financial market, the Bank actively seized each investment opportunity, revised the investment strategy, and continued to optimize the structure of investment portfolio. In the meantime, it promoted the steady increase of deposit volume by taking advantage of the opportunity of adjustment of capital markets, and safeguarded the stability and continual growth of funding sources.

Assets Deployment

At the end of 2008, the Bank recorded total assets of RMB9,757,146 million, an increase of RMB1,073,434 million or 12.4% as compared to the end of 2007. Among the assets, the total amount of loans and advances to customers (collectively referred to as "loans") increased by RMB498,765 million or 12.2%, net investment in securities declined by RMB59,018 million or 1.9%, and cash and balance with central banks increased by RMB550,678 million or 48.2%. With respect to the asset structure, net loans accounted for 45.5% of the total assets, decreased by 0.1 percentage point from the end of 2007, the net investment in securities accounted for 31.2%, decreased by 4.6 percentage points, and the cash and balance with central banks accounted for 17.4%, increased by 4.3 percentage points.

ASSETS DEPLOYMENT

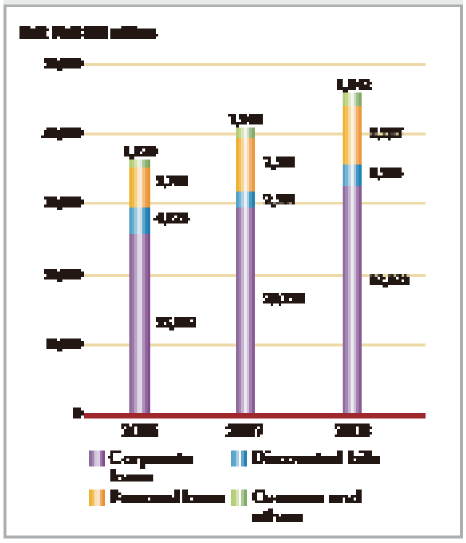
In RMB millions, except for percentages

	At 31 December 2008		At 31 December 2007	
Item	Amount	Percentage (%)	Amount	Percentage (%)
Total loans and advances to customers	4,571,994	—	4,073,229	—
Less: Allowance for impairment losses on loans	135,983	—	115,687	—
Loans and advances to customers, net	4,436,011	45.5	3,957,542	45.6
Investment in securities, net	3,048,310	31.2	3,107,328	35.8
Of which: Receivables	1,162,769	11.9	1,211,767	14.0
Cash and balance with central banks	1,693,024	17.4	1,142,346	13.1
Due from banks and other financial institutions, net	168,363	1.7	199,758	2.3
Reverse repurchase agreements	163,493	1.7	75,880	0.9
Others	247,945	2.5	200,858	2.3
Total assets	**9,757,146**	**100.0**	**8,683,712**	**100.0**

Loans

In 2008, the Bank actively responded to the changes in macro-economic and financial situations in domestic and international markets, reasonably controlled the aggregate volume and new issuance of credits, improved credit assets structure, and supported the financing needs of key industries. At the end of 2008, the loans amounted to RMB4,571,994 million, representing an increase of RMB498,765 million or 12.2% as compared to the end of 2007, of which, RMB loans of domestic operations increased by RMB536,765 million or 14.3%, which is RMB171,765 million more than the RMB365.0 billion budgeted growth set in the beginning of 2008 and RMB190,065 million more than that in last year. The growth in RMB loans of domestic branches accounted for 10.9% of the total growth in RMB loans of all Chinese financial institutions, which contributed the most to the growth of all Chinese financial institutions. It was also the year which the Bank granted the highest amount of loan disbursements.

Composition of Loans



DISTRIBUTION OF LOANS BY BUSINESS LINE

In RMB millions, except for percentages

Item	At 31 December 2008		At 31 December 2007	
	Amount	Percentage (%)	Amount	Percentage (%)
Loans of domestic operations	**4,387,759**	**96.0**	**3,919,209**	**96.2**
Corporate loans	3,232,102	70.7	2,914,993	71.6
Discounted bills	326,315	7.1	252,103	6.2
Personal loans	829,342	18.2	752,113	18.4
Overseas and others	**184,235**	**4.0**	**154,020**	**3.8**
Total	**4,571,994**	**100.0**	**4,073,229**	**100.0**

DISTRIBUTION OF CORPORATE LOANS BY MATURITY

In RMB millions, except for percentages

Item	At 31 December 2008		At 31 December 2007	
	Amount	Percentage (%)	Amount	Percentage (%)
Short-term corporate loans	1,133,303	35.1	1,126,851	38.7
Medium to long-term corporate loans	2,098,799	64.9	1,788,142	61.3
Total	**3,232,102**	**100.0**	**2,914,993**	**100.0**

DISTRIBUTION OF CORPORATE LOANS BY PRODUCT TYPE

In RMB millions, except for percentages

Item	At 31 December 2008		At 31 December 2007	
	Amount	Percentage (%)	Amount	Percentage (%)
Working capital loans	1,208,683	37.4	1,201,582	41.2
Of which: Trade finance	122,152	3.8	87,000	3.0
Project loans	1,681,445	52.0	1,414,000	48.5
Property development loans	341,974	10.6	299,411	10.3
Total	**3,232,102**	**100.0**	**2,914,993**	**100.0**

The balance of corporate loans increased by RMB317,109 million or 10.9%. In terms of maturity, short-term corporate loans increased by RMB6,452 million or 0.6% and medium to long-term loans increased by RMB310,657 million or 17.4%. In terms of product type, project loans increased by RMB267,445 million or 18.9%, which is mainly due to the increase in high-quality medium to long-term project loans to key customers in fundamental and infrastructure industries; property development loans increased by RMB42,563 million or 14.2%, a decrease of RMB31,720 million as compared to last year's increment. The increase was mainly because the Bank appropriately extended the housing development loans to high-quality customers with strong financial background, high qualification and good credit standing. The working capital loans increased by RMB7,101 million or 0.6%, of which the volume of trade finance grew by RMB35,152 million or 40.4%. In 2008, the Bank further adjusted the composition of general working capital loans, expanded the trade finance business, particularly increased the proportion of trade finance in incremental loans to small enterprises, thereby accomplishing a further improvement of working capital loans structure.

The balance of discounted bills increased by RMB74,212 million or 29.4%, which was mainly due to the fact that the Bank bought large volume of bills which are of good liquidity and high quality during the fourth quarter of 2008, and used them as an investment to balance the growth of credit assets as a response to the changes in macro-economic control policies.

DISTRIBUTION OF PERSONAL LOANS BY PRODUCT LINE

In RMB millions, except for percentages

Item	At 31 December 2008		At 31 December 2007	
	Amount	Percentage (%)	Amount	Percentage (%)
Personal housing loans	597,374	72.0	536,331	71.3
Personal consumption loans	101,145	12.2	91,066	12.1
Personal business loans	113,726	13.7	116,475	15.5
Credit card overdrafts	17,097	2.1	8,241	1.1
Total	**829,342**	**100.0**	**752,113**	**100.0**

The balance of personal loans increased by RMB77,229 million or 10.3%, which is mainly because that the Bank proactively optimized the structure of personal loan products and enhanced the credit support to borrowers purchasing residential properties for own use. Personal housing loans increased by RMB61,043 million or 11.4%; personal consumption loans increased by RMB10,079 million or 11.1% due to the fast expansion of personal comprehensive consumption loans; personal business loans decreased slightly because the Bank enhanced risk control and adjusted the policies regulating personal business loans and the economic downturn reduced the borrowers' needs of personal business loans; and the credit card overdrafts increased by RMB8,856 million or 107.5% due to the continuous increase in the issuance and trading volume of credit cards as well as the launch of installment payment for credit cards holders.

DISTRIBUTION OF LOANS BY GEOGRAPHIC REGION

In RMB millions, except for percentages

Item	At 31 December 2008		At 31 December 2007	
	Amount	Percentage (%)	Amount	Percentage (%)
Head Office	124,156	2.7	172,490	4.2
Yangtze River Delta	1,137,693	24.9	1,040,412	25.6
Pearl River Delta	667,171	14.6	611,726	15.0
Bohai Rim	838,494	18.3	730,965	18.0
Central China	606,368	13.3	526,306	12.9
Northeast China	281,252	6.2	224,675	5.5
Western China	732,625	16.0	612,635	15.0
Overseas and others	184,235	4.0	154,020	3.8
Total	**4,571,994**	**100.0**	**4,073,229**	**100.0**

The Bank continued to improve the geographical distribution of credit assets and promoted the balanced development of loans across different regions. The loans granted by domestic branches increased by RMB468,550 million or 12.0% (as compared to the end of 2007) to RMB4,387,759 million. Loans granted by the Head Office decreased by RMB48,334 million or 28.0% mainly because of the decrease in the balance of discounted bills. As a result of the continuous support to the development of credit businesses of Yangtze River Delta, Pearl River Delta and Bohai Rim, the balance of loans in these three regions increased by RMB260,255 million, accounting for 55.5% in aggregate of the total increase in domestic operations' loans. The balance of loans in Western China, Central China and Northeast China increased by 19.6%, 15.2% and 25.2%, respectively. The rapid increase was because the Bank actively responded to the state's strategic policies such as the development of western region, revitalization of the old industrial bases in Northeast China and the rise of Central China. The Bank properly increased the loan issuance to the infrastructure construction of Western, Northeast and Central China and the small and medium enterprise bill financing business, and endeavored to support the central and western regions in fighting against the snow storm and earthquake and carrying out post-disaster construction. The balance of overseas and other loans increased by RMB30,215 million or 19.6% mainly due to the growth of the trade finance business of the Bank's overseas institutions and the incorporation of Seng Heng Bank into the consolidated financial statements.

DISTRIBUTION OF CORPORATE LOANS BY INDUSTRY

In RMB millions, except for percentages

Item	At 31 December 2008 Amount	At 31 December 2008 Percentage (%)	At 31 December 2007 Amount	At 31 December 2007 Percentage (%)
Manufacturing	758,764	23.5	738,121	25.3
Chemicals	124,981	3.9	121,243	4.1
Machinery	102,747	3.2	95,709	3.3
Iron and steel	87,686	2.7	84,357	2.9
Metal processing	79,876	2.5	77,808	2.7
Textiles and apparels	78,072	2.4	79,112	2.7
Automobile	46,888	1.4	42,496	1.4
Petroleum processing	41,709	1.3	35,761	1.2
Electronics	40,831	1.3	43,181	1.5
Cement	33,591	1.0	30,963	1.1
Others	122,383	3.8	127,491	4.4
Transportation and logistics	690,809	21.4	602,103	20.7
Power generation and supply	501,411	15.5	404,873	13.9
Property development	343,895	10.6	303,984	10.4
Water, environment and public utility management	275,469	8.5	230,156	7.9
Retail, wholesale and catering	188,831	5.8	186,988	6.4
Leasing and commercial services	188,120	5.8	159,877	5.5
Science, education, culture and sanitation	70,148	2.2	69,742	2.4
Construction	61,006	1.9	52,639	1.8
Others	153,649	4.8	166,510	5.7
Total	**3,232,102**	**100.0**	**2,914,993**	**100.0**

In 2008, the Bank further strengthened the guidance over the industrial credit policies in line with the state macro-economic control and industrial policies, proactively provided support to fundamental industries including energy and transportation and infrastructure constructions, steadily developed property loans, and selectively facilitated the business expansion of top-tier enterprises in industries such as modern manufacturing, logistics and emerging services and cultural industry. The Bank also implemented the "green credit" policy, gave support to innovation, energy conservation and environmental protection fields, and strictly controlled the growth of loans to high energy consumption, high pollution and overcapacity industries, thus improving the Bank's credit structure by industry.

With respect to the incremental structure, loans to the four industries of power generation and supply, transportation and logistics, water, environment and public utility management and property development grew most considerably. The incremental loans to these four industries accounted for 85.3% of the total incremental corporate loans. The loans to power generation and supply industry increased by RMB96,538 million or 23.8% mainly due to the expansion of loans to customers with good earnings forecast which are encouraged by the Bank's industrial credit policy. The loans to transportation and logistics industry increased by RMB88,706 million or 14.7%, mainly because of the increase of loans to the highways and transportation sectors supported by the Bank's credit policies. The loans to the water, environment and public utility management industry increased by RMB45,313 million or 19.7% mainly due to increase of loans granted to the infrastructure industry that are encouraged by the state macro-control policy. The property development loans grew by RMB39,911 million or 13.1%, of which most loans were granted to high-quality customers with strong financial background, high qualification and good credit standing. The balance of loans to the electronics, textiles and apparels industries decreased mainly because the Bank enhanced the risk control and reasonably reduced the loans to these industries which were adversely affected by the deteriorating external demands and poor export situation.

In terms of the structure of our loan balance, the loans are mainly concentrated on industries of manufacturing, transportation and logistics, power generation and supply, and property development. Loans to these four industries accounted for 71.0% of the total outstanding corporate loans.

DISTRIBUTION OF LOANS BY CURRENCY

At the end of 2008, the RMB loans reached RMB4,293,704 million, representing an increase of RMB548,535 million or 14.6% as compared to the end of last year and accounting for 93.9% of the total loan balance. The foreign currency loans were equivalent to RMB278,290 million, representing a decrease of RMB49,770 million or 15.2% and accounting for 6.1% of the total loan balance. Of all foreign currency loans, USD loans were equivalent to RMB155,450 million, HKD loans were equivalent to RMB99,397 million and other foreign currency loans were equivalent to RMB23,443 million. The decrease in foreign currency loans is mainly because the Bank actively reduced the foreign exchange exposure in loans in order to reduce the exchange loss and international financial crisis impacted adversely on the demands for foreign currency loans.

DISTRIBUTION OF LOANS BY REMAINING MATURITY

In RMB millions, except for percentages

	At 31 December 2008		At 31 December 2007	
Remaining Maturity	Amount	Percentage (%)	Amount	Percentage (%)
Impaired or overdue	115,742	2.5	122,308	3.0
Less than 1 year	1,916,991	42.0	1,760,563	43.2
1–5 years	1,202,882	26.3	1,066,759	26.2
Over 5 years	1,336,379	29.2	1,123,599	27.6
Total	**4,571,994**	**100.0**	**4,073,229**	**100.0**

Note: The overdue loans refer to the loans of which principal or interest has become overdue. For loans repaid on an installment basis, only the amount which is not repaid upon maturity date is deemed overdue. Please see "Note 48.(a) to the Financial Statements: Credit risk" for definition of impaired loans.

At the end of 2008, loans with a remaining maturity of more than 1 year amounted to RMB2,539,261 million, accounting for 55.5% of the total loan balance; loans with a remaining maturity of less than 1 year amounted to RMB1,916,991 million, accounting for 42.0% of the total loan balance and mainly comprising of the corporate working capital loans and discounted bills; and the impaired or overdue loans amounted to RMB115,742 million and represented 2.5% of the total loan balance, a decrease of 0.5 percentage point.

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

Investment

At the end of 2008, net investment in securities amounted to RMB3,048,310 million, a decrease of RMB59,018 million or 1.9% from the end of last year, which is mainly because MOF partly repaid the principal of MOF receivables and the Bank actively reduced the investment in foreign currency bonds to avoid risks on a proper and timely basis.

INVESTMENT

In RMB millions, except for percentages

	At 31 December 2008		At 31 December 2007	
Item	Amount	Percentage (%)	Amount	Percentage (%)
Investment in securities not related to restructuring	2,063,981	67.7	2,074,094	66.7
Investment in securities related to restructuring[1]	975,559	32.0	1,026,767	33.1
Equity instruments	8,770	0.3	6,467	0.2
Total	**3,048,310**	**100.0**	**3,107,328**	**100.0**

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

Investment in securities not related to restructuring amounted to RMB2,063,981 million, a decrease of RMB10,113 million or 0.5% from the end of last year, which was due to the Bank's adjustment of its investment strategies and the rebalancing of its investment (in terms of product, maturity and currency mix) in response to the development in the global and domestic financial markets. With respect to the investment portfolio analysis by issuers, investment in bonds issued by policy banks increased by RMB46,816 million or 8.4%; and investment in other bonds decreased by RMB60,692 million or 20.0% mainly because the Bank reduced the investment in foreign currency bonds during the reporting period. With respect to the investment portfolio analysis by remaining maturity, bonds not related to restructuring with a term of more than one year increased by RMB103,101 million or 7.0% mainly because the Bank increased the investment in medium to long-term RMB bonds and extended the duration of investment portfolio. With respect to the investment portfolio analysis by currency, RMB bonds grew by RMB73,264 million or 3.9% mainly because the Bank closely monitored the trend of RMB debt securities market and increased the investment in RMB bonds at the peak of the yield curve; the RMB equivalent of investment in foreign currency bonds decreased by RMB83,377 million or 39.5%, mainly because the Bank cut down the investment in foreign currency bonds on a proper and timely basis.

The investment in securities related to restructuring was RMB975,559 million, representing a decrease of RMB51,208 million from the end of 2007 which was due to the repayment of MOF receivables during the reporting period. Please see "Note 27.(a) to the Financial Statements: Receivables".

DISTRIBUTION OF INVESTMENT IN SECURITIES NOT RELATED TO RESTRUCTURING BY ISSUERS

In RMB millions, except for percentages

	At 31 December 2008		At 31 December 2007	
Item	Amount	Percentage (%)	Amount	Percentage (%)
Government bonds	422,585	20.5	431,917	20.8
Policy bank bonds	601,127	29.1	554,311	26.7
Central bank bills	797,024	38.6	783,929	37.8
Other bonds	243,245	11.8	303,937	14.7
Total	**2,063,981**	**100.0**	**2,074,094**	**100.0**

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

In RMB millions, except for percentages

	At 31 December 2008		At 31 December 2007	
Remaining Maturity	Amount	Percentage (%)	Amount	Percentage (%)
Undated[1]	31,474	1.5	6,175	0.3
Less than 3 months	153,839	7.5	208,092	10.0
3–12 months	299,819	14.5	384,079	18.5
1–5 years	1,180,561	57.2	967,982	46.7
Over 5 years	398,288	19.3	507,766	24.5
Total	**2,063,981**	**100.0**	**2,074,094**	**100.0**

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

DISTRIBUTION OF INVESTMENT IN SECURITIES NOT RELATED TO RESTRUCTURING BY CURRENCY

In RMB millions, except for percentages

	At 31 December 2008		At 31 December 2007	
Item	Amount	Percentage (%)	Amount	Percentage (%)
RMB	1,936,467	93.8	1,863,203	89.9
USD	88,186	4.3	193,584	9.3
Other foreign currencies	39,328	1.9	17,307	0.8
Total	**2,063,981**	**100.0**	**2,074,094**	**100.0**

DISTRIBUTION OF INVESTMENT IN SECURITIES BY HOLDING PURPOSES

In RMB millions, except for percentages

	At 31 December 2008		At 31 December 2007	
Item	Amount	Percentage (%)	Amount	Percentage (%)
Investments at fair value through profit or loss	33,641	1.1	34,321	1.1
Available-for-sale investments	537,580	17.6	531,155	17.1
Held-to-maturity investments	1,314,320	43.1	1,330,085	42.8
Receivables	1,162,769	38.2	1,211,767	39.0
Total	**3,048,310**	**100.0**	**3,107,328**	**100.0**

At the end of 2008, the Group held RMB714,632 million worth of financial bonds[1], including RMB601,127 million bonds issued by policy banks and RMB113,505 million bonds issued by non-banking financial institutions, representing 84.1% and 15.9% of the total financial bonds, respectively.

The table below set forth the top 10 financial bonds held by the Group.

In RMB millions, except for percentages

Debt Securities	Nominal Value	Annual Interest Rate	Maturity Date	Impairment loss
Policy bank bonds 2006	20,000	3.26%	7 December 2013	—
Policy bank bonds 2006	20,000	3.15%	27 November 2011	—
Policy bank bonds 2008	15,410	4.83%	4 March 2015	—
Policy bank bonds 2007	10,450	5.07%	29 November 2017	—
Policy bank bonds 2006	10,000	3.05%	27 June 2009	—
Policy bank bonds 2006	9,090	3.11%	23 October 2013	—
Policy bank bonds 2007	9,020	4.94%	20 December 2014	—
Policy bank bonds 2007	8,550	Interest rate for 1-year time deposits + 0.75%	11 December 2012	—
Policy bank bonds 2008	7,880	Interest rate for 1-year time deposits + 0.65%	20 March 2015	—
Policy bank bonds 2007	7,130	4.35%	30 August 2014	—

At the end of 2008, the Group held USD1,195 million of US sub-prime residential mortgage-backed securities, USD599 million of Alt-A residential mortgage-backed securities, and USD55 million of structured investment vehicles (SIVs). The total nominal value of the abovementioned debt securities was USD1,849 million, representing 0.13% of the Group's total assets.

The nominal value of debt securities related to Lehman Brothers was USD144 million, representing 0.01% of the Group's total assets.

The nominal value of corporate collateralized debt obligations (Corporate CDOs) was USD505 million, representing 0.04% of the Group's total assets.

The Group has made accumulative allowance for impairment loss of USD1,791 million for impairment loss based on the market valuation results of the abovementioned assets. The provision coverage (provisions/unrealized loss) was 101.88%, and the provision ratio (provisions/nominal value) was 71.70%.

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

At the end of 2008, the nominal value of debt securities related to Freddie Mac and Fannie Mae, US mortgage agencies, was USD1,642 million, of which the debt securities issued by Freddie Mac and Fannie Mae were USD210 million and the mortgage-backed securities guaranteed by Freddie Mac and Fannie Mae were USD1,432 million, aggregately representing 0.12% of the Group's total assets. The Group has made accumulative allowance for impairment loss of USD126 million for the abovementioned debt securities. The provision coverage was 102.44%, and the provision ratio was 7.67%. The repayment of principal and interest of these debt securities is considered as normal at present.

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

Others

At the end of 2008, other assets amounted to RMB247,945 million in total, an increase of RMB47,087 million or 23.4%, which is mainly due to the increase of investment in associates after the Bank acquired 20% equity interest in the Standard Bank and completed the delivery in March 2008.

Liabilities

At the end of 2008, total liabilities of the Bank increased by RMB1,010,480 million or 12.4% as compared to the end of 2007 and amounted to RMB9,150,516 million in aggregate.

LIABILITIES

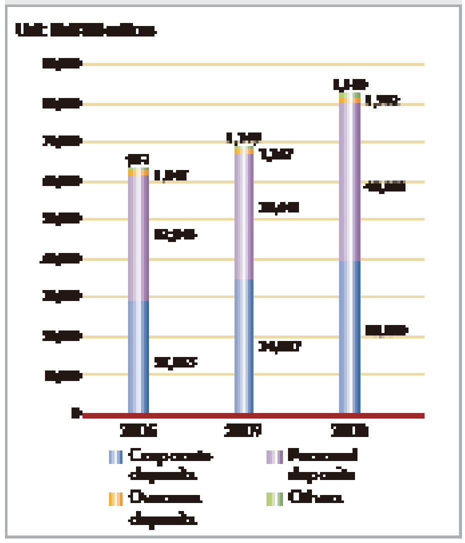
In RMB millions, except for percentages

Item	At 31 December 2008		At 31 December 2007	
	Amount	Percentage (%)	Amount	Percentage (%)
Due to customers	8,223,446	89.9	6,898,413	84.7
Due to banks and other financial institutions	646,254	7.0	805,174	9.9
Repurchase agreements	4,648	0.1	193,508	2.4
Subordinated bonds	35,000	0.4	35,000	0.4
Others	241,168	2.6	207,941	2.6
Total liabilities	**9,150,516**	**100.0**	**8,140,036**	**100.0**

Due to Customers

Customer deposit is the Bank's main source of fund. Due to the adjustment of capital markets in 2008, the customers enhanced risk awareness in respect of wealth management. Leveraging on its competitive advantages in the market, the Bank achieved a steady growth of deposits. At the end of 2008, the balance of due to customers was RMB8,223,446 million, which contributed 89.9% of the total liabilities, with an increase of RMB1,325,033 million or 19.2% compared with that of the end of 2007. It is the year with the largest increase in customer deposits balance in a year in the Bank's history. With respect to the structure of customers, the ratio of corporate deposits balance to total deposits balance decreased by 1.4 percentage points, while that of personal deposits balance to total deposits balance increased by 1.8 percentage points. With respect to the structure of maturity, the ratio of demand deposits balance to total deposits balance decreased by 2.7 percentage points, while that of time deposits balance to the total deposit balance increased by 3.1 percentage points.

Composition of due to customers



DISTRIBUTION OF DUE TO CUSTOMERS BY BUSINESS LINES

In RMB millions, except for percentages

Item	At 31 December 2008		At 31 December 2007	
	Amount	Percentage (%)	Amount	Percentage (%)
Corporate deposits				
Time deposits	1,380,907	16.8	1,039,853	15.1
Demand deposits	2,558,060	31.1	2,362,830	34.2
Sub-total	3,938,967	47.9	3,402,683	49.3
Personal deposits				
Time deposits	2,578,265	31.4	2,069,506	30.0
Demand deposits	1,431,983	17.4	1,174,568	17.0
Sub-total	4,010,248	48.8	3,244,074	47.0
Overseas	158,222	1.9	136,707	2.0
Others(1)	116,009	1.4	114,949	1.7
Total	**8,223,446**	**100.0**	**6,898,413**	**100.0**

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

DISTRIBUTION OF DUE TO CUSTOMERS BY GEOGRAPHIC REGION

In RMB millions, except for percentages

Item	At 31 December 2008		At 31 December 2007	
	Amount	Percentage (%)	Amount	Percentage (%)
Head Office	204,034	2.5	141,033	2.0
Yangtze River Delta	1,695,156	20.6	1,422,829	20.6
Pearl River Delta	1,036,594	12.6	902,871	13.1
Bohai Rim	2,138,473	26.0	1,798,664	26.1
Central China	1,145,525	13.9	947,394	13.7
Northeast China	580,793	7.1	516,389	7.5
Western China	1,264,649	15.4	1,032,526	15.0
Overseas	158,222	1.9	136,707	2.0
Total	**8,223,446**	**100.0**	**6,898,413**	**100.0**

DISTRIBUTION OF DUE TO CUSTOMERS BY REMAINING MATURITY

In RMB millions, except for percentages

Remaining maturity	At 31 December 2008		At 31 December 2007	
	Amount	Percentage (%)	Amount	Percentage (%)
Demand[1]	4,177,866	50.8	3,817,479	55.3
Less than 3 months	1,350,735	16.4	1,098,218	15.9
3–12 months	2,098,624	25.5	1,506,322	21.8
1–5 years	590,151	7.2	472,861	6.9
Over 5 years	6,070	0.1	3,533	0.1
Total	**8,223,446**	**100.0**	**6,898,413**	**100.0**

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

With respect to the structure of currency, the balance of RMB deposits amounted to RMB7,913,378 million, which contributed 96.2% of the total balance of due to customers, with an increase of RMB1,286,568 million or 19.4% as compared with last year. The balance of foreign currency deposits was equivalent to RMB310,068 million, with an increase of RMB38,465 million. Of the foreign currency deposits, the balance of USD deposits was equivalent to RMB176,924 million, an increase of RMB36,454 million, the balance of HKD deposits was equivalent to RMB99,135 million, a decrease of RMB6,226 million, and the balance of deposits denominated in other currencies was equivalent to RMB34,009 million, an increase of RMB8,237 million.

Due to Banks and Other Financial Institutions

At the end of 2008, the balance of due to banks and other financial institutions was RMB646,254 million, a decrease of RMB158,920 million or 19.7% as compared with the prior year. By virtue of the profound adjustment of capital markets, the amount of due to banks and other financial institutions in relation to securities transactions decreased.

Shareholders' Equity

At the end of 2008, the shareholders' equity amounted to RMB606,630 million in total, an increase of RMB62,954 million or 11.6% as compared with the prior year, of which, the equity attributable to equity holders of the parent company was RMB602,675 million, an increase of RMB64,304 million or 11.9%. Please refer to the "Consolidated Statement of Changes in Equity of the Financial Statements".

SHAREHOLDERS' EQUITY

In RMB millions

Item	At 31 December 2008	At 31 December 2007
Issued share capital	334,019	334,019
Reserves	195,727	158,204
Retained profits	72,929	46,148
Equity attributable to equity holders of the parent company	**602,675**	**538,371**
Minority interests	**3,955**	**5,305**
Total shareholder's equity	**606,630**	**543,676**

Off-Balance-Sheet Items

The off-balance-sheet items of the Bank principally include derivatives, contingent liabilities and commitments etc., of which, derivatives include the forward contracts, swap and options. Please refer to "Note 24 to the Financial Statements: Derivative Financial Instruments" for details of the nominal value and fair value of the derivatives. The contingent liabilities and commitments include credit commitments, financial commitments, trust services and contingent matters, in which credit commitments, the most important component, amounted to RMB936,473 million at the end of 2008. Please refer to "Note 42 to the Financial Statements: Commitments and Contingent Liabilities and Note 43: Designated Deposits and Loans" for detail of the contingent liabilities and commitments.

Other Financial Information

Changes in Accounting Policy

According to the relevant regulations of the "Interpretation of the Accounting Standards for Business Enterprises No. 2" (Caikuai [2008] No.11) issued by MOF, the accounting policy adopted for property and equipment in the H share financial statements prepared in accordance with IFRSs need to be changed to cost method. Since the Bank's fixed assets are principally held for self-use, cost method is a more objective and accurate approach which better reflects the economic substance of transactions, and provides more reliable and relevant information for users of the statements. It also further eliminates the difference between accounting policies applied to A shares and H shares financial statements. The changes in accounting policy have no impact on the financial statements of 2008. Please refer to "Note 2.2 to the Financial Statements: Changes in Accounting Policy" for details.

Movement of Financial Instruments Measured at Fair Value and the Effect on Profit or Loss

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

MOVEMENT OF FINANCIAL INSTRUMENTS MEASURED AT FAIR VALUE

In RMB millions

Item	Balance at the beginning of the year	Balance at the end of the year	Change in current year	Effects on profit for the year
Financial assets designated at fair value through profit or loss	34,321	33,641	(680)	81
Available-for-sale financial assets	528,135	535,690	7,555	(16,162)
Derivative financial assets	22,769	15,721	(7,048)	(7,048)
Total financial assets	**585,225**	**585,052**	**(173)**	**(23,129)**
Financial liabilities designated at fair value through profit or loss	15,590	11,834	(3,756)	(169)
Derivative financial liabilities	7,127	13,612	6,485	(6,485)
Total financial liabilities	**22,717**	**25,446**	**2,729**	**(6,654)**

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

In terms of the internal control related to the determination of fair value, the Bank has set up a market risk management control system, formulated policies governing valuation, established specific valuation methods for financial market products, improved the workflow and procedures in respect of valuation, and gradually formed a working mechanism for valuation and validation. The policy and methods for determination of fair value have been reviewed by the Market Risk Management Committee.

The following tables are prepared in accordance with the formats prescribed in the announcement No. 48 of 2008 of CSRC.

FINANCIAL INSTRUMENTS MEASURED AT FAIR VALUE

In RMB millions

Item	Balance at the beginning of the year	Fair value changes through profit or loss during the year	Accumulated fair value changes directly recognized into equity	Impairment loss for the year	Balance at the end of the year
Financial assets					
Includes: 1. Financial assets at fair value through profit or loss[1]	57,090	(6,967)	–	–	49,362
Includes: Derivative financial assets	22,769	(7,048)	–	–	15,721
2. Available-for-sale financial assets	528,135	–	6,594	(16,162)	535,690
Sub-total of financial assets	585,225	(6,967)	6,594	(16,162)	585,052
Financial liabilities	22,717	(6,654)	–	–	25,446

Note: (1) Includes the derivative financial assets.

FINANCIAL CURRENCIES HELD BY THE BANK

In RMB millions

Item	Balance at beginning of the year	Profit/ loss from fair value changes during the year	Accumulated fair value changes directly recognized into equity	Impairment loss for the year	Balance at the end of the year
Financial assets					
Includes: 1. Financial assets designated at fair value through profit or loss(1)	6,285	2,229	–	–	14,171
Includes: Derivative financial assets	3,379	2,472	–	–	5,851
2. Loans and receivables	325,861	—	—	2,719	275,908
3. Available-for-sale financial assets	157,362	–	(3,973)	(16,162)	108,163
4. Held-to-maturity investments	53,101	–	–	(1,616)	17,618
Sub-total of financial assets	542,609	2,229	(3,973)	(15,059)	415,860
Financial liabilities	21,706	(1,682)	–	–	19,628

Note: (1) Includes the derivative financial assets.

Reconciliation Difference between the Financial Statements Prepared under CASs and Those under IFRSs

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

BUSINESS OVERVIEW

Corporate Banking

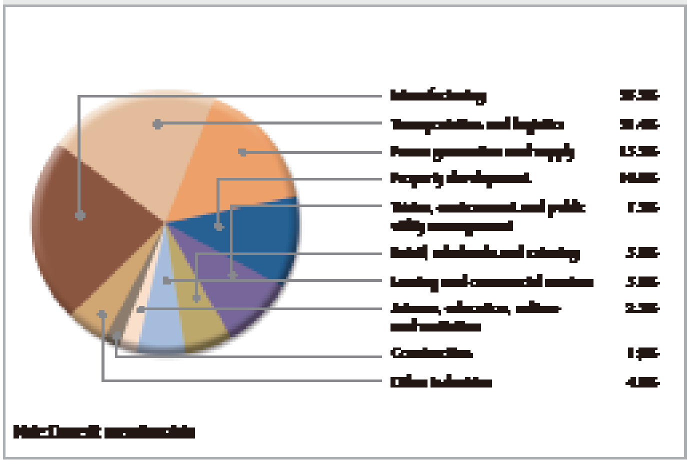
In 2008, the Bank proactively responded to the changes in business environment, intensified efforts in customer-oriented financial innovation, and pushed forward the transformation of corporate banking business model to promote the coordinated and fast development of various business lines. Adhering to a prudent credit policy, the Bank enhanced the restructuring of its credit portfolio and business innovation to compete for high quality credit market. The Bank accelerated the promotion of non-credit business such as corporate wealth management, medium-term note and short-term commercial paper, to explore new sources of profits. The Bank improved the marketing system, strengthened the synergetic marketing between the Head Office and branches and between domestic and overseas institutions, and became more responsive to customers' financial needs. The Bank enhanced the interactive business development to provide customers with comprehensive financial services, including financing, wealth management, investment banking, cash management and E-banking. As at the end of 2008, the number of corporate customers reached 3.10 million (of which 75,000 customers have loan balances), representing an increase of 380,000 over the end of the previous year, thus continuously expanding the corporate customer base. According to the PBOC, the Bank ranked first in the banking industry in terms of both corporate loans and corporate deposits at the end of 2008, with a market share of 12.7% and 15.3%, respectively.

Corporate Deposits and Loans

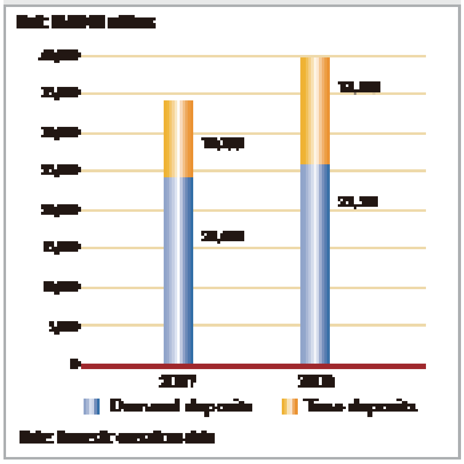
In light of China's macro-control and monetary policy, the Bank reasonably controlled the total loans outstanding and the pace of loan extension, and optimized the loan orientation. The Bank continued to boost the industrial restructuring and upgrade in Eastern China, increased its support for implementation of the strategies such as development of China's western regions, revitalization of the old industrial base in Northeast China and rise of the central region, and actively participated in the development of rural areas and the integrated construction of urban and rural areas. The Bank increased credits to water conservancy, environment and public facilities management, and power generation and supply industries, and supported the construction projects in snowstorm affected areas and the disaster areas in Sichuan. The Bank also accelerated its loan disbursements to national leading enterprises engaging in key industries supported by the national policy. The Bank made great efforts to promote trade finance, support the healthy and rapid growth of small and medium enterprise business, and develop credit asset transfer business. The Bank increased the proportion of syndicated loans and expanded off-balance-sheet credit business such as acceptance bill, letter of guarantee and letter of credit. In respect of product innovation, the Bank launched such new services as fixed asset backed finance and commodity finance. The Bank was awarded the title of the "Best Corporate Lending Bank in China" by the magazine *Global Finance*. As at the end of 2008, the balance of domestic corporate loans reached RMB3,232,102 million, an increase of RMB317,109 million or 10.9% year-on-year.

Leveraging on its credit resources, financial strength and settlement advantages, the Bank took advantage of its diversified financial service capability to increase its customers and corporate deposits. The Bank intensified its efforts to develop cash management, asset custody, enterprise annuity, agency and wealth management business, and encouraged customers' fund turnover within the Bank. At the end of 2008, the balance of domestic corporate deposits reached RMB3,938,967 million, an increase of RMB536,284 million or 15.8% over that of the previous year.

Balance of Corporate Loans



Growth of Corporate Deposits



Small and Medium Enterprise Business

The Bank actively supported the small and medium enterprise (SME) customers which conform to industrial and environment-friendly policy and have promising market prospects, and encouraged the healthy development of SME business through enhanced innovation in financial products and services and improved business management mechanism. The Bank improved the SME financial service organization system, set up small enterprise financial service sub-branches and small enterprise service centers on a pilot program, and established a green channel for small enterprise loan approval. The Bank also enriched the financing product mix and provided customers with full-spectrum, one-stop and comprehensive financial services. Relying on the extension of transaction chain, the Bank actively developed trade finance business with actual logistics and cash flow to promote the growth of small enterprise trade finance. In order to meet small enterprises' flexible fund requirements, the Bank enhanced product innovation and developed revolving loan products. The Bank also explored new services such as small enterprise asset securitization and small enterprise collective bonds to meet small enterprises' fund needs by various channels. The Bank won the title of "National Advanced Unit of Financial Services for Small Enterprises" by CBRC. In 2008, domestic branches accumulatively granted loans of RMB357,229 million to 36,267 small enterprises.

Institutional Banking

The Bank continued to improve the competitiveness of institutional banking and expanded its leading edge in this field. With an enhanced cooperation with insurance companies, the Bank executed cooperative agreements with 42 insurance companies, with agency sales volume of insurance products of RMB102.7 billion, an increase of 77.4% over 2007. The Bank achieved steady progress in the third party depository business. It established cooperation with 101 securities companies on third party depository services and had 15.88 million depository customers. Centralized bank-futures transfer business was also extensively developed. The Bank established a centralized bank-futures transfer partnership with 126 futures companies, and launched cooperation with 110 companies over centralized bank-futures transfer business. The Bank further expanded the correspondent bank network and the scope of cooperation with other banks, and promoted such services as domestic and foreign currencies payment and settlement system, with an increase in the number of domestic correspondent banks to 85. The Bank promoted the marketing of commercial bank cards for central budget units, with the number of issued cards approaching to 600,000. The Bank put into operation the "Online Taxation Service Platform" to build a one-stop service platform for taxpayers.

Settlement and Cash Management

The Bank enhanced product innovation and improved the business line of cash management and payment settlement by focusing on cash management for large high-end corporate customers and settlement services for SME customers. The Bank launched the Associate Treasury Professional (ATP) qualification certification to improve the quality of its professional team. The Bank added the functions of accounts regular autopay service and account-to-account collection and payment control, and launched comprehensive account report services. The Bank integrated traditional settlement products, and promoted settlement product package to drive the rapid development of settlement business. At the end of 2008, the number of corporate settlement accounts reached 3.76 million, representing an increase of 550,000 over the same period of last year. The transaction volume of corporate RMB settlement increased by 30.0% to RMB520 trillion, maintaining the leading position in China.

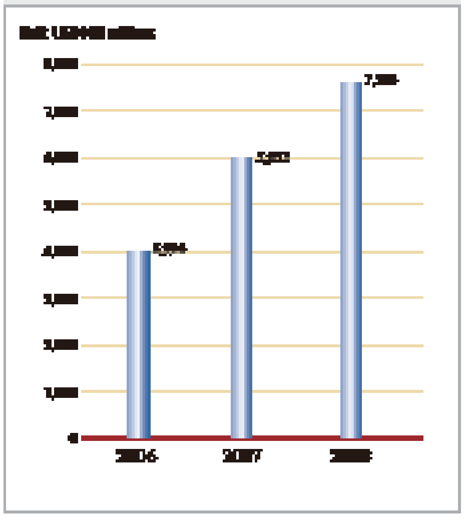
The Bank improved service quality and broadened the business scope of cash management, extending cash management from internal functions to fund chain of enterprises and from simple paying and receiving functions and centralized fund management to comprehensive wealth management services. Through cooperation with international peers, the Bank speeded up the globalization of its cash management business. The Bank further enhanced the brand recognition of "Caizhi Account", and won the title of the "Best Cash Management Bank in China" awarded by the magazines *The Asset* and *FinanceAsia* and the title of the "Best RMB Cash Management Services (China)" by the magazine *Asiamoney*. At the end of 2008, the number of cash management customers reached 118,751, an increase of 60,188 or 102.8% year-on-year.

Investment Banking

The Bank reinforced efforts to improve the product mix and brand of investment banking. It energetically developed traditional investment banking services, such as ongoing financial advisory services, enterprise information services, and investment and financing advisory services, and achieved rapid development of its core investment banking business by enhanced marketing in respect of restructuring, mergers and acquisitions, equity financing, enterprise bond underwriting, trust and wealth management. The Bank established an investment banking research center to provide training and certification services for enterprise financial advisors, driving the continuous growth of its ongoing financial advisory services and investment and financing advisory services. The Bank diversified enterprise credit products and explored new sources of business growth. Leveraging on the growing trend of industrial mergers and acquisitions, the Bank provided advisory services to domestic leading steel enterprises in respect of industrial restructuring. In order to facilitate regional economic development and financial innovation, the Bank provided consultation services in respect of Industrial Investment Fund for local governments. The Bank also launched equity private placement banking services to tap the equity finance market. With rapid development in the underwriting of bonds, the Bank underwrote commercial papers of RMB89.6 billion, medium-term notes of RMB63.4 billion and financial bonds of RMB11.6 billion in 2008, ranking first in the market in terms of underwriting amount. Income from investment banking reached RMB8,028 million, an increase of 78.2% year-on-year.

International Settlement and Trade Finance

Growth of International Settlement Amount



In keeping with the trend of centralized processing of group business, the Bank used the bank-enterprise interconnection system to provide large enterprise groups with customized and centralized operation solutions on international settlement and trade finance. The Bank intensified efforts to expand international factoring business through synergy between domestic and overseas institutions, and joined force with correspondent banks to develop import refinance service. The Bank improved domestic trade finance product system, optimized trade finance business process, and launched new products such as commodity financing. The Bank promoted Internet banking-based international settlement and broadened business processing channels. The Bank made progress in intensive operation of international settlement document business and centralized document business of 25 domestic branches and two overseas branches. The Bank strengthened product mix marketing and continued to improve the brand reputation of "Caizhi International". Despite the decline in China's foreign trade as a result of global financial crisis, the Bank still achieved rapid development in international settlement and trade finance business. In 2008, domestic branches disbursed an aggregate of RMB362.3 billion in trade finance, an increase of RMB138.7 billion or 62.0% over the previous year. Of this aggregate amount, the cumulative disbursement of international trade finance amounted to USD33.7 billion, an increase of 32.2% and the cumulative international settlement stood at USD756.6 billion, an increase of 27.5%, of which USD579.4 billion was handled by domestic operations, up 37.2%.

Asset Management

• *Asset Custody Services*

In 2008, in response to the unfavorable market environment as a result of negative factors such as the spread of the global financial crisis and decline and fluctuations of domestic stock index, the Bank adjusted its marketing strategy for asset custody services and enhanced product innovation to reinforce its competitive edge in traditional business, including securities investment fund custody and enterprise annuity custody. It also enriched custody services by launching new businesses such as global custody, custody for account receivables and payables, and custody of separately managed accounts of fund companies. With enhanced cooperation with leading fund companies, the Bank became the first bank in China that provided custody services for more than 100 securities investment funds. A number of large enterprises selected the Bank to be their annuity fund custodian, enabling the Bank to further consolidate its leading position in the market. Through strengthened cooperation with large insurance companies and development of custody services for small and medium-sized insurance companies, the number of insurance companies with assets under the Bank's custody increased steadily. With rapid growth in the number of QFII customers and QDII portfolios, the Bank continued to lead the industry in terms of global custody services. Custody services for account receivables and payables developed rapidly. The Bank was the first in China to launch the custody service of separately managed account of fund companies. The Bank was awarded the best custodian bank in China by domestic and overseas financial media including *The Asset, Global Custodian, Global Finance and Securities Times*. At the end of 2008, the net value of assets under the Bank's custody reached RMB1,143.8 billion.

• *Enterprise Annuity*

Leveraging the competitive edge from its full range of licenses for enterprise annuity businesses and full-fledged service channel, the Bank enhanced the coordinated development of various lines of businesses including custody of enterprise annuity, account management and fund custody. The Bank launched "Ruyi Yanglao No. 1" enterprise annuity product in the capacity of custodian, to build the brand of "Ruyi Yanglao" series products. The Bank improved enterprise annuity management system and optimized business process. At the end of 2008, the Bank provided annuity services for 15,534 enterprises, an increase of 2,265 over the end of the previous year, involving RMB4.0 billion of annuity fund under trusteeship; the Bank managed 5.05 million personal annuity accounts, a year-on-year increase of 1.57 million; the annuity fund under custody was RMB54.0 billion, an increase of RMB35.2 billion.

• *Precious Metal Business*

Taking the opportunity of sluggish capital markets and increasing demand for precious metal, the Bank accelerated the promotion of new products and enhanced brand awareness. It launched some new products such as "Ruyi Gold" and gold collection, and put into operation the corporate and individual bullion agency trading system and gold clearing agency system, achieving rapid development in precious metal business. In 2008, the volume of precious metal transactions that the Bank was engaged on its own account or on behalf of its customers reached 1,063 tons, an increase of 2.7-fold over the previous year. Of the transactions, the sales of "Ruyi Gold" reached 18 tons, an increase of 3.9-fold, and the transaction volume of Account Gold stood at 796 tons, up 3.4-fold. The Bank cleared RMB145.5 billion on behalf of Shanghai Gold Exchange, maintaining the leading position in the industry.

• *Corporate Wealth Management*

In light of the current situations of the capital markets, the Bank strengthened product innovation and marketing, and achieved leap-forward development in corporate wealth management. The Bank placed emphasis on the development of fixed-income and ultra-short-term wealth management products which were low-risk with steady profitability, and launched no-fixed maturity ultra-short-term wealth management products, 28 days rolling ultra-short-term wealth management products and bill investment wealth management products, to meet customers' requirements on different returns, risks and liquidities. The Bank promoted Internet banking self-service wealth management services to ease the pressure of counters in outlets and broaden the sales channel. In 2008, cumulative sales of the Bank's corporate wealth management products denominated in RMB and foreign currencies reached RMB787.3 billion, an increase of 5.8-fold over the previous year.

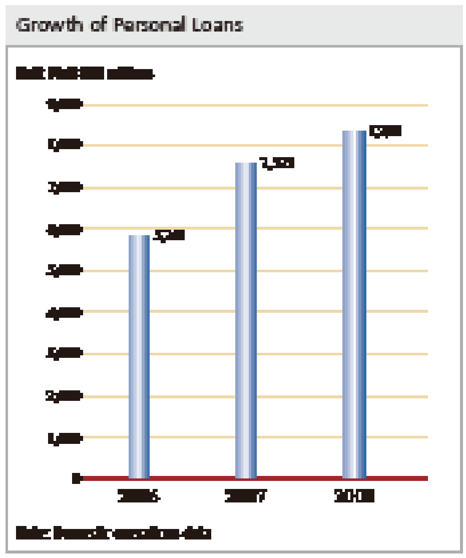
Personal Banking

Being customer-centered and market-oriented, the Bank accelerated the adjustment of business structure and improved marketing capability and market competitiveness in order to develop into the largest retail bank in China. The Bank enhanced outlet channel and customer stratification service system, enlarged customer base and increased the proportion of middle to high-end customers. The Bank improved high-net-worth customer identification system and expedited the regional layout of private banking. The Bank pushed forward the reengineering of personal banking process and optimized business process to improve service efficiency. The Bank strengthened the synergetic marketing of corporate banking and personal banking business, promoted the cross selling between products such as savings, personal wealth management, personal loans, E-banking and bank cards, with a view to achieving sustained and rapid development of personal banking business. The Bank was named the "Best Retail Bank in China" by the magazine *The Asian Banker*. At the end of 2008, the Bank had 190 million individual customers, including 4.82 million personal loan customers. According to the PBOC, the Bank's market share was 18.1% and 19.2%, respectively, in terms of savings deposits and personal loans at the end of 2008.

Savings Deposits

The Bank appreciated the fundamental role that savings deposits play in driving the development of personal banking business, and continuously improved the ways of developing savings deposits in order to bring greater returns to customers and promote the rapid development of such deposits. The Bank strengthened the synergetic marketing of savings deposits with corporate banking and increased payroll agency service customers, thus broadening the sources of savings deposits. The Bank attracted customer funds by promoting synergetic development of wealth management products and savings deposits and improving service quality of wealth management business. The cumulative effect of interest rate increases in 2007 and the downturn of stock market in 2008 also stimulated the growth of savings deposits. At the end of 2008, the balance of domestic saving deposits amounted to RMB4,010,248 million, an increase of RMB766,174 million or 23.6% over the end of the previous year.

Personal Loans



In 2008, the changes in domestic and overseas economic environment resulted in a decline in the demand for personal housing loans. The Bank stepped up the support for residents buying house for own-use, drove personal mortgage loans using real estate development loans, and strengthened cooperation with large high-quality real estate intermediary agencies to promote new housing and second-hand housing loan business. The Bank launched "Bank-Insurance Link" personal life insurance policy pledged loans, improved the convenience and raised the ceiling of personal consumption loans. The Bank rendered the "Deposit-Loan Link" wealth management value-added services, increased the ways of repayment, and improved the brand recognition of "Happiness Loan" in order to compete for high-end customers. At the end of 2008, the balance of domestic personal loans amounted to RMB829,342 million, an increase of RMB77,229 million or 10.3% over the end of the previous year. Of the aggregate domestic personal loans, the balance of personal housing loans increased by 11.4% to RMB597,374 million.

Personal Wealth Management

Personal wealth management market has developed faster and faster as investors become more aware of the need for wealth management and increase their demands for such service. In line with the market development, the Bank accelerated product and service innovation, and established a wealth management product marketing and service system characterized by segmentation of target customers, different level of yields and complementary risk appetite, with a view to consolidating its leading position in personal wealth management market. In 2008, domestic operations sold RMB1,937.3 billion worth of personal wealth management products, an increase of RMB818.6 billion or 73.2% over the previous year.

In response to the sluggish stock market and changing wealth management needs of personal customers, the Bank adjusted the research and development strategy for banking wealth management products timely. The Bank expedited the development of the wealth management products with low risk and stable profitability, such as bill, bond and trust loan, launched new products such as "Money Link Express" ultra-short-term wealth management and bill investment wealth management at appropriate timing, and guided the cash flow of customers. The Bank exclusively provided middle to high-end customers with such wealth management products as "Elite Club Account", "ICBC Wealth" and "Private Banking", to build a multi-level customer wealth management product system. In 2008, the total sales of personal banking wealth management products exceeded RMB1 trillion for the first time, reaching RMB1,342.4 billion, an increase of 7.7-fold over the previous year.

The Bank optimized the structure of agency insurance products, raised the proportion of insurance products with premium paid on a regular basis, and enriched the product mix of "Bank-Insurance Link" insurance products. The agency sales of insurance products reached RMB102.7 billion, an increase of 77.4%. The agency sales of treasury bonds amounted to RMB61.2 billion, ranking the first in the industry. The Bank promoted such services as regular investment in funds and "Li Tian Li" account wealth management, and enriched fund product and service contents. Due to the downturn of the stock market, agency sales of open-ended funds amounted to RMB431.0 billion, a decrease of RMB426.0 billion. However, the Bank continued to maintain a leading position in terms of agency fund sales, inventory fund and customer number. In 2008, agency sales of personal wealth management products stood at RMB594.9 billion.

• *Elite Club Account*

Elite Club Account is a personal banking brand designed by the Bank for middle to high-end customers. In 2008, the Bank continued to strengthen product and service innovation, accelerated channel development, and upgraded the Elite Club Account customer services in a bid to improve customers' satisfaction and loyalty. The Bank launched 15 exclusive Elite Club Account wealth management products which are expected to have a high rate of return. The Bank held "Wealth Posthouse" series activities throughout the whole 2008, and enriched VIP services by means of wealth management planning service, special offers for preferred merchants and exclusive activities. The Bank accelerated the upgrade and renovation of outlets, launched the VIP personal Internet banking and telephone banking dedicated lines and expanded service network. The number of VIP service centers reached around 3,000. The Bank had 7,275 Associate Financial Planners (AFP) and 1,086 Certified Financial Planners (CFP), maintaining a leading position in the banking industry in China. At the end of 2008, Elite Club Account customers numbered 4.55 million, an increase of 1.53 million or 50.7% over the end of 2007.

Private Banking

The Bank set up the Private Banking Department in March 2008, to provide customized services, which focus on asset management and advisory services, for high-net-worth customers with personal financial assets of over RMB8 million. The services include financial management, asset management, advisory services, private value-added services and overseas financial services. The Bank has established private banking sub-departments in Beijing, Shanghai, Guangzhou and Shenzhen. Private banking business expanded quickly as a result of its high-quality service team, leading product mix and top-notch service channel.

Bank Card Business

In 2008, the Bank intensified its investment in bank card business and improved bank card acceptance environment and the construction of payment system with a view to providing a convenient, quality, safe and efficient service environment. The Bank maintained a rapid growth in terms of the number of Bank cards issued by the Bank and the amount of income derived from Bank Card business. At the end of 2008, the number of issued bank cards reached 240 million, an increase of 28.20 million over the end of 2007. Income derived from bank card business for 2008 grew by 34.0% to RMB7,199 million.

• *Credit Card Business*

The Bank accelerated the innovation and functional integration of its products, improved service quality and brand influence, and rapidly increased the number, consumption and overdraft of credit cards issued by the Bank. The Bank issued a variety of theme cards, functional cards and co-brand cards that cater for the needs of customers. The Bank promoted the functional integration of international credit cards, credit cards and quasi-credit cards to form a clear product line of dual-currency credit cards, RMB credit cards and quasi-credit cards. The Bank established 76 VIP customer service centers to improve the customer service system and to enhance its quality. Moreover, the Bank launched various promotion activities and value-added services, and expanded its network of chartered and preferred merchants, so as to drive the growth of consumption. The Bank received the "Award for Leading Technology of Credit Card" from Visa Inc. and the "Best Product Innovation of the Year" from MasterCard Worldwide. As of the end of 2008, the Bank issued 39.05 million credit cards, an increase of 15.67 million or 67.0% over the end of 2007, with the consumption of RMB255.1 billion for the whole year, up RMB93.2 billion or 57.6%. The Bank continued to maintain a leading position in terms of the number of credit cards and the total amount of consumption. The balance of domestic credit card overdrafts amounted to RMB17,097 million, an increase of RMB8,856 million of 107.5%.

• *Debit Card Business*

Taking advantage of the comprehensive trading account of Peony Moneylink Card, the Bank jointly marketed financial products such as payroll agency service, settlement and remittance, wealth management products and Internet banking. The Bank adjusted customer structure and made great efforts to promote the issuance of the Peony Moneylink E-era Card to middle-end and high potential customers. The Bank divided bank card market into small segments, and launched a number of Co-brand Moneylink Cards. The Bank carried out various pay-by-card promotion activities to raise the consumption by cards. As at the end of 2008, the number of debit cards reached 199 million, an increase of 12.53 million over the end of 2007, with an annual consumption of RMB541.3 billion, up RMB87.0 billion.

Item	At 31 December 2008	At 31 December 2007	Growth rate (%)
Issued bank cards (unit: 10,000)	23,832	21,012	13.4
Debit cards	19,927	18,674	6.7
Credit cards	3,905	2,338	67.0
	2008	**2007**	**Growth rate (%)**
Annual consumption volume (In RMB100 million)	7,964	6,162	29.2
Average consumption volume per card (In RMB)[1]	3,552	3,091	14.9

Note: (1) Average consumption volume per card = Annual consumption volume/((Issued cards at the beginning of the year + Issued cards at the end of the year)/2).

Treasury Operations

With the spreading of the global financial crisis and the slowdown of China's economic growth in 2008, the Bank's treasury operations faced challenges such as intensified credit risk and market risk. The Bank actively studied and analyzed market development and economic trend, prudently evaluated and looked for a proper balance between the benefits and risks of treasury operations, thereby ensuring the rapid growth of such operations.

Money Market Activities

China changed its tight monetary policy to moderately ease monetary policy in 2008, resulting in the fluctuation in the liquidity of the money market. Closely following the macro-control policy, the Bank reasonably controlled its financing costs when the liquidity tightened, and raised funds to drive the development of asset business. In view of the need to ensure fund security, the Bank seized the favorable opportunity to lend funds at a higher rate of return, and achieved the balance between the liquidity and yield of funds and the coordination of short-term payment security and long-term sustainable development. In 2008, domestic branches of the Bank transacted RMB7,618.3 billion of RMB placement and taking cumulatively, an increase of 25.0% over the previous year. With respect to foreign currency-denominated treasury operations, the Bank closely observed the credit risk of counterparties, reasonably arranged for the placement maturity so as to ensure the security and yield of funds. The Bank's foreign currency transaction volume on the money market reached USD1,210.4 billion, an increase of 39.4%.

Management of Investment Portfolio

• *Trading Book Business*

The year 2008 witnessed the intensified fluctuation of global financial market and volatile domestic inter-bank market interest rate which rebounded and then fell significantly. In response to the trend of the market interest rate, the Bank strengthened inter-bank market-maker transactions, rapidly developed RMB bond transactions and significantly improved the profitability. The transaction volume on the inter-bank market amounted to RMB2.43 trillion in 2008, an increase of 16.8% over the previous year. The Bank diversified its over-the-counter book-entry treasury bond transactions, increasing the products for which the Bank offered quotations to 43. The Bank successfully managed the electronic system for the transactions of the RMB interest rate derivative products, improved market-making capability and transacted RMB interest rate swap of RMB33.3 billion.

Due to the continuous interest rate cuts in the US and the deterioration of the credit market, the treasury bond market of the US became more volatile. Taking this market opportunity, the Bank adjusted its duration trading strategy in line with the anticipated movement of the yield of US treasury bond, and made profits from such transactions. The Bank recorded foreign currency bond transactions of USD51.7 billion for 2008.

• *Banking Book Business*

The yield of bond market went up and then down, with an overall drop in 2008. In response to the movement of the yield curve and market interest rate, the Bank adopted the strategy of increasing trading frequency in new bond investments. Taking advantage of the opportunity arising from the high RMB interest rate, the Bank increased of its investment in long and medium-term bond investment and extended the portfolio duration. Combining the characteristics of the yield curves for the bond market in different periods, the Bank adjusted the investment structure on a timely basis, reasonably distributed the proportion of treasury bonds, financial bonds and central bank notes, expanded the size of corporate bonds, short-term financing notes and medium-term bills, and improved the profitability of the investment portfolio. As at the end of 2008, the balance of RMB banking book bond investment amounted to RMB2,886,705 million.

In the year, the US sub-prime mortgage crisis accelerated and the credit market continued to deteriorate. Under the circumstances, the Bank reduced its investment in foreign currency collateralized bonds to mitigate the credit risk of its investment portfolio. The Bank also increased the position of Non-USD foreign currency bond investment to diversify investment currencies and risks.

Agency Treasury Operations

Facing the volatile international financial market, the Bank strictly controlled business risks, and strengthened the pricing and service capability of its agency treasury operations, steadily drove the development of its agency treasury operations. The Bank enhanced product innovation, launched the "Hui Ze Tong", a new foreign exchange settlement and trading product, pushed forward the building of global treasury operation network, and completed agency foreign exchange settlement and foreign exchange transactions of USD371.7 billion. The Bank increased the issuance of low-risk structured deposit products and strengthened information disclosure in the interests of customers, and transacted agency structured derivative products of USD12.2 billion. The Bank actively fostered customer demand for RMB interest rate derivative products and strengthened risk hedging capability, which boosted the development of agency RMB interest rate swap business.

Asset Securitization Business

The Bank actively promoted asset securitization business to enhance asset management and optimize the structure of credit assets. In 2008, the Bank successfully launched the 2008 credit asset securitization product (first issue) of RMB8.0 billion, being the largest scale of single issuance of asset-backed securities in China. As at the end of 2008, the Bank, as promoter, completed two credit asset securitization issues, with the balance of asset-backed securities standing at RMB8.3 billion. The underlying assets of the above issues are high-quality corporate loans, all of which were normal performing loans and had no overdue or default records. In 2008, the Bank generated income of RMB41 million from the loan securitization business.

Distribution Channels

Domestic Branch Network

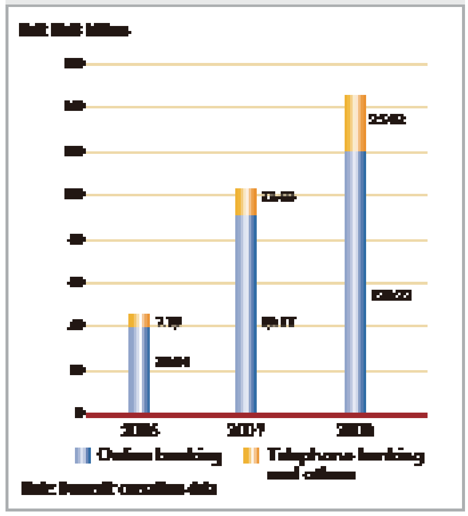
In view of realizing the goal for coordinated and sustainable development of channels, customers and business, the Bank clearly defined the functions and development plans for four channels, namely outlets, self-service banking, e-banking and customer relationship managers in 2008, making the most of the overall advantages of these channels. A multi-level outlet service system, which comprises premier wealth management centers, VIP service centers, wealth management outlets and financial convenience stores, has taken shape, and the transformation of outlet operations went in depth. While ensuring the stability of the total resources, the Bank adopted a resource allocation regional policy featuring classified management and differentiated treatment, appropriately inclined outlet resources to provincial capitals, key large and medium-sized cities and economically developed counties, implemented outlet layout optimization and strategic transformation in cities such as Xiamen and Guangzhou, and continuously optimized the network of institutional outlets. The Bank completed the construction of 100 premier wealth management centers and around 2,000 VIP service centers, and enhanced customer service capability, market competitiveness and profitability of outlets. The Bank filed for the establishment of the Tibet Branch and the Private Banking Department, thereby improving the national institutional network service system.

As at the end of 2008, the Bank had 16,252 institutions on the Chinese Mainland, including the Head Office, 31 tier-1 branches, 5 branches directly controlled by the Head Office, 27 banking offices of the tier-1 branches, 385 tier-2 branches, 3,054 tier-1 sub-branches, 25 institutions directly controlled by the Head Office and their branches, and 2 majority holding subsidiaries. Among all these institutions, 15,676 outlets render services to customers.

E-banking

In line with customer requirements, the Bank accelerated product innovation, enriched product functions, and provided customers with more convenient, secure and expedite financial products and services, maintaining a leading position in the domestic banking industry. The Bank launched new products such as mobile banking (WAP) and VIP personal internet banking and optimized the functions of existing products to cater for the differentiated and individualized service needs. The Bank launched products such as the second-generation U key and telephone banking password token, to improve and assure the security of the data of E-banking customers. The Bank actively participated in internet-based charitable events, and established a full-fledged e-banking free donation channel to facilitate the remittance of disaster relief donations. Moreover, the Bank improved the foreign financial services contents of telephone banking and portal website and enhanced financial services for Beijing Olympic Games. The transaction volume of e-banking reached RMB145.29 trillion in 2008, an increase of 41.2% over the previous year. The number of e-banking transactions accounted for 43.1% of total transactions of the Bank, up 5.9 percentage points.

Growth of E-banking Transaction Volume



• Internet Banking

The Bank launched VIP personal internet banking to provide quality customers with exclusive service channels, service areas, financial products and preferential activities. The Bank was the first in China to launch the small-value foreign exchange sale and remittance services for personal customers via internet banking, and broadened the foreign exchange purchase channels for customers. The Bank introduced a customer experience mechanism and completed the optimization of projects such as personal internet banking funds and personal consolidated statement of account. The Bank also launched the overseas institutions' diversified business process system (FOVA) to arrange for the registration of domestic internet banking thereby improving its capability in providing globalized services.

As at the end of 2008, the Bank's corporate internet banking customers increased by 460,000 to 1.44 million, and personal internet banking customers rose by 17.64 million to 56.72 million. The transaction volume of corporate internet banking totaled RMB110.50 trillion in 2008, an increase of 28.9% over the previous year, and that of personal internet banking amounted to RMB9.77 trillion, up 135.4%. The Bank won the titles of the "Best Consumer Internet Bank in Asia", the "Best Consumer Internet Bank in China" and the "Best Corporate/Institutional Internet Bank in China" granted by *Global Finance*.

• Telephone Banking

The Bank launched services such as telephone banking booking and telephone banking menu customization. The Bank initiated the VIP line for telephone banking and provided high-end customers with quality services including expert services and exclusive consultation. The Bank centralized the manual services of six branches, including Shanxi and Hebei branches, and pushed forward the integration of telephone banking. In the fifth Asia-Pacific best call center evaluation, the Bank won the awards of "Asia-Pacific Best Call Center", "China Best Call Center" and "China Best Call Center Manager".

• *Mobile Banking*

The Bank launched the WAP-connected mobile banking service and further improved the channels and functions of E-banking business to satisfy WAP customers' demand for financial services such as account management, transfer, remittance, bill payment, investment, wealth management and consumption payment. The Bank strengthened cooperation with telecommunications groups, lowered the access threshold for mobile banking customers, and enhanced the security of mobile banking (WAP). With the continuous improvement in market awareness of mobile banking (WAP), the number of customers rapidly increased to 550,000.

• *Self-service Banking*

The Bank continued to increase investment in self-service equipments and promoted the development of self-service channels. The Bank launched self-service terminals that are easy and convenient for operation, which provide simple services to facilitate customers' inquiry, transfer, remittance, payment and so on. Furthermore, the Bank optimized the functions of ATMs, simplified operational process, improved transaction efficiency and convenience, and further diverted transactions from counters to self-service terminals. As at the end of 2008, the Bank owned 7,085 self-service banking outlets and 28,656 ATMs, an increase of 44.9% and 22.4%, respectively, over the end of 2007. The transaction volume of ATMs reached RMB1,555.7 billion, an increase of 45.4%.

Internationalized and Diversified Operation

Implementation of Internationalized and Diversified Operation Strategy

The Bank is actively implementing an internationalized and diversified operation development strategy in order to suit the trend of economic globalization and financial integration. With the target of building a trans-market financial service system centering on commercial banking business, the Bank extended its globalized services network. The Bank improved the operation management of overseas institutions, speeded up the transformation of overseas operations and regional business integration of overseas branches and steadily built up an integrated development platform for its domestic and overseas business by optimizing and popularizing the diversified business process system (FOVA) in overseas institutions. The Bank fully capitalized the Group's brand advantage by strengthening business communication with its subsidiaries, vigorously expanded the fund management business and actively promoted the development of financial lease business to achieve functional complementation and enhance their contributions to the Group.

During the reporting period, the Bank successfully completed the acquisition of the 20% equity interests in Standard Bank and 79.9333% equity interests in Seng Heng Bank, as well as the purchase of 100,913,330 ordinary shares and exercise of 11,212,592 warrants of ICBC (Asia). Sydney Branch, New York Branch, ICBC (Middle East) and Doha Branch were established successively. The Bank's application for establishing the Vietnam Branch was approved by CBRC, and steady progress was made in the application for approval from overseas regulatory authorities. The Bank acquired the license for investment banking from the Securities and Futures Commission in Hong Kong for the establishment of a subsidiary under ICBC International Finance Limited, namely ICIC, which was formally renamed as "ICBC International Holdings Limited", and became the wholly-owned overseas investment banking platform. The Bank also progressed rapidly on the integration of Seng Heng Bank and its Macao Branch. As at the end of 2008, the Bank had 21 operational institutions and 134 branches in 15 overseas countries and regions and established correspondent bank relationships with 1,358 overseas banks in 122 countries and regions. The overseas network has begun to take shape.

During the reporting period, the Bank's overseas institutions and domestic controlled companies realized an aggregate operating income of RMB6,713 million and profit before tax of RMB4,564 million. Total assets of the overseas institutions and domestic controlled companies amounted to RMB302,138 million at the end of the year.

• Overseas Subsidiaries

INDUSTRIAL AND COMMERCIAL BANK OF CHINA (ASIA) LIMITED

ICBC (Asia) is a bank registered in Hong Kong and listed on SEHK, and has a share capital of HKD2,570.54 million, with the Bank holding 72.04% of the shares. It renders comprehensive commercial banking services, which covers trade finance, IPO reception and dividend distribution, commercial credit, investment service, credit card, custody, e-banking and so on. At the end of 2008, ICBC (Asia) recorded total assets of USD25,086 million, and net assets of USD1,798 million. It generated net profits of USD125 million in the year.

ICEA FINANCE HOLDINGS LIMITED

ICEA, a subsidiary of the Bank, was incorporated in the British Virgin Islands and headquartered in Hong Kong. It has a registered capital of USD20 million, in which the Bank holds a 75% stake. ICEA mainly engages in investment banking business, including mergers and acquisitions, financial advisory services, debt financing, debt restructuring, stock market services, securities sales and brokerage. As at the end of 2008, ICEA recorded total assets of USD291 million and net assets of USD58 million. It generated net profits of USD7.31 million in the year.

ICBC INTERNATIONAL HOLDINGS LIMITED (FORMERLY KNOWN AS "INDUSTRIAL AND COMMERCIAL INTERNATIONAL CAPITAL LIMITED")

ICBC International, a wholly-owned bank of the Bank, was originally established as a bank with a restricted license in Hong Kong. After completing the transfer of its commercial banking business assets in 2008, it obtained the investment banking license issued by the Securities and Futures Commission of Hong Kong and formally renamed itself from "Industrial and Commercial International Capital Limited" to "ICBC International Holdings Limited". The registered capital is HKD280 million. At the end of 2008, it recorded total assets of USD42.72 million and net assets of USD41.90 million.

SENG HENG BANK LIMITED

Seng Heng Bank, a commercial bank registered in Macau, became a subsidiary of the Bank on 28 January 2008. It has a registered capital of MOP150 million, in which the Bank holds a 79.9333% stake. Seng Heng Bank mainly engages in comprehensive commercial banking services such as deposit, loan, trade finance and international settlement. At the end of 2008, it recorded total assets of USD3.47 billion and net assets of USD270 million. It realized net profits of USD25.58 million in the year.

PT. BANK ICBC INDONESIA

ICBC (Indonesia) is a full-licensed commercial bank registered in Indonesia, with a paid-up capital of 460 billion Indonesia rupiahs, in which ICBC holds a 97.83% stake. ICBC (Indonesia) mainly provides commercial banking services such as deposit, loan and trade finance, settlement, agency business, bond, interbank borrowing and lending and foreign exchange. At the end of 2008, ICBC (Indonesia) recorded total assets of USD139 million and net assets of USD44 million.

ICBC (LONDON) LIMITED

ICBC (London), a wholly-owned bank of the Bank, was incorporated in the United Kingdom with a registered capital of USD200 million. It provides a full spectrum of banking services such as exchange and remittance, loan, trade finance, international settlement, funds clearing, agency and custody. At the end of 2008, ICBC (London) recorded total assets of USD870 million and net assets of USD200 million.

JSC INDUSTRIAL AND COMMERCIAL BANK OF CHINA ALMATY

ICBC (Almaty), a wholly-owned bank of the Bank, was incorporated in Kazakhstan with a registered capital of USD10 million. It principally engages in commercial banking services such as deposit, remittance, foreign currency exchange, guarantee, trade finance and account management. At the end of 2008, ICBC (Almaty) recorded total assets of USD48.52 million and net assets of USD19.65 million.

INDUSTRIAL AND COMMERCIAL BANK OF CHINA LUXEMBOURG S.A.

ICBC (Luxembourg), a wholly-owned bank of the Bank, was incorporated in Luxembourg with a registered capital of USD18.50 million. The Bank improved its branch network and expanded its retail and private banking business in Europe through local customer resources and regulatory environment.

ZAO INDUSTRIAL AND COMMERCIAL BANK OF CHINA (MOSCOW)

ICBC (Moscow), a wholly-owned bank of the Bank, was incorporated in Russia with a registered capital of 1 billion rubles. It provides a full spectrum of corporate banking services such as international settlement, trade finance, deposit and wealth management and certain personal banking services. At the end of 2008, ICBC (Moscow) recorded total assets of USD41.56 million and net assets of USD30.35 million.

INDUSTRIAL AND COMMERCIAL BANK OF CHINA (MIDDLE EAST) LIMITED

ICBC (Middle East), a wholly-owned subsidiary bank of the Bank, was incorporated in United Arab Emirates with a registered capital of USD50 million and commenced its business on 20 October 2008. Its scope of business covers investment banking and commercial banking. At the end of 2008, ICBC (Middle East) recorded total assets of USD60.32 million and net assets of USD50.14 million.

• *Domestic Controlled Subsidiaries*

ICBC CREDIT SUISSE ASSET MANAGEMENT CO., LTD.

ICBC Credit Suisse Asset Management, a subsidiary of the Bank, has a registered capital of RMB200 million, in which the Bank holds a 55% stake. It mainly engages in fund placement, fund distribution, asset management and such other businesses as approved by CSRC. As at the end of 2008, it managed a total of nine mutual funds, and the size of the assets under management amounted to approximately RMB75.2 billion. It was awarded the "2008 Taurus Fund Management Company" sponsored by *China Securities Journal* and "2008 China Star Fund House" sponsored by *Securities Times*. ICBC Credit Suisse Asset Management had total assets of RMB626 million and net assets of RMB508 million, and generated net profits of RMB194 million in the year.

ICBC FINANCIAL LEASING CO., LTD.

ICBC Leasing, a wholly-owned subsidiary of the Bank, was incorporated in Binhai New Area of Tianjin with a registered capital of RMB2 billion. It is the first financial leasing company established by a commercial bank in China approved by CBRC, and mainly engages in financial services, such as financial leasing and other kinds of leasing for vessels, aircrafts and large-scale equipment, rental assignment and securitization, asset management, and industrial investment consultation. At the end of 2008, it recorded total assets of RMB11,648 million and net assets of RMB2,205 million, and generated net profits of RMB208 million in the year.

• *Major Equity Participating Company*

STANDARD BANK GROUP LIMITED

Standard Bank is the largest commercial bank in South Africa, as well as in Africa. During the reporting period, the Bank completed the acquisition and delivery of 20% equity stake in Standard Bank and became the single largest shareholder holding 305 million ordinary shares. The Bank also nominated two non-executive directors to Standard Bank. The two banks have entered into cooperative agreements regarding certain operations and initiated strategic cooperation in terms of resource banking, corporate banking, investment banking, global financial market, investment fund and so on.

• *Special Purpose Entities Controlled by ICBC*

ICBCA (C.I.) LIMITED

ICBCA (C.I.) Limited was incorporated in September 2004 and registered in the Cayman Islands. It is a subsidiary established for the special purpose of issuing bonds for ICBC (Asia) and does not engage in any other operating activities. On 16 September 2004, ICBCA (C.I.) Limited issued USD400 million of fixed rate notes to raise funds for ICBC (Asia), which provided unconditional and irrevocable guarantee for the notes. The fund raised from the issuance was deposited in the account of ICBC (Asia) in the form of time deposits. All assets and liabilities of ICBCA (C.I.) Limited are connected with the notes.

Information Technology

Revolving around the overall goal of reform and development, the Bank built up its core competitiveness through scientific and technological innovation, carried out the “technology-oriented” strategy in a profound manner, speeded up its implementation of the IT development plan, ensured safe and steady operation of the information system of the Bank and successfully completed the technological security task during the Olympics. In 2008, the Bank was ranked the top on the list of “Top 500 Information-Oriented Chinese Enterprises” and also won the honor of “Technology Awards 2008 Winner — Business Continuity & Governance Project” awarded by the British magazine *The Banker*.

Continuous Innovation and Broadening of Application Products

In 2008, the Bank developed 420 new projects and optimized 488 existing products. The Bank embarked on the construction of the fourth-generation application system, thereby further enhancing the competitiveness of the Bank in terms of information technology. Nine patents of the Bank were authorized by the State Intellectual Property Office in 2008, increasing the number of patents owned by the Bank to 72, accounting for 55% of the banking industry. At the same time, the Bank submitted 40 patent applications, marking the enhanced protection of our self-innovated technologies.

The Bank accelerated the research, development and optimization of application products. It rolled out new products like the Bank-Bank Express platform, optimized the fund platform, the wealth management platform and other existing products, and further enriched product varieties in business such as personal banking, customer wealth management and e-banking. The Bank also optimized and promoted the functions of its overseas institutions’ diversified business processing system (FOVA). The Bank also put the market risk management system (phase I) into operation, improved the Non-retail credit risk Internal Rating-based System in terms of credit risk, completed the development of the personal lending module of the Retail credit risk Internal Ratings-based Approach System and optimized the functions of the business operational risk management system. In addition, the Bank built the data foundation platform for the data warehouse, promoted the integration and transformation of data mart, thereby raising the operations management capability of the Bank.

Security and Stability of the Information System

The Bank satisfactorily completed the task of ensuring the security of the information system and fulfilled the objective of "zero production and operation accident" during the Olympics; the Bank also weathered the challenges arising from natural disasters like the earthquake and the snow disaster and its various businesses and services were not effected. The safe and stable operation of the information system was maintained, which created a sound technological environment for the operation and development of the entire Bank.

The means concerning system monitoring and performance and capacity management were further diversified and the level of the automated production and operation was continuously improved. The Bank actively developed information security initiatives, formulated the standards on application disaster recovery grading, implemented disaster recovery protection for its application system and continued to strengthen the management of customer terminals. To further improve the emergency disaster recovery system, the Bank organized the Bank-wide business disaster recovery drill and the centralized business operation center disaster recovery drill, which verified the effectiveness of the disaster recovery system and further enhanced emergency handling capability.

Human Resources Management

Human Resources Management and Incentive and Disciplinary Measures

The Bank continued to deepen its human resources management enhancement project implemented in 2007 by further defining the avenue and steps for employees' career growth, streamlining and integrating the ranking and qualification for each post, thereby gradually improving the employees' promotion and development mechanism under the new system. The Bank actively catered for the needs for business development and strategic restructuring, implemented the transition of its staff management priority from quantity control to structural improvement, which effectively increased staffing efficiency. The Bank revised the labor employment rules and measures and improved the labor management system, which effectively secured the legitimate rights and interests of both the Bank and its employees thus promoting harmonious and stable labor relations. A steady progress was made in advancing the performance management model by combining individual performance contract and target deconstruction mechanism that confirmed accountability relation and clarified performance goal. The Bank also continued to facilitate the building of a differentiated compensation and incentive mechanism. In addition, the Bank further improved its employees' welfare and security system by means of enhancing the enterprise annuity system and advancing the reform of the medical coverage system comprehensively.

Management and Development of Human Resources

In 2008, revolving around the core task and priorities for the reform and development of the entire Bank, the Bank held various levels and types of training courses of 46,000 sessions for 1.98 million man-times, with an average of 8.5 days of training per person. In addition, the Bank earnestly developed its strategic training cooperation project with Goldman Sachs. The Bank accelerated the implementation of senior professionals training and organized 34 collective face-to-face sessions on international professional qualification certification of 9 specialized fields. The number of Financial Risk Managers (FRM) and Certified Information Systems auditors (CISA) and other certificate holders throughout the Bank reached 344, leading the domestic peers. The Bank strongly promoted the training for professional qualification certification and organized and carried out training sessions to personal credit customer account managers, financial asset managers and so on. The Bank implemented the comprehensive business training plan seriously and intensified the training for sales and marketing personnel. The Bank fully launched the standardized pre-job training for frontline tellers and preliminarily built up a simulation bank training platform specifically for training business operation skills of the employees. Furthermore, the Bank also focused on drafting training materials on marketing cases. In addition, the Bank established a distant examination system comprehensively and launched distant learning effectively.

Reform of Head Office and Branches

The Private Banking Department was set up to further promote comprehensive operation, improve customer and income structures and enhance market competitiveness with respect to high net worth customers. The Enterprise Annuity Center was renamed as the Pension Department and the departmental functions were adjusted accordingly to suit the changes in business capacity and scope and promote and the comprehensive and coordinated growth of various businesses concerned. The Bank merged the Corporate Banking Department II and the Banking Department into the Corporate Banking Department II (the Banking Department) and adjusted the division of duties of credit business related departments so as to further improve the credit business process and optimize the credit risk management system with the segregation of front, middle and back offices. In line with the basic concept of "serving business development, operation transformation and strengthening competitive advantages over peers" and centered upon the building of a process bank, the Bank advanced process reengineering and institutional integration in branches, improved the integrated and vertical management of credit examination and approval by different departments, expedited the construction of the collective review system for its credit business, adjusted and improved credit management departmental organization of tier-2 branches and strengthened institutional establishment of business departments such as e-banking and product innovation departments.

RISK MANAGEMENT

Comprehensive Risk Management System

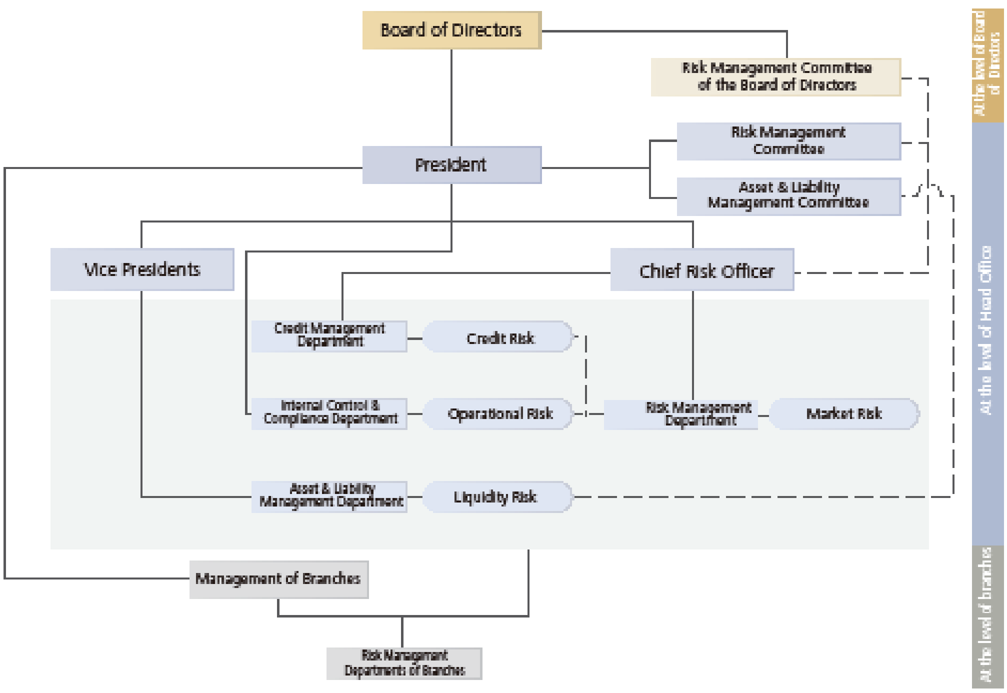
Comprehensive risk management system is a process where the Board of Directors, the Senior Management and other employees of the Bank perform their respective duties and responsibilities to take effective control of all the risks at various business levels in order to provide reasonable guarantee to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

In 2008, the Bank proactively enhanced the comprehensive risk management system and accelerated the improvement of overall risk management capability.

Organizational Structure of Risk Management

The Bank's organizational structure of risk management comprises the Board of Directors and its special committees, the Senior Management and its special committees, the Risk Management Department, the Internal Audit Department, etc.. In 2008, the Bank proactively improved its risk management at Group level and strengthened the organizational structure of risk management.

Risk Management Organizational Structure Chart



Risk Management System

In 2008, the Bank further improved the comprehensive risk management system, and implemented the modified comprehensive risk management framework, in order to specify the objectives and requirements of risk management. The Bank set up the network of key branches and external experts for risk reporting, strengthened the multi-dimensional risks reporting system regarding comprehensive risk management reporting, professional risk management reporting, special risk management reporting, stress test reporting and material risk reporting. We launched the guidelines on risk management assessment and evaluated the effectiveness of risk management at branch level. We established risk limit management system to uplift the Bank's risk control ability. In respect of credit risks, market risks, liquidity risks and operational risks, we have formulated the management standards and guidelines Therefore, a comprehensive risk management system in line with the Bank's corporate governance mechanism and organizational structure is in place.

In 2008, the Bank formulated the Plan for Implementation of the New Basel Capital Accord and introduced Internal Rating-based (IRB) Approach on credit risk, Internal Models Approach (IMA) on market risk and the Advanced Measurement Approach (AMA) on operational risk according to the requirement from CBRC after taking consideration of the Bank's situation of preparation for implementation of such New Basel Capital Accord. The Bank launched the non-retail Internal Ratings-based (IRB) System Project in the risk management process, to facilitate the operation of the customer rating system. The Bank also launched the facility rating system, the customer risk-adjusted return on capital (RAROC) system and the portfolio rating system. The Bank has completed the development of the retail Internal Rating-based (IRB) System Project and speeded up the development of the internal rating system for retail customers and its relevant guidance. The Bank continued to improve the market risks measurement through the introduction of the core system for market risk management and the launch of its global market business and risk management development projects. The Bank was also a pioneer to adopt the advanced IRB approach for operational risk management, to set up its project plans and implement by stages.

Credit Risk

Credit Risk Management

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

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

In 2008, the Bank proactively adjusted and enhanced credit policies in response to the changes in the macro-economic and financial situation, pushed forward the construction of credit system and reform of credit process, strengthened industry risk management and customer structure adjustment, intensified post-lending management and collection and disposal of non-performing loans, strengthened management of the credit risks in relation to the off-balance-sheet businesses, improved the IT-based credit management and intensified credit risk management on all fronts.

In 2008, the Bank adjusted its loan issuance and implemented credit policies in support of the earthquake-affected area. The Bank provided active financial support for the reconstruction in the affected area under appropriate risk control, taking into consideration of the need for relief and recovery.

• Credit Risk Management of Corporate Loans

- The Bank re-engineered the process of corporate credit business, and built up a process featured by clear responsibilities, efficient and smooth operation and strict control. The Bank continued to enhance the credit system construction, innovated credit products, improved the guarantee management system, developed a monitoring system to oversee the risks with large-balance borrowers and steadily consolidated the fundamentals of credit management.
- The Bank further improved regional credit policies, continued to provide credit support to Yangtze River Delta, Pearl River Delta and Bohai Rim according to the characteristics and growth potential of credit market in these areas, strengthened the support to programs such as development of Western China, revitalization of the old industrial bases in Northeast China and the rise of Central China, and increased the credit granted to infrastructure construction in the medium to large-sized cities in the western, northeastern and central areas.
- The Bank adjusted the industrial credit policies according to the state's macro-economic regulation and industrial policies, further expanded the coverage of credit policies, and moderated its industry credit policies in a timely manner according to the state macro-economic regulation. The Bank further implemented the "Green Credit" program, provided active support for innovation, energy saving and environmental protection projects, and maintained strict control on credits granted to industries consuming heavily energies, producing high pollutions and having excessive capacities. Industry limit management was implemented to strengthen the control over industry risk concentration. The Bank accelerated industrial structure adjustment, raised the entry threshold for customers in several industries, and intensified the withdrawal of loans with potential risks. The regular analysis meeting system was set up for industry credit business to strengthen the predictive analysis of industry credit risks.
- The Bank improved the customer credit policies, maintained and expanded the share in the high-quality customer market and further promoted the optimization of customer structure. The Bank proactively provided support to leading enterprises in the key industries in line with its credit policies, provided active support to help leading enterprises with promising prospect, solid financial performance and controllable credit risk in the depressed economy and gradually mitigate credit risk in their development.
- The Bank strengthened risk management of the property development industry, actively responded to the changes in the real estate market, rolled out market surveys and business analysis activities, and improved the credit policies for the real estate market. The Bank moderately raised the access standard of loans, carried out industry limit management and continued to practice name list-based management of real estate customers in order to optimize the credit structure. The Bank strengthened property loan management by collecting payments strictly in proportion of property sales. It implemented a strict monitoring and regular reporting system on the property development loans to further strengthen risk monitoring.
- The Bank strengthened management of the risks in relation to trade finance and optimized the business process by specifying the focuses of trade finance granting and review process. The Bank enhanced the post-lending management, clearly defined the responsibilities of relevant departments and posts, strengthened the information exchange and integration, and reinforced the tracking and monitoring over the logistics, document flow and cash flow, conducted analysis and risk monitoring of the trade finance business on a regular basis and issued risk reminders in a timely manner.
- The Bank strengthened risk management for small enterprise loans and enhanced the policies for and management of credits granted to small enterprises. The Bank conducted a strict industry management and implemented access standard for small enterprises, prioritized the support for small enterprise customers that meet the requirements of industrial and environmental protection policies and are technically advanced and with a sound prospect. The Bank proactively expanded trade finance for small enterprises that have real

logistics and cash flow. The Bank speeded up the adjustment to the structure of small enterprise customers, implemented management of small enterprise loans based on the business volume, and continuously optimized the structure to sustain healthy development of credit business for small enterprises.

- The Bank continued to improve the IT-based management of corporate loans, continuously optimized the asset management system (CM2002), enhanced the function of credit asset quality classification, improved the operation efficiency, and steadily pushed forward the optimization and upgrading of system functions. The CM2002 system has been applied to some overseas institutions in Europe and Oceania.

• Credit Risk Management of Personal Loans

- The Bank strengthened the management of risks in relation to personal loans and implemented differentiated credit policies for branches according to the capability of risk management, regional markets and customer base to push forward the progressive development of personal credit business. The Bank strengthened the monitoring and management of loans classification, further enhanced the monitoring of price fluctuations of collaterals, strictly implemented collateral registration, earnestly implemented the process of collateral registration. The Bank also strengthened the prevention and control of risk of false loans.
- The Bank proactively adjusted the structure of personal credit products, and intensified credit support for residents' purchase of own-use houses. The Bank practiced strict risk management on personal housing loans, maintained a close watch on the development and fluctuation of housing prices in various areas, and further strengthened the review of the borrowers' solvency and loan purpose. The Bank continued to manage the personal business loans based on the name list provided by lending branch, appropriately raised the access standard for loans, strengthened monitoring and inspection, and strictly monitored the fulfillment of loan purpose and loan guarantee.
- The Bank continued to improve the IT-based management of personal credits, optimized and enhanced the personal credit management system (PCM2003), applied the electronic collection and management of personal credit business on all fronts, and implemented process-based and electronic management for the personal credit operations.

• Credit Risk Management of Credit Card Business

In 2008, the Bank continued to strengthen asset quality management and risk control against the credit card overdrafts, adjusted the policies governing credit card issuance, categorized the applicants, further specified the customers' initial credit limit and limit upgrade range, and enhanced credit management. The Bank established an asset quality monitoring system to oversee the entire process of credit card overdrafts, provided guidance and evaluated the asset quality management of card issuers and telephone service centers, expanded the channels for settlement of credit card overdrafts, strengthened the application of the debt deduction system and enhanced the cooperative collection and withholding of debts. The Bank designed and developed various risk models and continued to improve the technical capability of credit card risk management.

• Credit Risk Management of Treasury Operations

The Bank's treasury business is exposed to credit risk as a result of the investment activities and inter-bank placement. The Bank's purchase of bonds from or transfer of funds to any entity (except for the Chinese government) is subject to a particular upper limit of the Bank's authorized credit line. RMB investment portfolio mainly includes bonds and securities issued by the Chinese government and other issuers in China, and foreign currency investment portfolio mainly includes investment-grade bonds.

The Bank's credit risk management measures for treasury business mainly include credit limit control, investment limit (scale) control, deposit control, minimum rating requirement and maximum limit for single transaction, etc. In 2008, the Bank optimized the structure of investment portfolios denominated in foreign currencies in response to the changes in the international financial market, reduced the investment in foreign currency assets with high risks, increased investment in government bonds, and effectively mitigated the credit risk of investment portfolios denominated in foreign currencies.

• *Credit Asset Classification Management*

According to the regulatory requirement on loan risk classification, the Bank performed five-tier classification and classified loans into five categories: pass, special mention, sub-standard, doubtful and loss, based on the possibility of collecting the principal and interest of loans. In order to enhance the management of credit asset quality and improve risk management, the Bank implemented the twelve-tier internal classification system for corporate loans, and completed the categorization through the computer system. The Bank performed a five-tier classification management on the quality of personal credit assets, and took into consideration such qualitative and quantitative factors as the default months, expected loss ratio, credit status and guarantee status of the borrower.

In 2008, the Bank properly collected and disposed of the non-performing assets and improved the non-performing asset management system. According to the latest regulation of MOF on corporate bad debt write-off, the Bank revised the administrative measures for bad debt write-off and suspended assets, and set out the administrative measures for the non-performing loans granted to corporate and personal customers. The Bank combined the measures of cash collection, bad debt write-off, interest exemption for loan repayment, repossession of assets and loan renegotiation so as to further enhance the collection and disposal of NPLs. It also strengthened the refined management and reduced the costs of disposal to improve the loan recovery rate. The Bank achieved breakthrough in the construction of a special asset management system, built and put into use the NPL management information system, personal non-performing loan management system and suspended asset management system, became the first bank adopting IT-based management for the disposal of corporate and personal loans, credit and non-credit assets, and special assets on and off the balance sheet, and improved the efficiency of disposal.

Credit Risk Analysis

At the end of 2008, the details of the Bank's maximum exposure to credit risk without taking into account of any collateral and other credit enhancements are set out below:

MAXIMUM CREDIT RISK EXPOSURE

In RMB millions

Item	At 31 December 2008	At 31 December 2007
Balance with central banks	1,652,999	1,103,223
Due from banks and other financial institutions	168,363	199,758
Financial assets held for trading	32,163	31,501
Financial assets designated at fair value through profit or loss	1,459	2,785
Derivative financial assets	15,721	22,769
Reverse repurchase agreement	163,493	75,880
Loans and advances to customers	4,436,011	3,957,542
Financial investment		
— Receivables	1,162,769	1,211,767
— Held-to-maturity debt securities	1,314,320	1,330,085
— Available-for-sale debt securities	528,829	524,723
Others	70,780	59,136
Sub-total	**9,546,907**	**8,519,169**
Credit commitments	**936,473**	**789,687**
Maximum credit risk exposure	**10,483,380**	**9,308,856**

The Bank determines the amount and type of mortgage to be obtained on the basis of the credit risk evaluation of counterparties and provides relevant guidelines for the type of mortgage and evaluation parameters. Collaterals are provided in the form of bills, loans or securities for reverse repurchase agreements, in the form of real estates and other assets for commercial loans, and in the form of residential properties for personal loans. The Bank conducts regular evaluation of market value of mortgage and requests additional mortgage according to the relevant agreement when necessary.

DISTRIBUTION OF LOANS BY COLLATERALS

In RMB millions, except for percentages

Item	At 31 December 2008		At 31 December 2007	
	Amount	% of total	Amount	% of total
Loans secured by mortgages	1,688,435	36.9	1,519,748	37.3
Including: Personal housing loans[1]	597,374	13.1	536,331	13.2
Pledged loans	676,129	14.8	575,598	14.1
Including: Discounted bills[1]	326,315	7.1	252,103	6.2
Guaranteed loans	866,129	18.9	836,476	20.6
Unsecured loans	1,341,301	29.4	1,141,407	28.0
Total	**4,571,994**	**100.0**	**4,073,229**	**100.0**

Note: (1) Data of domestic branches.

At the end of 2008, the Bank's unsecured loans amounted to RMB1,341,301 million, representing an increase of RMB199,894 million or 17.5% compared with the prior year, as a result of the increase in the Bank's loans to customers with higher credit rating. Loans secured by mortgages amounted to RMB1,688,435 million, representing an increase of RMB168,687 million or 11.1%, which remained as the largest component of the total loans.

OVERDUE LOANS

In RMB millions, except for percentages

Overdue periods	At 31 December 2008		At 31 December 2007	
	Amount	% of total	Amount	% of total
3–6 months	9,231	0.2	4,631	0.1
6–12 months	8,487	0.2	10,150	0.3
Over 12 months	70,162	1.5	86,771	2.1
Total	**87,880**	**1.9**	**101,552**	**2.5**

Note: Loans and advances to customers are deemed overdue when either the principal or interest is not repaid by the due date. For loans and advances to customers that are repaid by instalment, the full amount of loans will be deemed overdue if any of the instalments is not repaid by the due date.

RENEGOTIATED LOANS

At the end of 2008, renegotiated loans and advances amounted to RMB25,246 million, representing a decrease of RMB13,135 million or 34.2% when compared to the end of the prior year, of which renegotiated loans and advances to customers overdue for over three months amounted to RMB18,984 million, representing a decrease of RMB9,781 million.

LOAN CONCENTRATION

Details of the top 10 single customers as at the end of 2008 are listed below.

In RMB millions, except for percentages

Borrower	Industry	Amount	Percentage (%)
Borrower A	Transportation and logistics	18,063	0.4
Borrower B	Mining	15,200	0.4
Borrower C	Power generation and supply	13,344	0.3
Borrower D	Transportation and logistics	13,050	0.3
Borrower E	Transportation and logistics	12,980	0.3
Borrower F	Water, environment and public utility management	12,122	0.3
Borrower G	Water, environment and public utility management	10,760	0.2
Borrower H	Power generation and supply	10,600	0.2
Borrower I	Transportation and logistics	10,206	0.2
Borrower J	Water, environment and public utility management	10,133	0.2
Total		**126,458**	**2.8**

At the end of 2008, the total amount of loans granted to the single largest customer accounted for 2.9% of the Bank's net capital and the total amount of loans granted to the top ten customers accounted for 20.4% of the Bank's net capital, both in compliance with the regulatory requirements. The loans to the top ten customers totaled RMB126,458 million, accounting for 2.8% of the total loans.

DISTRIBUTION OF LOANS BY FIVE-TIER CLASSIFICATION

In RMB millions, except for percentages

	At 31 December 2008		At 31 December 2007	
Item	Amount	Percentage (%)	Amount	Percentage (%)
Pass	4,229,609	92.51	3,728,576	91.54
Special mention	237,903	5.20	232,879	5.72
Non-performing loans	104,482	2.29	111,774	2.74
Sub-standard	37,694	0.83	38,149	0.94
Doubtful	55,641	1.22	62,042	1.52
Loss	11,147	0.24	11,583	0.28
Total	**4,571,994**	**100.00**	**4,073,229**	**100.00**

The Bank's loan quality continued to improve. At the end of 2008, in accordance with the five-tier classification, the pass loans amounted to RMB4,229,609 million and accounted for 92.51% of the total loans, representing an increase of RMB501,033 million and 0.97 percentage point as compared to the previous year, respectively. Special mention loans amounted to RMB237,903 million and accounted for 5.20% of the total loans, representing an increase of RMB5,024 million and decrease of 0.52 percentage point, respectively, which was mainly resulted from the increase of special mention corporate loans. Special mention personal loans decreased because the Bank enhanced the collection of loans in delinquency. Non-performing loans were RMB104,482 million, representing a decrease of RMB7,292 million, and the NPL ratio was 2.29%, representing a decrease of 0.45 percentage point. The Bank achieved the objective of controlling NPL ratio to less than 2.5% and maintained continuous decline in the balance and ratio of NPLs. This is mainly because the Bank combined the measures of cash collection, bad debt write-off, interest exemption for loan repayment, repossession of assets and loan renegotiation so as to further enhance the collection and disposal of NPLs while strengthening the monitoring of and the exit from loans with potential risks.

NON-PERFORMING LOANS BY BUSINESS LINE

In RMB millions, except for percentages

Item	At 31 December 2008 Amount	At 31 December 2008 NPL ratio (%)	At 31 December 2007 Amount	At 31 December 2007 NPL ratio (%)
Corporate loans	93,747	2.90	102,198	3.51
Discounted bills	—	—	—	—
Personal loans	9,593	1.16	8,610	1.14
Overseas and others	1,142	0.62	966	0.63
Total	**104,482**	**2.29**	**111,774**	**2.74**

At the end of 2008, the balance of non-performing corporate loans was RMB93,747 million, representing a decrease of RMB8,451 million from the end of last year and the NPL ratio was 2.90%, representing a decrease of 0.61 percentage point. The balance of non-performing personal loans was RMB9,593 million, representing an increase of RMB983 million, and the NPL ratio was 1.16%, mainly because certain borrowers failed to repay loans in time as a result of the economic downturn and natural disasters.

DISTRIBUTION OF NON-PERFORMING LOANS BY GEOGRAPHIC REGION

In RMB millions, except for percentages

Item	At 31 December 2008 Amount	At 31 December 2008 NPL ratio (%)	At 31 December 2007 Amount	At 31 December 2007 NPL ratio (%)
Head Office	662	0.53	603	0.35
Yangtze River Delta	15,019	1.32	11,135	1.07
Pearl River Delta	14,025	2.10	17,108	2.80
Bohai Rim	18,777	2.24	22,972	3.14
Central China	15,887	2.62	17,709	3.36
Northeastern China	15,068	5.36	21,154	9.42
Western China	23,902	3.26	20,127	3.29
Overseas and others	1,142	0.62	966	0.63
Total	**104,482**	**2.29**	**111,774**	**2.74**

At the end of 2008, the balance of NPLs in Yangtze River Delta amounted to RMB15,019 million, representing an increase of RMB3,884 million compared with the previous year, which was mainly due to the decline in external demands caused by the strained cash flow and solvency of some enterprises after the global financial crisis, and the increase in non-performing corporate loans, and the NPL ratio was 1.32%, up 0.25 percentage point. The balance of NPLs in Western China totaled RMB23,902 million, representing an increase of RMB3,775 million, which was mainly because Sichuan Branch's NPL balance went up after the earthquake; and the NPL ratio was 3.26%, down 0.03 percentage point. The balance of NPLs in overseas institutions and other operations was RMB1,142 million, representing an increase of RMB176 million, which is mainly because ICBC Asia's NPL balance grew by RMB178 million.

DISTRIBUTION OF NON-PERFORMING CORPORATE LOANS BY INDUSTRY

In RMB millions, except for percentages

Item	At 31 December 2008 Amount	At 31 December 2008 NPL ratio (%)	At 31 December 2007 Amount	At 31 December 2007 NPL ratio (%)
Manufacturing	44,974	5.93	55,766	7.56
Chemicals	8,126	6.50	9,940	8.20
Machinery	6,285	6.12	8,411	8.79
Iron and steel	975	1.11	1,601	1.90
Metal processing	2,720	3.41	3,377	4.34
Textiles and apparels	7,343	9.41	6,864	8.68
Automobile	1,301	2.77	1,837	4.32
Petroleum processing	721	1.73	1,031	2.88
Electronics	3,201	7.84	3,659	8.47
Cement	3,497	10.41	4,467	14.43
Others	10,805	8.83	14,579	11.44
Transportation and logistics	9,480	1.37	6,320	1.05
Power generation and supply	7,672	1.53	5,344	1.32
Property development	7,600	2.21	8,559	2.82
Water, environment and public utility management	1,781	0.65	1,118	0.49
Retail, wholesale and catering	13,720	7.27	15,949	8.53
Leasing and commercial services	1,887	1.00	1,349	0.84
Science, education, culture and sanitation	1,963	2.80	1,876	2.69
Construction	1,574	2.58	1,351	2.57
Others	3,096	2.01	4,566	2.74
Total	**93,747**	**2.90**	**102,198**	**3.51**

As at the end of 2008, the NPLs in manufacturing decreased by RMB10,792 million with the NPL ratio decreasing 1.63 percentage points from the end of last year; the NPLs in retail, wholesale and catering decreased by RMB2,229 million with the NPL ratio decreasing 1.26 percentage points; the NPLs in the property development industry decreased by RMB959 million with the NPL ratio decreasing 0.61 percentage point. The NPLs in transportation and logistics increased by RMB3,160 million with the NPL ratio increasing 0.32 percentage point mainly because of the incremental NPLs on some highway projects; the NPLs in power generation and supply increased by RMB2,328 million with the NPL ratio climbing 0.21 percentage point, which is mainly because of the earthquake and operating losses of the power generation industry as a result of rising costs of raw materials; the NPLs in water, environment and public utility management, leasing and commercial services, science, education, culture and sanitation increased by RMB663 million, RMB538 million and RMB87 million, respectively, as a result of the earthquake; NPLs in textiles and apparels increased by RMB479 million and the NPL ratio grew by 0.73 percentage point, which is mainly because of the adverse impact caused by rising costs of raw materials and deteriorated export demand on the textiles and apparel enterprises; NPLs in construction increased by RMB223 million, and the NPL ratio climbed by 0.01 percentage point mainly because some borrowers suffered from operation difficulties due to the adverse impact of the urban construction and property development industries.

CHANGES IN ALLOWANCE FOR IMPAIRMENT LOSS ON LOANS

In RMB millions

	Individually assessed	Collectively assessed	Total
At the beginning of the year	**58,944**	**56,743**	**115,687**
Charge for the year	10,955	25,557	36,512
Including: New impairment allowances charged	25,045	54,683	79,728
Impairment allowances transferred	443	(443)	—
Reversal of impairment allowances	(14,533)	(28,683)	(43,216)
Accreted interest on impaired loans	(1,538)	—	(1,538)
Write-offs	(11,917)	(456)	(12,373)
Recoveries of loans and advances previously written off	83	146	229
Transfer out(1)	(2,468)	(66)	(2,534)
At the end of the year	**54,059**	**81,924**	**135,983**

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

At the end of 2008, the balance of allowance for impairment losses on loans amounted to RMB135,983 million, representing an increase of RMB20,296 million or 17.5%; the ratio of allowance to NPL was 130.15%, up 26.65 percentage points; and the allowance to total loans ratio was 2.97%, up 0.13 percentage point, representing further improvement in the Bank's risk resistance ability.

Market Risk Management

Market risk is the risk that adverse movements in market prices (interest rate, exchange rate, stock price and commodity price) will give rise to losses from the Bank's on- and off- balance sheet exposures. The types of market risk faced by the Bank mainly include interest rate risk and exchange rate risk (including gold), which refer to the risks brought by the adverse changes in interest rate and exchange rate respectively.

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

In 2008, the Bank made and established a series of market risk management policies and procedures, and further enhanced the policies and approaches concerning market risk identification, measurement, reporting, valuation, limit management, material market risk management, interest risk management and exchange rate risk management. The Bank set up a market risk management system and the departments responsible for market risk management were independent from the business departments, following the principle of proper segregation of duties among the front, middle and back offices in market risk management.

Banking Book and Trading Book

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

Market Risk Management of the Banking Book

• *Interest Rate Risk Management*

Interest rate risk is the risk that adverse movements of interest rate will result in losses from the Bank's on- and off-balance sheet exposures. The types of interest rate risks faced by the Bank mainly include re-pricing risk, yield curve risk, benchmark rate risk and option risk, of which, re-pricing risk caused by mismatches of the re-pricing dates of interest-sensitive assets and liabilities is the Bank's primary interest risk. The Bank's interest rate risk management is aimed at maximizing the net interest income within the tolerable level of interest rate risk according to its risk management and risk preference.

The Bank's interest rate risk analysis involves assessing the interest rate re-pricing gap between the assets and liabilities that are sensitive to changes in interest rates and sensitivity analysis to a reasonably possible change in interest rates. In 2008, the Bank formulated measures for interest rate risk management and methods of interest rate risk measurement of the banking book, enhanced the framework of interest rate risk management, upgraded the interest rate management system and effectively improved the Bank's ability in measuring interest rate risk.

• *Exchange Rate Risk Management*

Exchange rate risk is the risk that the adverse movements of exchange rate will result in losses from the foreign currency exposure arising from the currency structures mismatch between foreign currency assets and liabilities. The Bank's objective of currency risk management is to manage and control the impact of exchange rate fluctuations on the Bank's financial status and shareholders' equity within a tolerable extent. The Bank mitigates the currency risk by limit management and risk hedging.

The Bank carries out sensitivity analysis and stress testing on currency risk on a quarterly basis, and submits currency risk reports to the Risk Management Committee. In 2008, the Bank kept a close watch on the changes of external economic and financial situation, strengthened the study and analysis of changes in the exchange rate of major currencies, proactively adjusted and optimized the aggregate amount and structure of foreign exchange assets and liabilities using the price leverage and other measures, to further implement strict control over foreign exchange exposure and losses.

Market Risk Management of the Trading Book

The Bank conducted monitoring of the market risks in relation to treasury operations by establishing the market risk limit indicators for trading book, including exposure limit, stop loss limit and sensitivity limit, etc. The Bank assigned the limit indicators to different levels of trading desks and traders at various levels, implemented limit monitoring and analysis, and reported the implementation of limit management on a level-by-level basis according to the risk reporting channel.

The Bank measured and analyzed the products on the trading book using Value at Risk (VaR), sensitivity analysis and exposure analysis. Through developing the core system of market risk management, the Bank has centralized the treasury operation data and risk measurement; and through the rebuilding of the relevant systems, the Bank enhanced risk measurement, statistical analysis and risk management, optimized and improved the valuation function.

In 2008, the Bank further improved the market risk management and made progress in market risk measurement, monitoring and system construction. Since the second quarter of 2008, the Bank has applied the Historical Simulation Method (confidence interval of 99%, holding period of one day and historical data of 250 days) to measure VaR of the Head Office's trading book (including bonds denominated in domestic and foreign currencies, RMB exchange settlement and foreign exchange transactions). The analysis on VaR of the Head Office's trading book is analyzed as below:

VALUE AT RISK (VaR) OF THE TRADING BOOK

In RMB millions

Item	From April to December 2008			
	Year End	Average	Maximum	Minimum
Interest rate risk	86	58	102	30
Exchange rate risk	76	43	83	15
Total value at risk (VaR)	**111**	**75**	**123**	**41**

Note: Please refer to "Note 48.(c)(i) to the Financial Statements: VaR of trading portfolios".

Market Risk Analysis

• *Interest Rate Risk Analysis*

Since September 2008, PBOC has adopted moderately loose monetary policy, lowered the benchmark lending rate and deposit rate for five and four times, respectively. The Bank took effective measures in response to the changes in the macro monetary policy and movement of financial market to strengthen interest rate pricing management, established lending rate pricing models and inter-bank deposit pricing standard, adjusted and enhanced the pricing plans in a timely manner, controlled interest costs reasonably and improved return on loans. Meanwhile, the Bank strengthened the analysis of domestic and overseas financial markets and of the changes in monetary policy, adjusted the structure of interest rate sensitive assets and liabilities and improved the forward looking aspect of interest rate risk management.

At the end of 2008, the accumulated interest rate sensitivity negative exposure within one year amounted to RMB1,101,734 million, a decrease of RMB88,006 million or 7.40% comparing with last year. The structure of the Bank's interest rate risk exposure according to the contractual re-pricing date or maturity date (whichever is earlier) is shown in the following table:

INTEREST RATE RISK EXPOSURE

In RMB millions

	Less than 3 months	3 months to 1 year	1 to 5 years	Over 5 years
31 December 2008	(2,378,991)	1,277,257	1,294,212	397,746
31 December 2007	(2,725,495)	1,535,755	1,273,400	465,411

Note: Please refer to "Note 48.(c)(iii) to the Financial Statements: Interest rate risk".

The following table shows the sensitivity of the Bank's interest income and equity to a potential reasonable interest rate movement when the other parameters are kept unchanged.

INTEREST RATE SENSITIVITY ANALYSIS

In RMB millions

	At 31 December 2008		At 31 December 2007	
Movements of interest rate basis points	Movements in net interest income	Movements in equity	Movements in net interest income	Movements in equity
Increase of 100 basis points	(16,116)	(9,143)	(18,160)	(9,213)
Decrease of 100 basis points	16,116	9,536	18,160	9,452

Note: Please refer to "Note 48.(c)(iii) to the Financial Statements: Interest rate risk".

The analysis of interest rate sensitivity is based on the interest rate profile of the Group as of the reporting date, and analyzes the impact of interest rate movement on short-term (less than one year) net interest income of the Bank, assuming the overall interest rate in the market moves in parallel. The projections above also assume that interest rates of all maturities move by same amount and, therefore, do not reflect the potential impact on net interest income with some rates changing while others remaining unchanged. These figures, however, do not take into accounts the effect of actions that could be taken by the Management to mitigate this interest rate risk.

• *Exchange Rate Risk Analysis*

The exchange rate of RMB against USD appreciated rapidly in the first half of 2008 and stabilized in the second half of the year, up 6.88% on an accumulated basis throughout the year. The Bank significantly reduced the foreign exchange exposure and the exchange loss by flexibly adjusting the interest rate of inter-company foreign exchange transactions to encourage deposit-taking, control the growth of foreign exchange loans, and strengthen the management and optimization of asset-liability portfolio. Currency exposure was further diversified and the proportion of USD exposure was significantly reduced.

FOREIGN EXCHANGE EXPOSURE

In RMB (USD) millions

	At 31 December 2008		At 31 December 2007	
	RMB	USD equivalent	RMB	USD equivalent
Total foreign exchange exposure of on-balance-sheet foreign exchange items, net	208,183	30,460	342,009	46,821
Total foreign exchange exposure of off-balance-sheet foreign exchange items, net	(153,796)	(22,503)	(204,323)	(27,972)
Total foreign exchange exposure, net(1)	54,387	7,957	137,686	18,849
Less: foreign currency exposure arising from net investment in foreign operations(2)	48,567	7,106	16,541	2,264
Net foreign exchange exposure (after deduction of the foreign currency exposure arising from net investment in foreign operations)	5,820	851	121,145	16,585

Notes: (1) Net foreign exchange exposure of the Group reflects the net amount of on-balance-sheet and off-balance-sheet foreign exchange exposure of the Group.

(2) Should the functional currency of an overseas operating entity is other than Renminbi, the net investment of the Group in the overseas operating entity is the consolidated or share of net assets denominated in foreign currency held by the overseas subsidiaries or branches or associates of the Bank, and the goodwill denominated in foreign currency arising from equity investment to the subsidiaries and associated companies. For the purpose of preparing the consolidated financial statements, the difference arising from retranslation of operating results and financial position of the overseas operating entity into Renminbi are recognized under "foreign currencies translation" as an equity item. The translation difference did not affect the net profit of the Group.

Details about the impact of potential reasonable movement of the foreign currency's exchange rate against RMB on profits before tax and equity are set out below:

EXCHANGE RATE SENSITIVITY ANALYSIS

In RMB millions

		Impact on profit before tax		Impact on equity	
Currency	Increase/decrease of exchange rate of foreign currency against RMB	At 31 December 2008	At 31 December 2007	At 31 December 2008	At 31 December 2007
USD	+1%	85	999	20	126
	–1%	(85)	(999)	(20)	(126)
HKD	+1%	(115)	(151)	199	(24)
	–1%	115	151	(199)	24

The analysis of sensitivity to exchange rate movement is based on the assumption that the foreign exchange exposure of the Bank remains unchanged at the end of the year and has not taken into account the effect of the risk management activities the Management might take to reduce the exchange rate risk.

Liquidity Risk Management

Liquidity risks are the risks when the Bank fails to raise funds to meet the present or future demand of customers or counterparties at a reasonable cost. The potential liquidity risks of the Bank mainly include customers' premature and collective withdrawal, overdue payment of the debtors, mismatched asset-liability maturity structure and difficulties in realization of assets, and daily management of its liquidity positions.

The objective of liquidity risk management of the Bank is to set up a scientific liquidity risk management mechanism and process in order to meet the liquidity needs of business development and to balance the fund sufficiency and efficiency.

Liquidity Management

The Bank has adopted integrated liquidity management by centralizing funds to tier-one branches for deployment and management, and provided guidance for the branches to adjust the term structure and product structures of their assets and liabilities via the internal fund transfer and pricing mechanism. Besides, the Bank adopted a series of measures to manage its liquidity, including: (1) monitoring the liquidity positions on a daily basis based on a series of liquidity parameters and reporting to the Assets-Liabilities Management Committee on a quarterly basis; (2) conducting continuous monitoring and adjustment of the Bank's cash, cash deposited at the central bank and other banks as well as other interest-generating assets to meet the future requirement for liquidity; (3) monitoring the liquidity ratio to ensure that it was in compliance with the laws and regulations and internal requirements and evaluating the Bank's liquidity requirements through stress testing; and (4) setting up an early warning system and a contingency plan for liquidity risks.

In 2008, the Bank stayed alert on the changes in monetary policies and the growth of deposits and loans of the Bank, in order to adjust the liquidity management strategies in a forward-looking manner. It reasonably arranged the scale and terms of inter-bank financing and, and proactively balanced the fund liquidity and efficiency through application of stress testing to anticipate the fund exposure. It further enhanced the system of internal payment management and realized electronic processing of internal fund management and liquidity management; and adjusted the transfer price of internal funds for six times to encourage a low-cost liability business and ensure the balance between the development of deposit-taking and lending.

As at the end of 2008, the Bank has complied in full with all its externally imposed liquidity requirements. Please refer to "Financial Highlights: Other Financial Indicators".

Liquidity Risk Analysis

PBOC implemented a tight monetary policy and adopted comprehensive measures to strengthen liquidity management of the banking system in the first half of 2008. It raised the statutory deposit reserve ratio for six consecutive times from 14.5% at the beginning of the year to 17.5%, as a result, liquidity of the nation has been tightened. Since September 2008, PBOC started to pursue a moderately loose monetary policy and lowered the statutory deposit reserve ratio for four times, leading to a decrease of the ratio from 17.5% to 15.5% and gradually enriched the liquidity.

The Bank assessed liquidity risk through liquidity exposure analysis. As at the end of 2008, significant variances were noted for net exposures with a remaining maturity of less than one month, one to three months and three months to one year. As the portion of time deposits with a term of one year and less than one year increased, there was a significant decrease in the negative exposure of liquidity with a remaining maturity of less than one month, which narrowed by RMB164,391 million or 45.3% from the previous year; the negative exposure of liquidity with a term of one to three months and three months to one year further enlarged. Analysis of the Bank's liquidity exposure as at the end of 2008 is set out below:

LIQUIDITY EXPOSURE ANALYSIS

In RMB millions

	End of the Reporting Period							
	Overdue/ repayable on demand	Less than 1 month	1–3 months	3 months– 1 year	1–5 years	Over 5 years	Open	Total
Net liquidity 2008	(4,323,581)	(198,843)	(232,110)	(586,546)	2,679,078	1,757,965	1,510,667	606,630
Net liquidity 2007	(4,425,529)	(363,234)	(53,884)	57,110	2,482,286	1,654,440	1,192,487	543,676

Note: Please refer to "Note 48.(b) to the Financial Statements: Liquidity risk".

Operational Risk Management and Anti-money Laundering

Operational Risk Management

Operational risks are the risks that cause losses through imperfect or faulty internal procedures, employees and IT systems as well as external incidents. The major operational risks faced by the Bank include internal fraud, external fraud, employment system and workplace safety, customers, products and business activities, damage to physical assets, IT system risk, execution, delivery and process management.

The Bank carried out operational risk management according to the principle of "united management and segregation of duties", specified the roles and responsibilities of the management at various levels in the organizational framework and established the operational risk management and control system under the leadership of the management at various levels. Such operational risk management and control system is coordinated by the internal control departments with the marketing and product departments performed their own duties together with the cooperation of supporting departments under the platform developed by the Operational Risk Management Committee.

In 2008, the Bank strengthened the regulations, process and system of operational risk management and the emergency response management. The Bank established a statistics system for operational risk loss events, further specified the statistical standards, division of duties and reporting routes, and improved the integrity and accuracy of loss data. The Bank conducted an in-depth study on operational risk management and monitoring approaches, adjusted and enhanced the operational risk monitoring indicators and strengthened the completeness, materiality, sensitivity and reliability of these indicators. The Bank was the pioneer to adopt the advanced IRB project for operational risks and prepare for the implementation of Basel II. The Bank speeded up integration process, pushed forward the pilot program of intensive reform in regional centers and experimented with the reform of remote authorization. The Bank adopted and optimized various business management systems to strengthen the system of operational risk control, and supervise the operation facility of data center. The Bank continued to improve the processes of research and development and to ensure smooth progress in the development of major projects. The Bank applied the disaster recovery system, ensured shared premises between disaster recovery centers and integrated business operation centers to strengthen its ability against emergencies.

In 2008, the Bank actively responded to natural disasters, such as earthquake and snow disaster, quickly initiated the emergency management program in branches located in the disaster areas to resume operation as soon as possible. The Bank has also improved the information system and emergency management process, to ensure the financial security during the Olympic Games.

Anti-Money Laundering

The Bank has complied with the state laws and regulations on anti-money laundering, and proactively performed its duties on anti-money laundering.

The Bank strengthened the anti-money laundering system and the work flow. The Bank set up the measures on anti-money laundering management for various business areas to prevent the professional anti-money laundering activities. The Bank also defined key branches to further reinforce the supervision, analysis and reporting work of anti-money laundering and terrorism financing activities in these major areas. The Bank facilitated regular analyses on suspicious transactions and set up anti-money laundering information sharing system, to alert the entire bank of money laundering risk in a timely manner.

The Bank makes sure the accuracy of the customer's identity and keeps the customer information and transaction records in an appropriate manner. The Bank optimized and upgraded the monitoring system on anti-money laundering to ensure that the reports on material and suspicious transactions can be successfully delivered. The Bank also strengthened the identification and reporting of major suspicious transactions to enhance the effectiveness of anti-money laundering reporting. The Bank paid close attention to the anti-money laundering on electronic banking, and strengthened the management of business-to-customer online business. The Bank pushed forward anti-money laundering in overseas institutions and international business, prepared questionnaires and evaluation standards for anti-money laundering, and reinforced the assessment and management of anti-money laundering and terrorism financing activities. The Bank has been complimented by the regulatory body multiple times regarding its performance in conducting administrative investigations on anti-money laundering. The Bank organized month of anti-money laundering events to all the staff and established a long-term training programs on anti-money laundering. During the reporting period, none of the Bank's domestic and overseas institutions and employees is found to be involved in any money laundering and terrorism financing cases.

CAPITAL MANAGEMENT

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

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

In 2008, the Bank established a capital management system and the supporting measures on economic capital management and capital adequacy ratio management, and as a result, the capital management system was taking shape. To improve the capital management and ensure economic capital application throughout the Bank, we have upgraded the Bank's standard of economic capital measurement, launched the capital management system (CAP V1.0), realized automatic calculation of economic capital and statement display, and refined economic capital measurement by enhancing its automation, accuracy and timeliness. Meanwhile, the Bank formulated the annual capital management plan in accordance with its risk preference and business development, monitored the risk expansion through allocation of capitals in various risk areas, locations and products as well as the active supervision by way of economic capital allocation system, optimized and guided resource allocation, so as to achieve the objectives of capital return and capital adequacy ratio.

Allocation and Management of Economic Capital

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

In 2008, the Bank expanded the areas of economic capital application and reinforced its implementation: (1) for performance assessment, the Bank included RAROC into the branches' performance assessment system where economic capital data played an important role in the allocation of staff costs and administrative expenses; (2) for interest rate pricing, the Bank formulated the RMB lending rate and enhanced interest rate pricing management in responded to the economic capital measurement; and (3) for risk management, economic capital data was adopted in risk management assessment of the Bank as a whole, so as to monitor branches' risk management and risk profile.

The enforced economic capital management and strengthened capital return awareness of branches helped control the expansion of aggregate risks while maintaining the scale growth. The Bank strived to balance investment risks and returns, thereby ensuring favorable shareholders' returns.

Capital Adequacy Ratio

The Bank calculates the capital adequacy ratio and core capital adequacy ratio in accordance with the "Regulations Governing Capital Adequacy of Commercial Banks" and related regulations promulgated by CBRC. As at the end of 2008, the Bank's capital adequacy ratio and core capital adequacy ratio were 13.06% and 10.75%, respectively, representing a decrease of 0.03 and 0.24 percentage point, respectively, as compared to that of last year. The Bank has complied with regulatory requirements for both ratios. The decrease in capital adequacy ratio is mainly due to (1) risk weighted assets increased in the process of the Bank's rapid development; and (2) the Bank's equity investment in Standard Bank was completed in the reporting period, and the equity investment in unconsolidated banking institutions shall be deducted from the capital and core capital base.

CAPITAL ADEQUACY RATIO

In RMB millions, except for percentages

Item	At 31 December 2008	At 31 December 2007
Core capital:		
Share capital	334,019	334,019
Reserves[3]	205,668	148,631
Minority interests	3,955	5,305
Total core capital	**543,642**	**487,955**
Supplementary capital:		
General provision for doubtful debts	82,834	47,979
Subordinated bonds	35,000	35,000
Other supplementary capital	4,164	11,669
Total supplementary capital	**121,998**	**94,648**
Total capital base before deductions	**665,640**	**582,603**
Deductions:		
Unconsolidated equity investments	19,499	3,868
Goodwill	20,579	1,878
Others	5,529	116
Net capital base	**620,033**	**576,741**
Core capital base after deductions	**510,549**	**484,085**
Risk weighted assets and market risk capital adjustment	**4,748,893**	**4,405,345**
Core capital adequacy ratio	**10.75%**	**10.99%**
Capital adequacy ratio	**13.06%**	**13.09%**

Notes: (1) Regulatory indicators are calculated according to the then regulatory requirements and the accounting standards, and no restatement was made to the comparative figures.

(2) Please refer to "Note 48.(d) to the Financial Statements: Capital management".

(3) Mainly includes capital reserve, surplus reserves, general reserve and retained profits.

Capital Financing Management

The objective of capital financing management is to make reasonable use of various capital instruments to optimize the aggregate amount and structure of capital and reduce the cost of capital finance. The "Proposed Issue of Subordinated Bonds" was reviewed and approved at the First Extraordinary General Meeting of the Bank in 2008 held on 27 October 2008, and the Bank was authorized to issue subordinated bonds of no more than RMB100 billion by installments before the end of 2011 as supplementary capital.

The Bank will issue subordinated bonds as and when appropriate.

SOCIAL RESPONSIBILITIES

During the reporting period, the creditable social performance of the Bank was widely recognized by the public domestically and abroad, winning successively such awards as the "People's Award for Social Responsibility", "Best Corporate Citizen", "Corporate Social Responsibility Ranking in China: Outstanding Enterprise Award", "Top 10 Listed Companies in Social Responsibility", "50 Most Respectable Listed Companies in China (No. 1)" and "The Third Place of the Top 100 CSR Ranking of the State-owned Listed Companies".

Economic Performance

During the reporting period, the Bank proactively responded to the international financial crisis, continued to improve its credit policy according to the changes to macro-control policies and played the role as a large bank in effectively promoting the steady and fast economic growth. The Bank proactively supported the regional development policies of the state, adjusted credit policies and improved regional management modes in view of different regional characteristics and set up Tibet Branch, opening a new chapter on supporting the economic development of the snow-covered plateau; implemented the industry development policies of the state actively, intensified the support to key industry sectors and infrastructure construction encouraged by the state for development, and built a credit asset pattern conforming with the national policy orientation and with safe operation and operational and social benefits in an all-round way; backed the construction of the "agriculture, rural areas and farmers", kept the stability of existing county-level institutions and secured a smooth channel for agriculture-related financing; and extended backup to the development of SMEs, gave vigorous support to quality small enterprises and promoted structural optimization of credit assets granted to small enterprises by seizing the opportunity of economic restructuring.

Environmental Performance

Green Credit

The Bank acted in strict compliance with the state's environmental protection policies, laws and regulations and the requirements for energy saving and emission reduction, practiced rigorous credit review and approval and continued to adopt the "one-ballot-veto system" of environmental protection polices. The Bank has formulated specific industrial credit policies with respect to those high energy consumption and high pollution sectors such as iron and steel, iron alloy, power, electrolytic aluminum, copper smelting, coke and paper manufacturing. In addition to continuous and vigorous support for the development of key enterprises in line with the state's relevant industrial and environmental policies, the Bank speeded up the withdrawal of credit for customers disadvantaged in the industry. During the reporting period, the Bank has recovered loans totaling RMB3,522 million from 152 enterprises in the sectors with high energy consumption and high pollution.

The Bank increased the supply of green banking products, aggravated the credit support to environmental protection projects and promotion of related technologies, and built a "Green Bank" through business transformation. As at the end of 2008, environmental qualified and environment-friendly enterprises certified by the state environmental protection department accounted for approximately 99.87% of the corporate customers of domestic branches and the balance of corresponding loans took up around 99.92% of the outstanding corporate loans of domestic branches.

The Bank speeded up the construction of a green credit system by launching inspections upon the domestic corporate customers with financing balances in compliance with environmental protection laws, recording the customers' environmental conservation information into credit management system and building an identification, monitoring, feedback and response mechanism for the corporate customers' environmental protection information on a preliminary basis.

Green Office, Green Service and Green Public Welfare

The Bank attached special importance to strengthening the environmental protection awareness of employees, responded actively to the state's call for building a conservation-oriented society and a conservation-oriented enterprise, and reduced its own consumption of energy during the operation by various means to realize green office. The Bank made exploration in emerging service channels such as e-banking and saved a large amount of social resources and materials while beefed up its cooperation with local governments and made endeavors to dig into the new mode for green poverty alleviation. During the reporting period, the green poverty alleviation project typified by rural biogas development was initiated at large to protect the local rural ecological environment effectively.

Social Performance

Care for Society

— **Disaster relief.** In early 2008, Southern China encountered unprecedented snow and ice storm. The Bank opened a fast approval channel for disaster-relief loans under effective risk management and a total of RMB31.2 billion was granted. Such loans forcefully assisted enterprises in the fields of coal, electricity, oil and transportation to restore production. Moreover, the Bank donated RMB10.85 million to the disaster areas to help people overcome difficulties with their living.

In May 2008, after the magnitude Wenchuan earthquake, institutions at all levels and all the staff of the Bank reached out their hands to help. The Bank was the biggest donator among all the financial institutions, having donated RMB141.91 million in cash (RMB88.69 million of which was donated by the staff domestically and abroad) and RMB500,000 in kind. At the same time, the Bank promptly issued the "Disaster-Relief Peony Co-brand Card" to the military officers and soldiers participating in the rescue and relief, fulfilling their temporary financial needs. The emergency loan approval procedures were launched immediately and RMB28.8 billion was granted in total for disaster relief and reconstruction. The "Green Channels" were established at all outlets and online banking, providing free transfer service of donation funds. The affected outlets and facilities were repaired timely and "mobile banks" were organized and "tent banks" and "movable banks" were set up. The Bank implemented various emergency measures to resume its operation and became the first bank to resume operations in the affected area. Additionally, many employees of the Bank donated their blood voluntarily and some joined in the volunteers to participate in rescue and relief in holidays. Facing this magnitude earthquake, the Bank fulfilled its commitment of being "a neighborhood bank that can be trusted", and was honored with the "China Red Cross Medal" by the Red Cross Society of China.

— **Charity donation and aid to culture and education.** The Bank proactively participated in poverty alleviation in view of the practical situation of social and economic development in poor areas. The Bank was awarded the "2008 Chinese People's Livelihood Action Pioneer" by China Foundation of Poverty Alleviation and the "Poverty Alleviation Leading Unit among Central State Organs, etc." by the State Council Leading Group Office of Poverty Alleviation and Development (LGOP). During the reporting period, the Bank cooperated with China Fund for Disabled Persons, continuing the program of "ICBC — Spreading Brightness". Another RMB700,000 was donated to subsidize 700 poor cataract patients from Tongjiang County, Nanjiang County and Wanyuan City, Sichuan, to receive vision rehabilitation operations. At the same time, the Bank donated RMB2.7 million and cooperated with Chinese Foundation for Lifeline Express to sponsor the "Lifeline Express — ICBC: Spreading Brightness in Kaili" program: conducting vision rehabilitation operations to 1,100 poor cataract patients from Kaili, Guizhou, which brought the Bank the "Brightness Contribution Prize" from Chinese Foundation for Lifeline Express. The Bank again donated HKD1.2 million to Heifer International, which was designated to family livestock breeding programs in Nanjiang County and Tongjiang County, Sichuan. The Bank cooperated with China Foundation of Poverty Alleviation to carry on the "Monthly Donation Plan for Poverty Alleviation", in which the Bank exempted the commission charge of donation remittance as a donation to China

Foundation of Poverty Alleviation. The Bank also granted RMB600,000 as education aid funds and continued to help excellent rural teachers and poor college students in Tongjiang County, Nanjiang County and Wanyuan City in Sichuan. Furthermore, the Bank continued the donation of RMB1 million as education fund to Peking University.

— **Service to the Olympic Games.** The Bank set up a financial service system featuring convenience, high quality, safety and efficiency by regulating the procedures of business processing and customer services, improving work efficiency, optimizing and adjusting the layout of self-service devices so that it set the record of "zero accident at work" and "zero complaint during the Olympics", actively contributed to the success of the Olympic Games, and meanwhile enhanced service quality and brand image.

— **Service to the communities and volunteer activities.** With the belief of paying back to the society, the Bank organized its staff to provide voluntary consultations and exchange damaged bills or small changes in communities, which were warmly recognized by the whole society. The Bank actively propelled the brand-oriented and standardized actions of the young volunteers by organizing a series of activities under the unified designation of "ICBC Youth Love Action". During the reporting period, a total of 1,745 love actions have been carried out with participation of more than 80,000 man-times, provided aids for over 180,000 man-times, and donated more than RMB3 million (excluding the quake relief donation).

Care for the Employees

Adhering to the idea of "people-oriented", the Bank established a complete staff incentive mechanism to provide broader space for the employees' career development and endeavored to grow along with its staff. During the reporting period, the Bank has improved the systems of employee performance management and compensation management, launched the human resources promotion project of overseas institutions, constructed an internal position and level system connecting domestic and overseas branches thus facilitating employees to be freely transferred between the Bank's branches. The Bank also attached high importance to the rights and interests of the employees and dedicated care to their health. In 2008, the Bank increased its inputs into staff training and held training courses of 46,000 sessions in total for 1.98 million man-times, with an average of 8.5 days of training per person.

Customer-Orientation and Optimized Service Quality

The Bank pursued the concept of "customer-centered", reformed the service process, sped up the transformation of outlet operations, built an intensive business operation platform and improved the service methods based on innovation. During the reporting period, the Bank further streamlined, integrated or simplified the service process for 138 personal businesses including the front counter marketing, business operation, off-counter business and operational risk control. The Bank launched various competitions across all branches and offices to improve service quality and employees' professional quality. The Bank attached high importance to the feedback from customers, organized the bank-wide service quality assessment and prepared 36 reports on the onsite service execution ability. Besides, the Bank quickened the pace of financial product innovation in order to actively accommodate the customers' needs and environmental changes in the market. As at the end of 2008, the Bank boasted 2,055 financial products of various categories.

COOPERATION WITH STRATEGIC INVESTORS

In 2008, the Bank maintained close cooperation with Goldman Sachs and gained remarkable achievements in areas including corporate governance, risk management, financial market and staff training. In respect of corporate governance, Goldman Sachs sent experts to assist the Bank to improve information disclosure and management of investor relations and put forth reasonable suggestions; in respect of risk management, Goldman Sachs and the internationally renowned consulting company under its engagement carried out 12 cooperation projects, including the credit risk stress testing, market value-at-risk (VaR) measurement methodology, advanced measurement approach (AMA) of operational risk and financial control, in order to enhance risk management level of the Bank. In respect of financial market, the Bank actively exchanged experiences in development of new funds and wealth management products with Goldman Sachs, jointly developed the "Oriental Pearl" wealth management product (Phase IV) and jointly launched the global market business and risk management projects together with Goldman Sachs, and improved the risk management of funds trading. In respect of staff training, Goldman Sachs conducted trainings for employees of the Bank on professional skills including information disclosure and control, foreign exchange option products, valuation techniques relating to domestic and overseas mergers and acquisitions and valuation modules; it also held special training sessions concerning significant events such as the US sub-prime mortgage crisis.

The Bank and American Express intensified cooperation in the fields of joint card issuing, marketing, business training, risk management and customer services. As at the end of 2008, the number of issued Peony Express cards exceeded 600,000 with annual consumption going beyond RMB10 billion. Both parties joined hands to launch a series of marketing activities including the "Overseas Traveling Choices" and the activities of reviewing service projects provided to key group customers. The close cooperation between the Bank and American Express prevented many fraud transactions via overseas websites successfully.

The Bank and Allianz actively cooperated in the bank insurance agency service, asset custody, online insurance and staff training through their joint venture — Allianz China Life Insurance Co., Ltd ("Allianz China"). Since 2006, the cumulative premium income from distribution of the insurance products of Allianz China exceeded RMB3 billion. As at the end of 2008, the net value of Allianz China's assets under the custody of the Bank stood at more than RMB1.7 billion.

OUTLOOK

Looking into the year 2009, the global economic depression resulting from the US sub-prime mortgage crisis will expose China's economic growth to more uncertainties, but China will be able to maintain a relatively fast and steady economic growth as the fundamentals of China's economy remain unchanged. The changes of external environment bring both challenges and opportunities to the Bank's development.

In 2009, the Bank will face the following challenges: the slowed-down growth of China's economy will affect the profitability of some industries and enterprises, leading to possibly bigger credit asset risks; domestic capital markets will see continuous fluctuations, thus affecting the development of fee-based intermediary business relating to the capital markets; the further marketization of interest rates will add more difficulties to the deployment of assets and liabilities and then reduce the margin; the lowered threshold for corporate bond issuance may diverge some credit business requirements; the increased domestic and overseas market risk will increase investment risk and asset management pressure; and the peer competition will become more fierce. The Bank will also face the following opportunities: as it can benefit from the state's policies such as "increase domestic demand and ensure economic growth", the Bank will enjoy bigger space for development in areas like infrastructure credit, consumer credit and related supporting financial services; the bond market development will be favorable to the Bank for developing the bond underwriting and investment, the customers' increased requirements upon asset and wealth management will boost related business growth of the Bank; finally, the restructuring of the international banking industry will also provide the Bank with the opportunity of advancing internationalized and integrated strategies.

In 2009, the Bank will actively respond to the challenges of macro-economic environment and peer competition, make full use of significant opportunities in market developments, and continue with the reformation, innovation and business transformation. The Bank will make great efforts to enhance core competitiveness, maintain stable asset quality and ensure smooth and rapid development of all business lines. The efforts will focus on the following areas. First, the Bank will expand credit market and continuously optimize credit structure. The Bank will continue to strengthen credit marketing to large-sized group customers, small and medium-sized prospective customers and medium and high-end individual customers, increase credit support for basic industries such as transportation, infrastructure construction and energy, and tap emerging industries and modern services market. The Bank will provide effective credit support for relevant industries in line with the requirements on gradient development of domestic economy and the trend of industrial upgrade and transfer. Second, the Bank will strongly promote non-credit businesses such as investment banking, wealth management, cash management and treasury operation, continuously optimize business structure and diversify the sources of income. Third, the Bank will actively promote business innovation, improve operation management and product service capability, enhance the service and brand value through innovation, strengthen the development and promotion of innovative credit products, and further explore the development of asset securitization. Fourth, the Bank will enhance integrated marketing of various business lines, explore the customers' needs, and improve the ability of providing customers with one-stop, all-around and whole-process financial services. Fifth, the Bank will seize the favorable market opportunity to speed up the pace of establishing internationalized and diversified operation. The Bank will improve its global presence, optimize management techniques and approaches for overseas operations, expedite transformation of overseas business modes and increase the market share of international business. In response to the new situation that a diversified operation pattern rapidly takes shape, the Bank will expedite the improvement of the Group's new management regime, and give full play to the advantages of its brand. Sixth, the Bank will further improve its risk management by enhancing the comprehensive risk management system. The Bank will enhance analysis of macro economic situations, continuously improve risk forecast and judgment, enhance the immediate reaction ability upon unexpected risks, and speed up the development and application of risk management techniques with a view to maintaining sound risk control. Seventh and finally, the Bank will further optimize its asset structure, intensify financing management and issue subordinated bonds to add to supplementary capital at the appropriate time.

Details of Changes in Share Capital and Shareholding of Substantial Shareholders

Changes in Share Capital

DETAILS OF CHANGES IN SHARE CAPITAL

Unit: Share

	At 31 December 2007		Increase/decrease during the reporting period (+, -)	At 31 December 2008	
	Number of shares	Percentage (%)	Expiration of the lock-up period	Number of shares	Percentage (%)
I. Shares subject to restriction on sales	277,183,845,026	83.0	-2,884,610,000	274,299,235,026	82.1
1. State-owned shares	236,012,348,064	70.7	0	236,012,348,064	70.7
2. Shares held by other domestic investors	16,986,759,559	5.1	-2,884,610,000	14,102,149,559	4.2
3. Shares held by foreign investors	24,184,737,403	7.2	0	24,184,737,403	7.2
II. Shares not subject to restriction on sales	56,835,005,000	17.0	2,884,610,000	59,719,615,000	17.9
1. RMB-denominated ordinary shares	12,065,390,000	3.6	2,884,610,000	14,950,000,000	4.5
2. Foreign shares listed overseas	44,769,615,000	13.4	0	44,769,615,000	13.4
III. Total number of shares	334,018,850,026	100.0	0	334,018,850,026	100.0

Notes: (1) Please refer to the table headed "Details of Changes in the Shares subject to Restriction on Sales" for detailed information on changes in share capital during the reporting period.

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

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

DETAILS OF CHANGES IN THE SHARES SUBJECT TO RESTRICTION ON SALES

Unit: Share

Name of shareholder	Number of shares subject to restriction on sales at the beginning of the period	Number of shares released from restriction on sales in the period	Number of additional shares subject to restriction on sales in the period	Number of shares subject to restriction on sales at the end of the period	Reason for restriction	Release date
A shares strategic investors	2,884,610,000	2,884,610,000	0	0	Restriction upon issuance	27 April 2008
Total	2,884,610,000	2,884,610,000	0	0	—	—

DATES ON WHICH SHARES SUBJECT TO RESTRICTION ON SALES BECOME TRADABLE

Unit: Share

Date	Number of shares tradable at the expiry of the lock-up period	Number of outstanding shares subject to restriction on sales	Number of outstanding shares not subject to restriction on sales	Remarks
28 April 2009	12,092,368,700	262,206,866,326	59,719,615,000	H shares held by Goldman Sachs, Allianz and American Express
29 June 2009	7,051,074,779	255,155,791,547	71,811,983,700	H shares held by SSF
20 October 2009	19,143,443,483	236,012,348,064	78,863,058,479	H shares held by Goldman Sachs, Allianz, American Express and SSF
27 October 2009	236,012,348,064	0	98,006,501,962	A shares held by MOF and Huijin

The A shares held by MOF and Huijin will not be subject to the above lock-up period after being converted into H shares upon approval from relevant authorities.

PARTICULARS OF HOLDERS OF SHARES SUBJECT TO RESTRICTION ON SALES

Unit: Share

S/N	Name of holder of shares subject to restriction on sales	Type of shares	Number of shares subject to restriction on sales	Date on which shares become tradable	Number of additional tradable shares
1	MOF	A shares	118,006,174,032	27 October 2009	118,006,174,032
2	Huijin	A shares	118,006,174,032	27 October 2009	118,006,174,032
3	Goldman Sachs	H shares	16,476,014,155	28 April 2009 20 October 2009	8,238,007,077 8,238,007,078
4	SSF	H shares	14,102,149,559	29 June 2009 20 October 2009	7,051,074,779 7,051,074,780
5	DRESDNER BANK LUXEMBOURG S.A.(1)	H shares	6,432,601,015	28 April 2009 20 October 2009	3,216,300,507 3,216,300,508
6	American Express	H shares	1,276,122,233	28 April 2009 20 October 2009	638,061,116 638,061,117

Note: (1) As at 31 December 2008, DRESDNER BANK LUXEMBOURG S.A. is a wholly-owned subsidiary of Allianz, through which Allianz holds shares of the Bank.

Details of Share Issuance and Initial Public Offering

On 27 January 2006, the Bank entered into share purchase agreements with three foreign strategic investors, namely Goldman Sachs, Allianz and American Express. Pursuant to their respective share purchase agreements, Goldman Sachs, Allianz and American Express subscribed for 16,476,014,155 shares, 6,432,601,015 shares and 1,276,122,233 shares newly issued by the Bank on 28 April 2006 for a consideration of USD2,582.2 million, EUR824.7 million and USD200 million, respectively (on the basis of an agreed exchange rate of USD1 to RMB8.0304 and EUR1 to RMB9.8167). On 29 June 2006, SSF subscribed for 14,324,392,623 shares newly issued by the Bank for a consideration of approximately RMB18 billion.

On 27 October 2006, the Bank was successfully listed in Shanghai and Hong Kong on the same day. The offering prices for A shares and H shares were RMB3.12 and HKD3.07 per share, respectively. After adjusting for the exchange rate differences between HKD and RMB, the offering prices in Shanghai and Hong Kong are the same. A total of 14,950,000,000 A shares and 40,699,650,000 H shares (including 8,139,930,000 state-owned shares sold on behalf of MOF and Huijin) were offered in the initial public offering. After the initial public offering, the Bank had a total of 334,018,850,026 shares, comprising 250,962,348,064 A shares and 83,056,501,962 H shares.

In 2005, the Bank issued subordinated bonds in the inter-bank bond market. As at the end of 2008, the balance of the subordinated bonds issued by the Bank stood at RMB35.0 billion. For information on the issuance of subordinated bonds by the Bank, please refer to "Note 37 to the Financial Statements: Subordinated Bonds".

The Bank did not have any employee shares.

Particulars of Shareholders

Particulars of Top 10 Shareholders

• *Number of Shareholders*

As at the end of the reporting period, the Bank had a total of 1,662,308 shareholders, including 175,537 holders of H shares and 1,486,771 holders of A shares.

• *Particulars of Shareholding of the Top 10 Shareholders (Particulars of shareholding of holders of H shares were based on the Bank's share register maintained at the H share registrar)*

NUMBER OF SHAREHOLDERS AND PARTICULARS OF SHAREHOLDING

Unit: Share

Total number of shareholders	1,662,308 (number of holders of A shares and H shares on the share register as at 31 December 2008)

Particulars of shareholding of the top 10 shareholders (The following data are based on the share register as at 31 December 2008)

Name of shareholder	Nature of shareholder	Type of shares	Shareholding percentage (%)	Total number of shares held	Number of shares subject to restriction on sales	Number of pledged or locked-up shares
Huijin	State-owned shares	A shares	35.4	118,262,816,713	118,006,174,032	None
MOF	State-owned shares	A shares	35.3	118,006,174,032	118,006,174,032	None
HKSCC Nominees Limited	Foreign investment	H shares	13.2	44,209,789,188	0	Unknown
Goldman Sachs	Foreign investment	H shares	4.9	16,476,014,155	16,476,014,155	Unknown
SSF	Others	H shares	4.2	14,102,149,559	14,102,149,559	Unknown
DRESDNER BANK LUXEMBOURG S.A.(1)	Foreign investment	H shares	1.9	6,432,601,015	6,432,601,015	Unknown
American Express	Foreign investment	H shares	0.4	1,276,122,233	1,276,122,233	Unknown
China Life Insurance (Group) Company — Traditional — Ordinary insurance products	Others	A shares	0.2	695,027,367	0	None
China Huarong Asset Management Corporation	Others	A shares	0.1	480,769,000	0	None
China Life Insurance Company Limited — Traditional — Ordinary insurance products — 005L — CT001 Hu	Others	A shares	0.1	343,488,638	0	None

Note: (1) As at 31 December 2008, DRESDNER BANK LUXEMBOURG S.A. is a wholly-owned subsidiary of Allianz, through which Allianz holds shares in the Bank.

China Life Insurance Company Limited is a subsidiary of China Life Insurance (Group) Company. Save and except as the aforesaid, the Bank is not aware of any connections between the above shareholders or whether they are parties acting in concert.

PARTICULARS OF SHAREHOLDING OF THE TOP 10 SHAREHOLDERS NOT SUBJECT TO RESTRICTION ON SALES (THE FOLLOWING DATA ARE BASED ON THE SHARE REGISTER AS AT 31 DECEMBER 2008)

Unit: Share

Name of shareholder	Number of shares not subject to restriction on sales	Type of shares
HKSCC Nominees Limited	44,209,789,188	H shares
China Life Insurance (Group) Company — Traditional — Ordinary insurance products	695,027,367	A shares
China Huarong Asset Management Corporation	480,769,000	A shares
China Life Insurance Company Limited — Traditional — Ordinary insurance products — 005L — CT001 Hu	343,488,638	A shares
China Life Insurance Company Limited — Dividend distribution — Personal dividend — 005L — FH002 Hu	296,832,643	A shares
Huijin	256,642,681	A shares
E-Fund 50 Index Securities Investment Fund	236,074,397	A shares
Beijing Meihua Hengrun Industrial Co., Ltd.	217,972,438	A shares
Dongfeng Motor Corporation	160,256,000	A shares
Capital Airports Holding Company	160,256,000	A shares

China Life Insurance Company Limited is a subsidiary of China Life Insurance (Group) Company. Save and except as the aforesaid, the Bank is not aware of any connections between the above shareholders or whether they are parties acting in concert.

Particulars of Substantial Shareholders

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

• *Substantial Shareholders*

The largest single shareholder of the Bank is Huijin[1], which holds approximately 35.4% of the shares of the Bank. On 23 September 2008, Huijin increased its shareholding in the Bank through on-market purchase on SSE[2]. As at 31 December 2008, Huijin increased its shareholding in the Bank by 256,642,681 A shares accumulatively, representing approximately 0.077% of the Bank's total issued share capital.

1 For details of the establishment of China Investment Corporation and its relationship with Huijin, please refer to the Bank's announcement published on the websites of SEHK and SSE on 8 October and 9 October 2007, respectively.

2 Please refer to the Bank' announcement published on the websites of SEHK and SSE on 23 September and 24 September 2008, respectively, for particulars of the initial increase in shareholding of the Bank by Huijin and the future stake increase plan.

Huijin is a wholly state-owned company incorporated on 16 December 2003 under the Company Law of the People's Republic of China. Huijin had a registered capital of RMB372,465 million as at 31 December 2008, and its legal representative is Mr. Lou Jiwei. Huijin makes equity investment in the Bank 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. Huijin does not engage in any other commercial activities or intervene daily operation of the Bank.

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

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

None.

- *Particulars of the De Facto Controller*

None.

Interests and Short Positions Held by Substantial Shareholders and other Persons

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

As at 31 December 2008, the Bank had received notices from the following persons stating that they had interests or short positions in shares or underlying shares of the Bank as recorded in the register required to be kept pursuant to Section 336 of the Securities and Futures Ordinance of Hong Kong:

HOLDERS OF A SHARES

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

Note: (1) According to the share register as at 31 December 2008, Huijin held 118,262,816,713 shares in the Bank.

HOLDERS OF H SHARES

Name of substantial shareholder	Capacity	Number of H shares held (share)	Nature of interests	Approximate percentage of issued H shares (%)	Approximate percentage of total issued shares (%)
SSF[(1)]	Beneficial owner	16,597,455,559	Long position	19.98	4.97
Goldman Sachs[(2)]	Beneficial owner	16,476,014,155	Long position		
	Interest of controlled corporation	139,903,367	Long position		
	Total	16,615,917,522		20.01	4.97
Allianz[(3)]	Interest of controlled corporation	7,336,585,122	Long position	8.83	2.20
	Interest of controlled corporation	696,401,107	Short position	0.84	0.21

Notes: (1) According to the share register as at 31 December 2008, SSF held 14,102,149,559 shares in the Bank.

(2) According to the share register as at 31 December 2008, Goldman Sachs held 16,476,014,155 shares in the Bank.

(3) According to the share register as at 31 December 2008, DRESDNER BANK LUXEMBOURG S.A. (a wholly-owned subsidiary Allianz, through which Allianz holds shares in the Bank) held 6,432,601,015 shares in the Bank.

Directors, Supervisors and Senior Management and Basic Information on Employees and Institutions

Brief Particulars of Directors, Supervisors and Senior Management[(1)]

Name	Position	Gender	Age	Tenure	Shares held at the beginning of the year	Shares held at the end of the year	Reasons for changes	Whether or not the remuneration is collected from the shareholder entities or other connected entities
Jiang Jianqing	Chairman of the Board of Directors, Executive Director	Male	55	October 2008–October 2011	0	0	—	No
Yang Kaisheng	Vice Chairman of the Board of Directors, Executive Director, President	Male	59	October 2008–October 2011	0	0	—	No
Zhao Lin	Chairman of the Board of Supervisors	Male	54	June 2008–June 2011	0	0	—	No
Zhang Furong	Executive Director, Vice President	Male	56	October 2008–October 2011	0	0	—	No
Niu Ximing	Executive Director, Vice President	Male	52	October 2008–October 2011	0	0	—	No
Huan Huiwu	Non-executive Director	Male	55	February 2009–February 2012	0	0	—	Yes
Gao Jianhong	Non-executive Director	Male	44	December 2008–December 2011	0	0	—	Yes
Li Chunxiang	Non-executive Director	Female	53	February 2009–February 2012	0	0	—	Yes
Li Jun	Non-executive Director	Male	49	December 2008–December 2011	0	0	—	Yes
Li Xiwen	Non-executive director	Male	60	December 2008–December 2011	0	0	—	Yes
Wei Fusheng	Non-executive Director	Male	53	February 2009–February 2012	0	0	—	Yes
Christopher A. Cole	Non-executive Director	Male	49	June 2006–June 2009	0	0	—	Yes
Leung Kam Chung, Antony	Independent Non-executive Director	Male	56	October 2008–October 2011	0	0	—	No
Qian Yingyi	Independent Non-executive Director	Male	52	October 2008–October 2011	0	0	—	No
Xu Shanda	Independent Non-executive Director	Male	61	September 2007–September 2010	0	0	—	No
Wong Kwong Shing, Frank	Independent Non-executive Director	Male	60	January 2009–January 2012	0	0	—	No
Wang Chixi	Shareholder Supervisor	Female	53	October 2008–October 2011	0	0	—	No
Wang Daocheng [(2)]	External Supervisor	Male	68	October 2005–October 2008	0	0	—	No
Miao Gengshu [(2)]	External Supervisor	Male	67	October 2005–October 2008	0	0	—	No
Zhang Wei	Employee Supervisor	Male	46	August 2006–August 2009	0	0	—	No
Wang Lili	Vice President	Female	57	October 2005–	0	0	—	No
Li Xiaopeng	Vice President	Male	49	October 2005–	0	0	—	No
Liu Lixian	Secretary of Party Discipline Committee	Male	54	October 2005–	0	0	—	No
Yi Huiman	Vice President	Male	44	July 2008–	0	0	—	No
Wei Guoxiong	Chief Risk Officer	Male	53	August 2006–	0	0	—	No
Gu Shu	Board Secretary	Male	41	July 2008–	0	0	—	No

Notes: (1) Please refer to "Directors, Supervisors and Senior Management and Basic Information on Employees and Institutions — Appointment and Removal".

(2) The tenure of Mr. Wang Daocheng and Mr. Miao Gengshu expired in October 2008. In accordance with the Articles of Association of the Bank, the original supervisors shall continue to perform their duties until the new external supervisors are elected by the Shareholders' General Meeting.

As at the end of the reporting period, the Bank did not implement any share incentive scheme. Directors, Supervisors and Senior Management members of the Bank did not hold any share option or were granted any restricted shares.

Biographies of Directors, Supervisors and Senior Management

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

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

Yang Kaisheng, Vice Chairman of the Board of Directors, Executive Director and President

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

Zhao Lin, Chairman of the Board of Supervisors

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

Zhang Furong, Executive Director and Vice President

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

Niu Ximing, Executive Director and Vice President

Mr. Niu has served as Executive Director and Vice President of Industrial and Commercial Bank of China Limited since October 2005. He joined ICBC in 1986, and was appointed as Vice President in 2002. He previously served in several positions at ICBC including General Manager of Industrial and Commercial Credit Department of ICBC, President of ICBC Beijing Branch, and assistant to President of ICBC and President of ICBC Beijing Branch. He currently serves as Chairman of ZAO Industrial and Commercial Bank of China (Moscow). He graduated from Central Institute of Finance and Banking and received a Master's degree in technology economics from the Harbin Institute of Technology.

Huan Huiwu, Non-executive Director

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

Gao Jianhong, Non-executive Director

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

Li Chunxiang (Female), Non-executive Director

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

Li Jun, Non-executive Director

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

Li Xiwen, Non-executive Director

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

Wei Fusheng, Non-executive Director

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

Christopher A. Cole, Non-Executive Director

Mr. Cole has served as Non-executive Director of Industrial and Commercial Bank of China Limited since June 2006. He is currently Chairman of the Investment Banking Division at Goldman Sachs, and serves on the Management Committee, Capital Committee and Finance Committee of Goldman Sachs. Previously, he was Head of the Financial Institutions Group and Co-head of the Investment Banking Division at Goldman Sachs. He graduated from Princeton University, and later from Harvard University with an MBA degree.

Leung Kam Chung, Antony, Independent Non-executive Director

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

Qian Yingyi, Independent Non-Executive Director

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

Xu Shanda, Independent Non-executive Director

Mr. Xu has served as Independent Non-executive Director of Industrial and Commercial Bank of China Limited since September 2007. From January 2000 to 2007, he was appointed as Deputy Commissioner of State Administration of Taxation ("SAT"). He worked as Deputy Director-General of the Tax System Reformation Department of SAT, Deputy Director-General and Director-General of the Policy and Legislation Department of SAT, Director-General of Local Taxes Department of SAT, and Commissioner of Supervisory Bureau of SAT. He currently is a member of the CPC National Committee, the Chairman of the Chinese Certified Tax Agent Association, a member of the Auditing Standards Commission of the Chinese Institute of Certified Public Accountants, a member of the Accounting Standards Commission of MOF, a member of the Advisory Committee for State Informatization, Vice Chairman of China Public Finance Society, a member of the Chinese Economist 50 Forum and a member of the Academic Committee. He is an Independent Director of China Pacific Insurance (Group) Co., Ltd., a part-time professor and an invited researcher of Tsinghua University, Peking University, National School of Administration, Xi'an Jiaotong University, University of Science & Technology of China, Nankai University, Central University of Finance and Economics and Zhejiang Engineering University. He received his Bachelor's degree from Department of Automation, Tsinghua University, Master's degree in Agricultural Economics & Management from the Chinese Academy of Agricultural Sciences, and Master's degree in Finance from the University of Bath in UK.

Wong Kwong Shing, Frank, Independent Non-executive Director

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

Wang Chixi (Female), Shareholder Supervisor

Ms. Wang has served as Supervisor of Industrial and Commercial Bank of China Limited since October 2005. She was appointed by the State Council as a full-time Supervisor of the Board of Supervisors at bureau level and Head of the Board of Supervisors' Office of Industrial and Commercial Bank of China in 2003. She joined ICBC in 2005. She had taken several positions including Deputy Director-General of the Financial Audit Department of the National Audit Office (NAO), Deputy Commissioner of the Agricultural, Forestry and Sea Products Audit Bureau and was appointed by the State Council as a full-time Supervisor of the Board of Supervisors at the bureau level and Head of the Board of Supervisors' Office at the Agricultural Bank of China. She graduated from Shenyang Agricultural College, and is a certified public accountant.

Wang Daocheng, External Supervisor

Mr. Wang has served as External Supervisor of Industrial and Commercial Bank of China Limited since October 2005. He was appointed as president of the China Institute of Internal Audit in 2005. He previously served in several positions including Deputy Commissioner of the Comprehensive Bureau of the NAO, Commissioner of the Foreign Funds and Foreign Affairs Audit Bureau, Director-General of the Financial Audit Department of the NAO, Head of the General Office of the NAO and Head of NAO's Discipline Group directly affiliated with the Central Party Discipline Committee. He graduated from Hebei College of Finance and Economics.

Miao Gengshu, External Supervisor

Mr. Miao has served as External Supervisor of Industrial and Commercial Bank of China Limited since October 2005. He is President of the China Council for International Investment Promotion, Chairman of the board of directors of China National Foreign Trade Transportation (Group) Corporation, Chairman of the Chinese Party of the China and Brazil Entrepreneur Committee and Vice Chairman of the China International Trade Society. He was a member of National Committee of the 10th CPPCC and member of the Foreign Affairs Committee of CPPCC. He previously served in several positions including Vice Head of the Shanghai Foreign Economics and Trade Commission and Chief Officer of the China Minmetals Corporation. He graduated from Tianjin Foreign Trade College.

Zhang Wei, Employee Supervisor

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

Wang Lili (Female), Vice President

Ms. Wang has served as Vice President of Industrial and Commercial Bank of China Limited since October 2005. She was appointed as Vice President upon joining ICBC in November 2000. She previously served in several positions including Deputy General Manager of the Credit Department One, General Manager of the Credit Management Department, General Manager of Risk Management Department and assistant to President of Bank of China. She once also served as Chairlady of Bank of China (Canada) and Yien Yieh Commercial Bank Ltd. (Hong Kong), respectively. Currently she also works as China's representative of ABAC, member of APEC World Women Leaders' Organization, board member of International Swaps and Derivatives Association, Vice Chairlady of China Chamber of International Commerce, Vice Chairlady of the board of directors of Industrial and Commercial Bank of China (Asia) Limited, Chairlady of the board of directors of ICBC (London) Limited, Vice Chairlady of China Society of International Finance, and Vice Chairlady of National Debt Association of China. Ms. Wang graduated from Nankai University and received an MBA degree from University of Birmingham, UK.

Li Xiaopeng, Vice President

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

Liu Lixian, Secretary of Party Discipline Committee

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

Yi Huiman, Vice President

Mr. Yi has served as Vice President of Industrial and Commercial Bank of China Limited since July 2008. He joined ICBC in 1985, and was appointed as a member of the Senior Management in October 2005. He served in several positions at ICBC including Vice President of Zhejiang Branch, Vice President and President of Jiangsu Branch, and President of Beijing Branch. He graduated from Hangzhou Institute of Electronic Engineering and Hangzhou Financial Management Cadre School.

Wei Guoxiong, Chief Risk Officer

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

Gu Shu, Board Secretary

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

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

Appointment and Removal

At the First Extraordinary General Meeting for the Year 2008 held on 27 October 2008, Mr. Jiang Jianqing, Mr. Yang Kaisheng, Mr. Zhang Furong and Mr. Niu Ximing were re-elected as Executive Directors of the Bank, Mr. Leung Kam Chung, Antony, Mr. John L. Thornton and Mr. Qian Yingyi were re-elected as Independent Non-executive Directors of the Bank, Mr. Huan Huiwu, Ms. Li Chunxiang, Mr. Wei Fusheng, Mr. Gao Jianhong, Mr. Li Jun and Mr. Li Xiwen were elected as Non-executive Directors of the Bank, and Mr. Wong Kwong Shing, Frank was elected as an Independent Non-executive Director of the Bank.

The appointment of Mr. Gao Jianhong, Mr. Li Jun and Mr. Li Xiwen were approved by CBRC on 17 December 2008. The appointment of Mr. Wong Kwong Shing, Frank was approved by CBRC on 9 January 2009. The appointment of Mr. Huan Huiwu, Ms. Li Chunxiang and Mr. Wei Fusheng were approved by CBRC on 17 February 2009.

Mr. Wang Wenyan, Ms. Zhao Haiying and Mr. Zhong Jian'an ceased to act as Directors of the Bank with effect from 17 December 2008 upon completion of their tenure, Mr. Fu Zhongjun, Mr. Kang Xuejun and Mr. Song Zhigang ceased to act as Directors of the Bank with effect from 17 February 2009 upon completion of their tenure, and Mr. John L. Thornton ceased to act as an Independent Non-executive Director of the Bank with effect from 19 November 2008 due to other business commitments.

At the Annual General Meeting (AGM) for the Year 2007 held on 5 June 2008, Mr. Zhao Lin was elected as a Supervisor of the Bank with effect from the date of approval at the AGM. At the sixteenth meeting of the first session of the Board of Supervisors held on 10 June 2008, Mr. Zhao Lin was elected as the Chairman of the Board of Supervisors.

At the First Extraordinary General Meeting for the Year 2008 held on 27 October 2008, Ms. Wang Chixi was re-elected as Shareholder Supervisor of the Bank.

Due to relevant requirements and his age, Mr. Wang Weiqiang tendered his resignation from his positions of Supervisor and Chairman of the Board of Supervisors of the Bank at the sixteenth meeting of the first session of the Board of Supervisors. His resignation took effect from 10 June 2008.

At the thirty-fifth meeting of the first session of the Board of Directors held on 7 May 2008, Mr. Yi Huiman was appointed as Vice President of the Bank, and his appointment was approved by CBRC on 6 July 2008; and Mr. Gu Shu was appointed as Board Secretary of the Bank, and concurrently serves as Company Secretary and Authorized Representative of the Bank. The appointment of Mr. Gu Shu as Board Secretary of the Bank was approved by CBRC on 8 July 2008, and the appointment of him as Company Secretary and Authorized Representative of the Bank was approved by SEHK on 14 May 2008.

Mr. Zhang Qu retired on 29 April 2008 due to age and would no longer serve as Vice President of the Bank. Mr. Pan Gongsheng resigned from his positions of Board Secretary, Company Secretary and Authorized Representative of the Bank with effect from 7 May 2008.

Annual Remuneration

Unit: RMB10,000

Name	Position	Salary and allowance before tax	Pre-tax bonus	Contribution by the employer to social insurance, housing allowance, annuities, and additional medical insurances	Fees	Total before tax
Jiang Jianqing	Chairman of the Board of Directors, Executive Director	80.0	65.8	15.2		161.0
Yang Kaisheng	Vice Chairman of the Board of Directors, Executive Director, President	76.0	64.3	13.2		153.5
Zhao Lin	Chairman of the Board of Supervisors	42.0	34.5	7.8		84.3 (1)
Zhang Furong	Executive Director, Vice President	68.0	57.9	12.2		138.1
Niu Ximing	Executive Director, Vice President	68.0	57.9	12.2		138.1
Huan Huiwu(2)	Non-executive Director					
Gao Jianhong(2)	Non-executive Director					
Li Chunxiang(2)	Non-executive Director					
Li Jun(2)	Non-executive Director					
Li Xiwen(2)	Non-executive Director					
Wei Fusheng(2)	Non-executive Director					
Christopher A. Cole(2)	Non-executive Director					
Leung Kam Chung, Antony	Independent Non-executive Director				49.0	49.0
Qian Yingyi	Independent Non-executive Director				47.0	47.0
Xu Shanda	Independent Non-executive Director				20.5	20.5 (3)
Wong Kwong Shing, Frank(4)	Independent Non-executive Director					
Wang Chixi	Shareholder supervisor	50.0	39.0	11.0		100.0
Wang Daocheng	External supervisor				15.0	15.0 (3)
Miao Gengshu	External supervisor				14.0	14.0 (3)
Zhang Wei	Employee supervisor				5.0	5.0 (5)
Wang Lili	Vice President	68.0	57.3	12.2		137.5
Li Xiaopeng	Vice President	68.0	57.9	12.2		138.1
Liu Lixian	Secretary of Party Discipline Committee	68.0	57.4	12.2		137.6
Yi Huiman	Vice President	66.0	57.3	11.7		135.0 (6)
Wei Guoxiong	Chief Risk Officer	64.0	56.2	11.2		131.4
Gu Shu	Board Secretary	50.8	57.9	11.2		119.9 (7)

Notes: (1) Mr. Zhao Lin has served as Chairman of the Board of Supervisors of the Bank since June 2008. Such amount represents the aggregate remuneration for the period from June to December 2008 during which he served in the Bank.

(2) Mr. Huan Huiwu, Mr. Gao Jianhong, Ms. Li Chunxiang, Mr. Li Jun, Mr. Li Xiwen, Mr. Wei Fusheng and Mr. Christopher A. Cole received remuneration from the nominating party.

(3) Mr. Xu Shanda, Mr. Wang Daocheng and Mr. Miao Gengshu, no longer received any remuneration from the Bank since 1 July 2008 pursuant to the requirements of relevant government authorities.

(4) Mr. Wong Kwong Shing, Frank has served as Independent Non-executive Director of the Bank since January 2009, and did not receive any remuneration from the Bank in 2008.

(5) Such amount represents the pre-tax remuneration paid to Mr. Zhang Wei for serving as Employee Supervisor of the Bank.

(6) Mr. Yi Huiman has served as Vice President of the Bank since July 2008. Such amount represents the aggregate remuneration to Mr. Yi for serving as a member of the senior management of the Bank and President of the Beijing Municipal Branch of the Bank from January to June 2008 and as Vice President of the Bank from July to December 2008.

(7) Mr. Gu Shu has served as Board Secretary of the Bank since June 2008. Such amount represents the aggregate remuneration to Mr. Gu for serving as General Manager of the Finance and Accounting Department of the Bank from January to June 2008 and as Board Secretary of the Bank from July to December 2008.

Basic Information on Employees and Institutions

As at the end of 2008, the Bank had 385,609 employees[1], an increase of 3,896 persons compared with the end of prior year, of whom 221 are employees in major domestic subsidiaries and 2,697 are local employees in overseas institutions. Among the employees in domestic institutions, 39,124 are engaged in the corporate banking segment, 149,166 in personal banking segment[2], 4,522 in treasury operations segment, 87,040 in financial and accounting matters[2], and 103,060 in other specializations; in terms of academic achievements, 7,015 employees have received master's degree or above, accounting for 1.8% of all employees; 136,895 employees have received bachelor's degree, accounting for 35.8%; 155,075 employees have received associate degree, accounting for 40.5% of all employees; and 83,927 employees have qualifications below associate degree, accounting for 21.9%.

The Bank had 16,252 domestic operation and 134 overseas institutions, totaling 16,386, a decrease of 202 compared with the end of prior year.

The table below shows the geographic distribution of assets, branches and employees of the Bank.

	At 31 December 2008					
Item	Assets (in RMB millions)	Percentage (%)	Branches	Percentage (%)	Employees	Percentage (%)
Head Office(1)	5,229,411	36.5	26	0.2	7,951	2.0
Yangtze River Delta	2,003,485	14.0	2,444	14.9	48,830	12.7
Pearl River Delta	1,174,627	8.2	1,988	12.1	43,414	11.3
Bohai Rim	2,402,081	16.8	2,754	16.8	61,195	15.9
Central China	1,245,770	8.7	3,474	21.2	84,656	21.9
Northeastern China	609,063	4.3	1,760	10.8	49,172	12.7
Western China	1,342,482	9.4	3,804	23.2	87,473	22.7
Overseas and others(2)	302,138	2.1	136	0.8	2,918	0.8
Total(3)	**14,309,057**	**100.0**	**16,386**	**100.0**	**385,609**	**100.0**

Notes: (1) Includes institutions directly controlled by the Head Office and their branches.

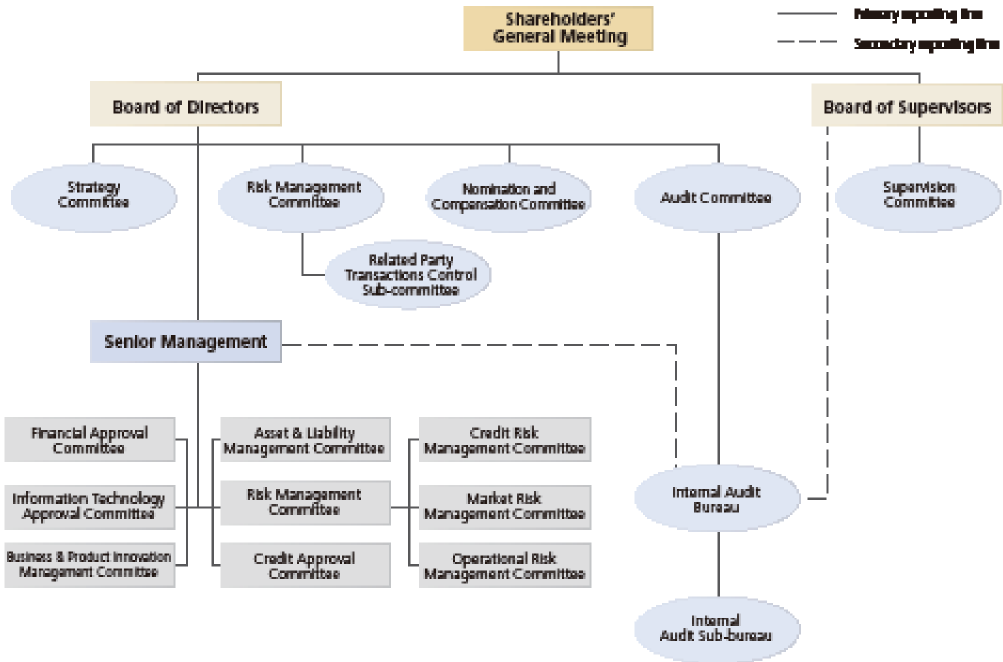
(2) Includes investments in associates.

(3) Excludes offset or undistributed assets.

1 Does not include labor dispatched for services totaling 36,285 persons.

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

Corporate Governance Framework



Note: The chart above presents the corporate governance structure of the Bank as at the end of 2008.

During the reporting period, while observing applicable laws and regulations of the business places and regulatory rules of the place of listing, the Bank focused on the improvement of its corporate governance structure and the operational mechanism of the "Shareholders' General Meeting, Board of Directors, Board of Supervisors and Senior Management", strengthened system construction, enhanced information disclosure, deepened the management of investor relations, beefed up the summarization, planning and assessment of corporate governance and continued to restructure the operational and growth modes with the aim to building the most profitable, the most excellent and the most respectable and internationally leading financial enterprise, thereby making new progress in corporate governance.

- The Bank completed the re-election of the Board of Directors and preliminarily completed the re-election of the Board of Supervisors, further improving its corporate governance structure. During the reporting period, the Chairman of the Board of Supervisors and the Board Secretary of the Bank were replaced, and one vice president was appointed.
- The Bank revised the Working Rules of the Audit Committee of the Board of Directors, the Working Rules of Independent Directors and the Working Rules of the Board Secretary.
- The Bank achieved steady advancement of its comprehensive risk management system with further centralized risk management, made large progress in the bank-wide Retail Internal Ratings-based Approach Project, begun to apply the customer and debt rating results of the Non-retail Internal Ratings-based Approach Project to the whole process of risk management, gained new progress in the regulations establishment and system development of market risk, and initiated the Advanced Measurement Approach (AMA) Project of operational risk.

- The Bank strengthened internal audit, analyzed the quality and efficiency of risk control and evaluated the execution efficiency and effects of corporate strategy primarily from the levels of governance, mechanism, process and system; and enhanced the practices framework of internal audit management, continuously enriched audit contents and improved audit quality by thoroughly carrying out the audit standardization project.
- Aiming at advancing the construction of internal control system and focusing on the reinforcement of process control, the Bank launched internal control evaluation in real earnest, improved the daily management mechanism of the "Guide to Business Operation", deepened compliance inspection and routine audit, strengthened operational risk and compliance risk management, and took great efforts to cultivate the internal control compliance culture of creditability, harmony and advancement.
- The Bank continued to carry forward the human resources management enhancement project, strengthened team building, and steadily advanced the reform of remuneration and welfare system, organizational structure adjustment and business process restructuring.
- The Bank made a comprehensive review of its corporate governance since the joint-stock reform, summed up successful experiences of corporate governance operation from the aspects such as corporate governance framework, operation of the "Shareholders' General Meeting, Board of Directors, Board of Supervisors and Senior Management", formulation and implementation of development strategies and undertaking of corporate social responsibility, and prepared the Corporate Governance Report of Industrial and Commercial Bank of China Limited.
- The Bank formulated the Corporate Governance Plan for 2009–2011 and included it into the Strategic Development Plan for 2009–2011 of the Bank, laying a foundation for further advancement of corporate governance.
- The Bank prepared the "Regulations for Annual Report Work of Independent Directors" and the "Rules for Annual Report Work of the Audit Committee", revised the "Administrative Measures on Internal Reporting of Significant Information (Trial)", and took the initiative to voluntarily disclose investors-oriented information in addition to periodical reports.
- The Bank won ten domestic and overseas awards for corporate governance, including the "Hong Kong Corporate Governance Excellence Award" for 2008 co-founded by the Chamber of Commerce of Hong Kong Listed Companies (CHKLC) and Hong Kong Baptist University and the Gold Award for the H-share companies category in the "2008 Best Corporate Governance Disclosure Awards" presented by Hong Kong Institute of Certified Public Accountants.
- In accordance with the "Circular on the Announcement of Corporate Governance Special Activity" issued by CSRC and the "Circular on Carrying out the Prevention against Fund Occupation Recurrence and the Advancement of Corporate Governance Special Activity" issued by CSRC Beijing Office, the Bank took efforts to identify weakness and make improvement, and thoroughly and continuously promoted the corporate governance special activity from the three aspects such as improvement of corporate governance system, improvement of structures of the Board of Directors and the Board of Supervisors, and improvement of information disclosure. The Board of Directors of the Bank reviewed and approved the "Report on Continuous Rectification in the Special Activity of Corporate Governance" and had disclosed to the public.

Compliance with the Code on Corporate Governance Practices

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

Board of Directors and Special Committees

Composition of the Board of Directors

During the reporting period, the Board of Directors consisted of 15 Directors, including four Executive Directors, namely Mr. Jiang Jianqing, Mr. Yang Kaisheng, Mr. Zhang Furong and Mr. Niu Ximing, seven Non-executive Directors, namely Mr. Fu Zhongjun, Mr. Kang Xuejun, Mr. Song Zhigang, Mr. Wang Wenyan, Ms. Zhao Haiying, Mr. Zhong Jian'an, and Mr. Christopher A. Cole, and four Independent Non-executive Directors, namely Mr. Leung Kam Chung, Antony, Mr. John L. Thornton, Mr. Qian Yingyi and Mr. Xu Shanda. On 19 November 2008, Mr. John L. Thornton resigned from the position as an independent non-executive director and members of related special committees of the Board of Directors; on 17 December 2008, Mr. Gao Jianhong, Mr. Li Jun and Mr. Li Xiwen were approved by CBRC to serve as directors of the Bank, and on the same day, Mr. Wang Wenyan, Ms. Zhao Haiying and Mr. Zhong Jian'an ceased to serve as directors of the Bank; on 9 January 2009, Mr. Wong Kwong Shing, Frank was approved by CBRC of the qualification to serve as director of the Bank; on 17 February 2009, Mr. Huan Huiwu, Ms. Li Chunxiang and Mr. Wei Fusheng were approved by CBRC of the qualification to serve as directors of the Bank, and on the same day, Mr. Fu Zhongjun, Mr. Kang Xuejun and Mr. Song Zhigang ceased to serve as directors of the Bank.

Responsibilities and Operation of the Board of Directors

The powers of the Board of Directors include, among others:

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

Meetings of the Board of Directors

The table below illustrates the attendance of directors in meetings of the Board of Directors and special committees in 2008:

Director	Actual attendances/ Number of meetings requiring attendance					
		Under the Board of Directors:				
	Board of Directors	Strategy Committee	Audit Committee	Risk Management Committee	Related Party Transactions Control Sub-committee	Nomination and Compensation Committee
Executive Directors						
Jiang Jianqing	14/14	3/3				
Yang Kaisheng	14/14	3/3				5/5
Zhang Furong	14/14	3/3		4/4		
Niu Ximing	14/14	3/3		4/4		
Non-executive Directors						
Fu Zhongjun[1]	14/14	3/3				5/5
Kang Xuejun[1]	14/14	3/3	5/5	4/4		
Song Zhigang[1]	14/14	3/3		4/4		
Wang Wenyan[1]	13/13	3/3				5/5
Zhao Haiying[1]	13/13	3/3	5/5			
Zhong Jian'an[1]	13/13	3/3		4/4		
Gao Jianhong	1/1					
Li Jun	1/1					
Li Xiwen	1/1					
Christopher A. Cole	14/14	3/3		4/4		
Independent Non-executive Directors						
Leung Kam Chung, Antony	14/14	3/3	5/5	4/4	2/2	4/4
Qian Yingyi	14/14	3/3	5/5	4/4	2/2	5/5
Xu Shanda	14/14	3/3	5/5			5/5
John L. Thornton[1]	13/13	3/3	5/5	4/4	2/2	5/5

Note: (1) Please refer to "Directors, Supervisors and Senior Management and Basic Information on Employees and Institutions — Appointment and Removal" for information on the engagement and replacement of directors.

During the reporting period, the Board of Directors of the Bank held 14 meetings on 16 January, 4 March, 25 March, 29 April, 7 May, 20 May, 22 May, 28 July, 21 August, 2 September, 24 October, 6 November, 19 November and 22 December, including ten onsite meetings and four meetings held in the form of circulation of written proposals. The Board of Directors reviewed 53 proposals, including the Plan for Implementation of the New Basel Capital Accord, the Annual Internal Control Self-evaluation Report, the Annual Corporate Social Responsibility Report, the Regulations for Annual Report Work of Independent Directors, and revisions to the Working Rules of the Audit Committee of the Board of Directors.

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

The Board of Directors of the Bank has completed the implementation of the "Proposal on 2007 Final Accounts", the "Proposal on 2007 Profit Distribution Plan" and the "Proposal on 2008 Fixed Assets Investment Budget" reviewed and approved at the Annual General Meeting for the Year 2007.

In accordance with the "Proposal on the Engagement of Accounting Firms for 2008" reviewed and approved at the Annual General Meeting for the Year 2007, the Board of Directors of the Bank has re-engaged Ernst & Young Hua Ming and Ernst & Young as auditors of the Bank to provide audit services.

In accordance with the "Proposal on Authorizing the Board of Directors to Deal with Matters Relating to the Purchase of Directors', Supervisors' and Officers' Liability Insurance" reviewed and approved at the Annual General Meeting for the Year 2007, and upon approval of the Board of Directors, the liability insurance for directors, supervisors and officers for the years 2008 and 2009 has become effective on 1 August 2008.

In accordance with the "Proposal on the Appointment of Mr. Zhao Lin as a Supervisor of Industrial and Commercial Bank of China Limited" reviewed and approved at the Annual General Meeting for the Year 2007, the appointment of Mr. Zhao Lin has taken effect since 5 June 2008.

In accordance with the "Proposal on the Adjustment to External Donation for 2008 Authorized by the Shareholders' General Meeting to the Board of Directors" reviewed and approved at the Annual General Meeting for the Year 2007, the Board of Directors has completed external donations for 2008 as authorized by the Shareholders' General Meeting.

In accordance with resolutions of the First Extraordinary General Meeting for the Year 2008, Mr. Jiang Jianqing, Mr. Yang Kaisheng, Mr. Zhang Furong and Mr. Niu Ximing were appointed as Executive Directors of the Bank; Mr. Leung Kam Chung, Antony, Mr. John L. Thornton, Mr. Qian Yingyi and Mr. Wong Kwong Shing, Frank were appointed as Independent Non-executive Directors of the Bank; Mr. Huan Huiwu, Ms. Li Chunxiang, Mr. Wei Fusheng, Mr. Gao Jianhong, Mr. Li Jun and Mr. Li Xiwen were appointed as Non-executive Directors of the Bank; and Ms. Wang Chixi was appointed as Shareholder Supervisor of the Bank. The appointment of Mr. Gao Jianhong, Mr. Li Jun and Mr. Li Xiwen were approved by CBRC on 17 December 2008, the appointment of Mr. Wong Kwong Shing, Frank was approved by CBRC on 9 January 2009, and the appointment of Mr. Huan Huiwu, Ms. Li Chunxiang and Mr. Wei Fusheng were approved by CBRC on 17 February 2009.

In accordance with the "Proposed Issue of Subordinated Bonds" reviewed and approved at the First Extraordinary General Meeting for the Year 2008, the Bank will determine the relevant matters in relation to the issuance of subordinated bonds based on actual circumstances.

Implementation of Matters Authorized by the Shareholders' General Meeting

The Board of Directors of the Bank was in strict compliance with the Articles of Association of the Bank and the "Plan on the Authorization of the Shareholders' General Meeting to the Board of Directors", earnestly performed its duties, made decisions in a scientific and prudent manner, and exercised powers within the defined scope of authority. During the reporting period, no matter was beyond the approval authority of the Board.

Responsibilities of Directors in respect of Financial Statements

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

Independence and Performance of Duties of Independent Non-executive Directors

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

During the reporting period, the Bank's Independent Non-executive Directors attended the meetings of the Board of Directors and special committees (with attendance of 100%), and strengthened communications with the Management by means of onsite investigation and informal discussion. The Independent Non-executive Directors of the Bank gave their opinions actively, and provided valuable suggestions on the business development and significant decision-making of the Bank. They also issued independent opinions concerning the continuing connected transactions and external guarantee of the Bank during the reporting period, which reflected the fulfillment of their obligations to remain honest and diligent, and promoted the scientific decision-making of the Board.

Special Committees of the Board of Directors

During the reporting period, the Board of Directors of the Bank had five special committees, namely the Strategy Committee, the Audit Committee, the Risk Management Committee, the Related Party Transactions Control Sub-committee (under the Risk Management Committee) and the Nomination and Compensation Committee. Here follows particulars about the performance of duties by each special committee:

• *Strategy Committee*

The Strategy Committee of the Board of Directors consists of 15 Directors, including Mr. Jiang Jianqing (Chairman of the Board of Directors of the Bank), Mr. Yang Kaisheng (Vice Chairman of the Board of Directors of the Bank), Mr. Zhang Furong, Mr. Niu Ximing, Mr. Fu Zhongjun, Mr. Kang Xuejun, Mr. Song Zhigang, Mr. Wang Wenyan, Ms. Zhao Haiying, Mr. Zhong Jian'an, Mr. Christopher A. Cole, Mr. Leung Kam Chung, Antony, Mr. John L. Thornton, Mr. Qian Yingyi and Mr. Xu Shanda; and Mr. Jiang Jianqing assumes the Chairman of the committee. The committee is mainly responsible for considering the Bank's strategic development plan, business and institutional development plan, major investment and financing plan and other major matters critical to the Bank's development, and making recommendations to the Board.

During the reporting period, the Strategy Committee of the Board held three meetings, and heard nine reports including implementation of the Three-Year Strategic Development Plan, basic consideration of network extension of overseas institutions and opportunities for material mergers and acquisitions. The committee urged the advancement of business transformation and the achievement of the first "Three-Year Plan", explored the contents of the development objective to be "an internationally leading commercial bank", and explored into the development vision of the Bank, providing supports for the strategic decision-making of the Board.

• *Audit Committee*

The Audit Committee of the Board of Directors consists of six Directors, including Mr. Xu Shanda, Mr. Leung Kam Chung, Antony, Mr. John L. Thornton, Mr. Qian Yingyi, Mr. Kang Xuejun and Ms. Zhao Haiying; and Independent Non-executive Director, Mr. Xu Shanda assumes the Chairman of the committee. The committee is mainly responsible for supervising, inspecting and evaluating internal control, financial information and internal audit of the Bank.

SUMMARY REPORT ON THE PERFORMANCE OF DUTIES BY THE AUDIT COMMITTEE:

During the reporting period, the Audit Committee of the Board of Directors held five meetings, reviewed seven proposals including the Plan on Internal Audit Project for 2008, the Internal Control Self-evaluation Report and the engagement of accounting firms, and heard three reports including the internal audit work report. The committee reviewed financial statements of the Bank on a regular basis, and reviewed and approved the annual report, interim report and quarterly reports of the Bank; attached importance to the supervision of external auditors and heard several reports of external auditors concerning annual audit results, management proposal and audit plan; and proposed to the Board of Directors to re-engage Ernst & Young Hua Ming and Ernst & Young to serve as auditors of the Bank for 2008.

During the preparation and audit of the 2008 financial statements, the Audit Committee set out related matters such as audit schedule and arrangement through negotiation with external auditors, conducted supervisions at appropriate time by means of listening to report and holding informal discussion, and reviewed the unaudited and preliminarily audited annual financial statements respectively. The Audit Committee[1] convened a meeting on 20 March 2009, and considered that the annual financial statements truly and completely reflected the financial status of the Bank. The Audit Committee[1] also reviewed the summary of the audit work performed by external auditors for the Bank during the year, made an overall and objective assessment on the performance of external auditors, and agreed to re-engage Ernst & Young Hua Ming and Ernst & Young to serve as the domestic and international auditors of the Bank in 2008, respectively, and to report the above matters to the Board of Directors for review. In addition, the Bank formulated the “Rules for Annual Report Work of the Audit Committee” for the purpose of further clarifying duties and responsibilities of the Audit Committee in the preparation, review and disclosure of annual reports.

• *Risk Management Committee*

The Risk Management Committee of the Board of Directors consists of nine Directors, including Mr. Leung Kam Chung, Antony, Mr. Zhang Furong, Mr. Niu Ximing, Mr. Kang Xuejun, Mr. Song Zhigang, Mr. Zhong Jian’an, Mr. Christopher A. Cole, Mr. John L. Thornton and Mr. Qian Yingyi; and Independent Non-executive Director, Mr. Leung Kam Chung, Antony assumes the Chairman of the committee. The committee is primarily responsible for approving the strategy, policy and procedures of risk management and internal control process, and supervising and evaluating the performance of Senior Management members and risk management department in respect of risk management.

During the reporting period, the Risk Management Committee held four meetings, reviewed and approved proposals such as the Plan for Implementation of the New Basel Capital Accord, and heard annual and interim risk management reports. By establishing objectives of risk management and reviewing significant risk management regulations, the committee supervised and guided the operation of the risk management system, explored risk management tactics in response to the latest development of the market, thereby promoting the efficient operation of the risk management system.

• *Related Party Transactions Control Sub-committee*

The Related Party Transactions Control Sub-committee of the Board of Directors consists of three Independent Non-executive Directors, including Mr. Leung Kam Chung, Antony, Mr. John L. Thornton and Mr. Qian Yingyi; and Mr. Leung Kam Chung, Antony assumes the Chairman of the sub-committee. The sub-committee is primarily responsible for identifying the Bank’s related parties, reviewing the material connected transactions, and accepting the statistics and information concerning the recording of general connected transactions.

During the reporting period, the Related Party Transactions Control Sub-committee held two meetings, and verified and amended the related parties list of the Bank.

• *Nomination and Compensation Committee*

The Nomination and Compensation Committee of the Board of Directors consists of seven Directors, including Mr. Yang Kaisheng (Vice Chairman of the Board of Directors), Mr. Qian Yingyi, Mr. Leung Kam Chung, Antony, Mr. John L. Thornton, Mr. Xu Shanda, Mr. Wang Wenyan and Mr. Fu Zhongjun, and Independent Non-executive Director, Mr. Qian Yingyi is the Chairman of the committee. The committee is mainly responsible for reviewing and supervising the implementation of the Bank’s remuneration and performance evaluation system, making recommendations to the Board of Directors on the selection procedures, qualifications, remuneration system and incentive plans for Directors, Supervisors and Senior Management members of the Bank, and evaluating the performance and conduct of Directors and Senior Management members.

1 The composition of the Audit Committee has been adjusted on 20 March 2009. Please refer to “Changes in the Chairmen and Members of the Special Committees of the Board of Directors” for details of the composition of the Audit Committee after such adjustment.

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

SUMMARY REPORT ON THE PERFORMANCE OF DUTIES BY THE NOMINATION AND COMPENSATION COMMITTEE:

During the reporting period, the Nomination and Compensation Committee of the Board of Directors held five meetings, and reviewed and adopted nine proposals including the remuneration plan of Directors, Supervisors and Senior Management members, the appointments of Senior Management members and the nomination of candidates for directorship.

The Nomination and Compensation Committee reviewed the remuneration of Directors, Supervisors and Senior Management members of the Bank for 2008, and considered that the remuneration as disclosed in the 2008 Annual Report is in accordance with the remuneration policy of the Bank and paid according to relevant regulations. During the reporting period, the Bank has not implemented stock incentive program.

Modification of the Composition and Structure of the Special Committees of the Board of Directors

As considered and approved at the meeting of the Board of Directors dated 20 March 2009, the composition and structure of the special committees of the Board of Directors were modified as below:

The Related Party Transactions Control Sub-committee shall cease to be a sub-committee of the Risk Management Committee and be established as a separate special committee of the Board of Directors as the Related Party Transactions Control Committee.

The Nomination and Compensation Committee shall be divided into two committees, namely the Nomination Committee and the Compensation Committee.

The number of members of the Strategy Committee shall be adjusted and the Strategy Committee shall comprise nine Directors instead of 15.

Changes in the Chairmen and Members of the Special Committees of the Board of Directors

As considered and approved at the meeting of the Board of Directors dated 20 March 2009, the chairmen and members of the special committees of the Board of Directors were revised as below:

Mr. Jiang Jianqing, Chairman of the Board of Directors and Executive Director of the Bank, was appointed as Chairman of the Strategy Committee, and the other members of the Strategy Committee are Mr. Yang Kaisheng, Vice Chairman of the Board of Directors and Executive Director of the Bank, Mr. Leung Kam Chung, Antony, Mr. Qian Yingyi and Mr. Xu Shanda, being Independent Non-executive Directors of the Bank, and Mr. Huan Huiwu, Mr. Gao Jianhong, Mr. Wei Fusheng and Mr. Christopher A. Cole, being Non-executive Directors of the Bank.

Mr. Xu Shanda, Independent Non-executive Director of the Bank, was appointed as the Chairman of the Audit Committee, and the other members of the Audit Committee are Mr. Leung Kam Chung, Antony, Mr. Qian Yingyi and Mr. Wong Kwong Shing, Frank, being Independent Non-executive Directors of the Bank, and Mr. Li Jun and Mr. Wei Fusheng, being Non-executive Directors of the Bank.

Mr. Qian Yingyi, Independent Non-executive Director of the Bank, was appointed as the Chairman of the Nomination Committee, and the other members of the Nomination Committee are Mr. Yang Kaisheng, Vice Chairman of the Board of Directors and Executive Director of the Bank, Mr. Leung Kam Chung, Antony, Mr. Xu Shanda and Mr. Wong Kwong Shing, Frank, being Independent Non-executive Directors of the Bank, and Ms. Li Chunxiang and Mr. Li Xiwen, being Non-executive Directors of the Bank.

Mr. Qian Yingyi, Independent Non-executive Director of the Bank, was appointed as the Chairman of the Compensation Committee, and the other members of the Compensation Committee are Mr. Yang Kaisheng, Vice Chairman of the Board of Directors and Executive Director of the Bank, Mr. Leung Kam Chung, Antony, Mr. Xu Shanda and Mr. Wong Kwong Shing, Frank, being Independent Non-executive Directors of the Bank, and Mr. Huan Huiwu and Mr. Gao Jianhong, being Non-executive Directors of the Bank.

Mr. Leung Kam Chung, Antony, Independent Non-executive Director of the Bank, was appointed as the Chairman of the Risk Management Committee, and the other members of the Risk Management Committee are Mr. Niu Ximing, Executive Director of the Bank, Mr. Qian Yingyi and Mr. Wong Kwong Shing, Frank, being Independent Non-executive Directors of the Bank, and Ms. Li Chunxiang, Mr. Li Jun, Mr. Li Xiwen, Mr. Wei Fusheng and Mr. Christopher A. Cole, being Non-executive Directors of the Bank.

Mr. Wong Kwong Shing, Frank, Independent Non-executive Directors of the Bank, was appointed as the Chairman of the Related Party Transactions Control Committee, and the other members of the Related Party Transactions Control Committee are Mr. Zhang Furong, Executive Director of the Bank, and Mr. Leung Kam Chung, Antony and Mr. Xu Shanda, being Independent Non-executive Directors of the Bank.

Board of Supervisors and Special Committee

Composition of the Board of Supervisors

The Board of Supervisors of the Bank consists of five members, including two Shareholder Supervisors, namely Mr. Zhao Lin and Ms. Wang Chixi, two External Supervisors, namely Mr. Wang Daocheng and Mr. Miao Gengshu, and one Employee Supervisor, Mr. Zhang Wei.

Responsibilities and Operation of the Board of Supervisors

The powers of the Board of Supervisors include, among others:

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

- Present proposals to the Shareholders' General Meeting;
- Propose convening extraordinary general meetings, and convene and preside over such meetings in case the Board of Directors fails to perform its duty of convening shareholders' general meeting;
- Propose convening interim meetings of the Board of Directors;
- Other functions and powers as may be stipulated by applicable laws, administrative regulations, rules or the Articles of Association of the Bank or authorized by the Shareholders' General Meeting.

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

As the day-to-day administrative body for the Board of Supervisors, the Board of Supervisors' Office is responsible for detailed supervisory work and the preparation of meetings of the Board of Supervisors and its special committee.

Supervision Committee

As the special committee of the Board of Supervisors, the Supervision Committee operates in accordance with the authorization of the Board of Supervisors and reports to the Board of Supervisors. The committee consists of at least three Supervisors.

The Supervision Committee has one head member assumed by an External Supervisor. The head member is nominated by the Chairman of the Board of Supervisors, and is appointed by the Board of Supervisors. The removal of the head member shall be determined by the Board of Supervisors. The Supervision Committee consists of three Supervisors, including Mr. Wang Daocheng, Ms. Wang Chixi and Mr. Miao Gengshu; and Mr. Wang Daocheng is the head member of the committee. The daily operation of the committee is conducted by the Board of Supervisors' Office.

The powers of the Supervision Committee include, among others:

- Formulate plans for the inspection and supervision of the financial activities of the Bank;
- Formulate plans for the audits on retiring, leaving or serving Directors, President and other Senior Management members;
- Formulate plans for the audits on business policies, risk management and internal control of the Bank when necessary;
- Other functions and duties as may be authorized by the Board of Supervisors.

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

Internal Control

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

During the reporting period, the Board of Directors of the Bank, in accordance with the "Basic Standard for Enterprise Internal Control", continued to improve internal control regulations, plans and evaluation measures, strengthened the construction of basic regulations concerning internal control, revised related working rules, launched corporate governance assessment, improved the authorization management mechanism, strengthened the regular communication, coordinated operation and information sharing mechanism of the "Shareholders' General Meeting, Board of Directors, Board of Supervisors and Senior Management", and shaped the mechanism and system that was favorable to scientific development featured by scientific decision-making, sound operation, effective supervision and perfect governance.

During the reporting period, the Bank formulated unified punitive standards of violations, strengthened internal control incentive and restrictive mechanism by relying upon the assessment of branch heads' operating performance, further solidified the inspection and supervisory mechanism with mutual coordination and cooperation among specialized departments, internal control departments and independent internal audit departments at all levels, and consolidated the internal control system with full coverage and whole-process control of operations management activities and involvement of all the employees.

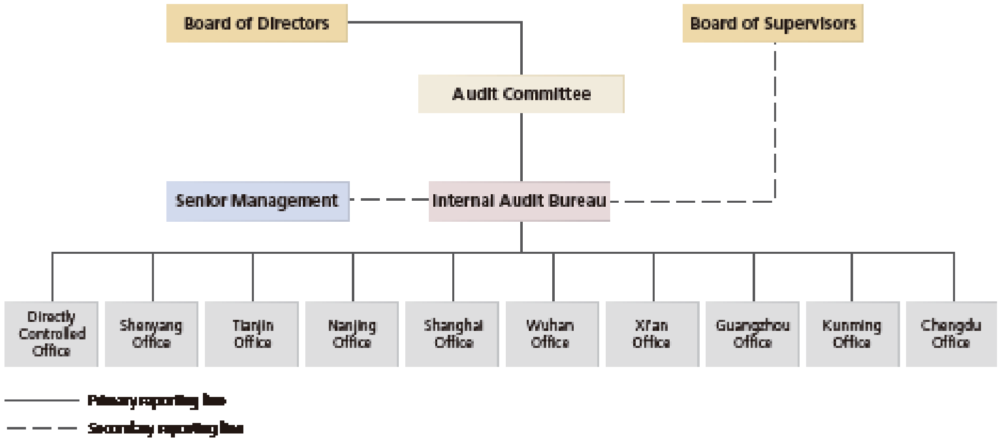
During the reporting period, the Bank paid close attention to domestic and overseas situations, continuously improved risk management capacity, achieved preliminary benefits from the building of basic credit risk and market risk projects represented by the Internal Ratings-based Approach Project and the core system of market risk management, and made progress in operational risk monitoring and AMA project. Centering upon the building of process bank, the Bank optimized resource allocation among institutions and advanced the integration of its business operation on the principle of separation of front, middle and back offices. The Bank also improved the accounting and financial information disclosure system by focusing on the quality of accounting information, and continuously carried forward the upgrading of computer hardware and software to strengthen the rigid IT control over operational activities. Besides, the Bank raised the internal control level throughout the Bank through finance, credit, treasury, IT, connected transaction and other special audit activities. The Bank fulfilled the goals set out in the "Three-year Plan of Internal Control System Building (2006–2008)" and embarked on the preparation of the second three-year plan according to new requirements of international environment, domestic regulation and supervision and development vision of the Bank with a view to advancing the sustainable development of a scientific, sound and effective internal control system and facilitating the complete realization of development strategies and operating objectives of the Bank.

The Board of Directors of the Bank has assessed the internal control system of the Bank and considered the internal control system has generally met the requirements in terms of its completeness, reasonableness and effectiveness. During the reporting period, the Bank, in accordance with the regulatory requirements including the "Basic Standard for Enterprise Internal Control", the "Guidance on Internal Control of Commercial Banks" and the "Guide of Shanghai Stock Exchange to Internal Control of Listed Companies", further improved internal control evaluation approaches, performed the self-evaluation of internal control in 2008, and formed the Internal Control Self-evaluation Report on this basis.

Internal Audit

In 2008, the Bank strengthened the building of a vertical and independent internal audit system, set up the framework on standardization of audit management and practice, pushed forward IT application on audit in an orderly way, and enhanced the performance of internal audit by employing advanced audit approaches and techniques and taking effective measures. Aiming at providing value-added service, risk-oriented internal audit acted in line with the development strategies of the Bank and in response to changes in financial and economic environment, actively fulfilled the responsibilities of supervision and assessment, coordinated with external auditors in fulfilling the annual audit plan, and strengthened the monitoring and audit upon major risks, thus duly supporting and serving the implementation of development strategies of the Bank.

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



During the reporting period, the internal audit activities focused on the effectiveness of risk management, internal control and corporate governance process of the Bank, completed the assessment on the internal control effectiveness, performed operating performance audit and connected transactions audit and investigation, audited and assessed the risk related to credit business, e-banking, treasury operation, product innovation and information technology system, conducted assessment on the implementation of globalization strategy, and audited several domestic and overseas subsidiaries in the scope of consolidation, thus achieving a basic coverage over the business, institutions and risks of the Bank.

Chairman of the Board of Directors and President

Pursuant to code provision A.2.1 of the Code (Appendix 14 to the Hong Kong Listing Rules) and the Articles of Association of the Bank, the positions of Chairman and President are set separately, and the position of Chairman shall not be assumed by the legal representative or the person-in-charge of the controlling shareholder.

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

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

Powers and Functions of the Senior Management

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

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

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

Securities Transactions of Directors and Supervisors

The Bank has adopted a set of codes concerning securities transactions of Directors and Supervisors not less stringent than the standards set out in the Model Code for Securities Transactions by Directors of Listed Issuers, Appendix 10 to the Hong Kong Listing Rules. Through reasonable enquiries, the Bank is satisfied that in the year ended 31 December 2008, all Directors and Supervisors have complied with the provisions of the aforesaid code.

Tenure of Directors

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

Auditors' Remuneration

The Annual General Meeting for the Year 2007 held on 5 June 2008 adopted the "Proposal on the Engagement of Accounting Firms for 2008", and approved the re-engagement of Ernst & Young Hua Ming and Ernst & Young as the domestic auditor and international auditor of the Bank for 2008 respectively, and approved the related audit fees. The Bank has engaged the above two accounting firms to provide audit services for three consecutive years since its IPO, and did not replace auditors during the past three years.

During the reporting period, the Group paid Ernst & Young and its member institutions a total fee of RMB181 million for the audit of financial statements (including the audit of financial statements of subsidiaries and overseas branches), of which, RMB171 million was paid by the Bank.

During the reporting period, Ernst & Young and its member institutions provided the Group with non-audit services such as due diligence on acquisitions and review of internal control, and received RMB14 million for such professional non-audit services.

Shareholders' Rights

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

The Bank diligently performed its obligation of information disclosure to ensure the shareholders' right of information. Following the principles of authenticity, accuracy, completeness and timeliness, the Bank has complied with regulatory regulations on information disclosure in Hong Kong and Shanghai, strengthened the management of information disclosure, and performed the obligation of information disclosure honestly and diligently, striving to enhance information disclosure and corporate transparency of the Bank. During the reporting period, the Bank revised the "Administrative Measures on Internal Reporting of Significant Information (Trial)" according to latest regulatory requirements, and formulated the "Regulations for Annual Report Work of Independent Directors", thereby further improving the information disclosure policy. The Bank also established the daily liaison system of information disclosure, and formed a regulated mechanism of information collection and transmission.

The Bank ensured that the shareholders could exercise their rights of participation and voting equally in meetings. During the reporting period, the date, content and delivery method of notice of shareholders' general meeting, the mode of announcement, and procedures for shareholders' proposals complied with relevant provisions of the Company Law of the People's Republic of China and the Articles of Association of the Bank, ensuring that shareholders could exercise their right of participation. As a company listed in Shanghai and Hong Kong, the Bank held the Annual General Meeting for the Year 2007 on 5 June 2008 in the form of video conference concurrently in Beijing and Hong Kong to ensure that domestic and overseas shareholders have the same right to participate in the shareholders' general meeting, which facilitated shareholders to attend the meeting, exercise their voting rights, participate in discussions and present suggestions.

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

A Shares: China Securities Depository and Clearing Corporation Limited, Shanghai Branch
36/F, China Insurance Building, 166 East Lujiazui Road, Pudong New Area, Shanghai, PRC
Telephone: 86-21-58708888
Facsimile: 86-21-58899400

H Shares: Computershare Hong Kong Investor Services Limited
Rooms 1806–1807, 18/F, Hopewell Center, 183 Queen's Road East, Wanchai, Hong Kong
Telephone: 852-28628628
Facsimile: 852-28650990/852-25296087

Investor Relations

Overview of Investor Relations Activities in 2008

In 2008, the Bank continuously promoted the sustained development of investor relations service with the aim to building a "standard, efficient, sophisticated and interactive" investor relations service platform.

The Bank continued to strengthen proactive and all rounded communications with investors through various methods, such as domestic and overseas non-listing road shows, results publicity meetings, large group promotions and reverse road shows. The Bank also continued to optimize the investor communication e-platform including investor relations website, investor hotlines and investor email to maintain close connection with global investors in a timely and convenient fashion.

The Bank actively facilitated internal transmission of feedbacks from capital markets, and collected and analyzed investors' basic viewpoints on business results of the Bank, significant focused issues and their opinions concerning operational development of the Bank, with a view to enhancing corporate governance and inherent value of the Bank. The Bank also monitored closely and analyzed in a timely manner the equity structure changes, explored reasons of stock price fluctuations, strengthened its exchanges with shareholders, and properly addressed special equity related matters and preparation of dividend distribution to advance sophisticated and individualized equity service. In addition, the Bank further improved the information gathering mechanism of investor relations, and acquired in a timely manner the latest performance of the Bank, operation of domestic and international peers, movement of capital markets, viewpoints of analysts and macro-economic data, thereby providing sound data support for enhancing the communications with investors.

The exploration and innovation of the Bank in investor relations management was widely affirmed at the capital markets. In the selection held by *IR Magazine*, the Bank won the award of the "Best Investor Relations by a Chairman" and "Best Investor Relations by a CEO" in Mainland China in 2008.

In 2009, the Bank will further deepen its communications with investors to enable them to have more knowledge of the Bank and also expect more attention and support from investors.

Investor Enquiries

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

Telephone: 86-10-66108608
Facsimile: 86-10-66108522
E-mail: ir@icbc.com.cn
Address: Corporate Strategy and Investor Relations Department, Industrial and Commercial Bank of China Limited,
55 Fuxingmennei Avenue, Xicheng District, Beijing, PRC
Postal code: 100140

Other Information

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

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

Introduction to the Shareholders' General Meeting

During the reporting period, the Bank convened one annual general meeting and one extraordinary general meeting which reviewed and approved a total of 25 proposals. Each meeting was convened in compliance with relevant legal procedures which assured shareholders' participation and exercise of rights. These meetings were held in the presence of lawyers who also issued legal opinions. Details of the meetings are as follows:

Annual General Meeting

The Annual General Meeting for the Year 2007 was held on 5 June 2008 in Beijing and Hong Kong concurrently by video conference. The announcement of the poll results of the annual general meeting was published on the website of SEHK on 5 June 2008, and in the newspaper designated for information disclosure and on the websites of SSE and the Bank on 6 June 2008.

Extraordinary General Meeting

The First Extraordinary General Meeting for the Year 2008 of the Bank was held in Beijing on 27 October 2008. The announcement on the poll results of the above extraordinary general meeting was published on the website of SEHK on 27 October 2008, and in the newspaper designated for information disclosure and on the websites of SSE and the Bank on 28 October 2008.

Report of the Board of Directors

Principal Business

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

Profits and Dividends Distribution

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

With approval of the Annual General Meeting for the Year 2007 dated 5 June 2008, the Bank has distributed cash dividends of RMB44,425 million, or RMB1.33 per ten shares (including tax), for the period from 1 January 2007 to 31 December 2007 to the shareholders who appeared on the share register as at 17 June 2008.

The Board of Directors of the Bank proposed a cash dividend of RMB1.65 per ten shares (including tax), totaling RMB55,113 million, for the financial year ended 31 December 2008, which will be subject to the approval at the forthcoming Annual General Meeting for the Year 2008.

Reserves

Changes in the reserves during 2008 are set out in the "Financial Statements: Consolidated Statement of Changes in Equity".

Distributable Reserves

Details of the distributable reserves of the Bank as at 31 December 2008 are set out in "Note 40 to the Financial Statements: Reserves".

Financial Summary

The summary of results, assets and liabilities for the five years ended 31 December 2008 is set out in the section headed "Financial Highlights" of this Annual Report.

Donations

During the reporting period, the Bank made external donations of approximately RMB90 million (excluding personal donations of employees).

Property and Equipment

Changes in property and equipment for the year ended 31 December 2008 are set out in "Note 30 to the Financial Statements: Property and Equipment" in this Annual Report.

Subsidiaries

Particulars of the Bank's principal subsidiaries as at 31 December 2008 are set out in the section of "Discussion and Analysis — Business Overview — International and Diversified Operation" and "Note 28 to the Financial Statements: Investments in Subsidiaries" in this Annual Report.

Share Capital and Public Float

Changes in the issued share capital of the Bank during the financial year ended 31 December 2008 are set out in "Note 39 to the Financial Statements: Share Capital".

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

Purchase, Sale or Redemption of Shares

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

Details of Issuance of Shares

On 27 September 2007, ICBC (Asia) announced the issuance of 126,625,283 warrants exercisable during the period from 7 November 2007 to 6 November 2008, which has been disclosed in the 2007 Annual Report. Upon the expiry, 91,261,178 warrants were exercised, of which the Bank exercised all the 87,551,252 warrants it held (11,212,592 warrants were exercised during the reporting period).

Save for the aforementioned, neither the Bank nor any of its subsidiaries were involved in any issuance, repurchase or grant of convertible securities, options, warrants or other similar rights during the reporting period.

Pre-emptive Rights

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

Major Customers

In 2008, the aggregate interest income and other operating income from top five customers of the Bank did not exceed 30% of the interest income and other operating income of the Bank in the year.

Use of IPO Proceeds

The IPO proceeds of the Bank were used for the purposes disclosed in the prospectus, namely, strengthening the capital base to support the ongoing growth of the Bank.

Material Investment of Funds not Raised from the IPO

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

Directors' and Supervisors' Interests in Contracts of Significance

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

Directors' Interests in Competing Business

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

Directors' and Supervisors' Rights to Acquire Shares or Debentures

As at 31 December 2008, the Bank did not grant any rights to acquire shares or debentures to any of its Directors or Supervisors, nor were any such rights exercised by any of the Directors or Supervisors. Neither Bank nor its subsidiaries entered into any agreement or arrangement enabling the Directors or Supervisors to acquire benefits by means of the acquisition of shares in or debentures of the Bank or any other body corporate.

Interests in Shares, Underlying Shares, and Debentures Held by Substantial Shareholders and other Persons

As at 31 December 2008, none of the Directors or Supervisors of the Bank had any interests or short positions in the shares, underlying shares or debentures of the Bank or any of its associated corporations (as defined in Part XV of the Securities and Futures Ordinance of Hong Kong) which have to be notified to the Bank and SEHK under Sections 7 and 8 of Part XV of the Securities and Futures Ordinance of Hong Kong (including interests or short positions therein that they shall be deemed to have pursuant to such provisions of the Securities and Futures Ordinance of Hong Kong), or any interests or short positions which have to be recorded in the register under Section 352 of the Securities and Futures Ordinance of Hong Kong, or any interests or short positions which have to be notified to the Bank and SEHK pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Hong Kong Listing Rules.

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

Connected Transactions

Continuing Connected Transactions Defined under the Hong Kong Listing Rules

• Continuing Connected Transactions with the BEA Group

The Bank of East Asia, Limited ("BEA" and, together with its associates, the "BEA Group") holds 25% equity interest in ICEA, a non-wholly owned subsidiary of the Bank. According to the Hong Kong Listing Rules, BEA is a substantial shareholder of a subsidiary of the Bank, therefore, BEA and its associates are connected persons of the Bank.

During the reporting period, the Bank engaged in fixed-income securities transactions, foreign exchange transactions, derivatives transactions, money market instruments transactions and forfaiting transactions with the BEA Group on normal commercial terms. Such transactions constitute connected transactions of the Bank.

In order to document the foregoing continuing connected transactions, the Bank and BEA Group entered into an inter-bank transactions master agreement (the "Inter-bank Transactions Master Agreement") on 26 September 2006, which came into effect when the Bank was listed. Pursuant to the agreement, the Bank and BEA Group agreed that the above-mentioned transactions shall be conducted in accordance with applicable normal inter-bank market practices and on normal commercial terms. Such transactions are conducted in the usual course of the Bank's business. The Inter-bank Transactions Master Agreement is valid for a period of three years starting from the date of signing and, with the consent of both parties, may be extended for another three years upon expiration.

At the time of the IPO, the Bank applied to SEHK for a waiver under 14A.42(3) of the Hong Kong Listing Rules:

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

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

During the reporting period, the amount of transactions between the Bank and the BEA Group totaled RMB2,206 million.

• Non-exempt Continuing Connected Transactions with Credit Suisse Group

Credit Suisse ("Credit Suisse", and together with its associates, the "Credit Suisse Group") holds a 25% equity interest in ICBC Credit Suisse Asset Management Co., Ltd., a non-wholly owned subsidiary of the Bank. In accordance with the Hong Kong Listing Rules, Credit Suisse is a substantial shareholder of a subsidiary of the Bank, therefore, Credit Suisse and its associates are connected persons of the Bank.

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

In order to document the foregoing continuing connected transactions, the Bank and Credit Suisse entered into a master services agreement (the "Credit Suisse Master Services Agreement") on 26 September 2006, which came into effect when the Bank was listed. Pursuant to the agreement, the Bank and Credit Suisse Group agreed to conduct the above-mentioned transactions according to applicable normal market practices and on normal commercial terms. Such transactions are conducted in the usual course of the Bank's business. The Credit Suisse Master Services Agreement is valid for a period of three years starting from the date of signing and, with the consent of both parties, may be extended for another three years upon expiration.

At the time of the IPO, the Bank applied to SEHK for a waiver under Rule 14A.42(3) of the Hong Kong Listing Rules:

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

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

During the reporting period, transactions between the Bank and Credit Suisse Group under the Credit Suisse Master Services Agreement amounted to RMB37,993 million.

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

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

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

CONFIRMATION BY AUDITORS ON CONTINUING CONNECTED TRANSACTIONS

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

1. Such transactions were approved by the Board of Directors of the Bank;
2. Such transactions were conducted in accordance with the pricing policies of the Bank; and
3. Such transactions were conducted in accordance with relevant agreements governing these transactions.

Connected Transactions as Defined by the SSE Listing Rules

• *Connected Transactions with Goldman Sachs and SSF*

During the reporting period, Goldman Sachs and SSF once held over 5% of the shares in the Bank, respectively. Pursuant to the provisions of the SSE Listing Rules, both of Goldman Sachs and SSF were connected persons of the Bank as at the end of 2008.

Please refer to "Note 46 to the Financial Statements: Related Party Disclosures" for particulars on the connected transactions the Bank entered into with Goldman Sachs and SSF during the reporting period. In the opinion of the Bank, all such transactions were carried out in the usual course of the Bank's business and on normal commercial terms and will not affect the independence of the Bank.

Connected Transactions as Defined by the Accounting Standards

Please refer to "Note 46 to the Financial Statements: Related Party Disclosures" for particulars on the connected transactions between the Bank and MOF, Huijin and other connected persons.

Remuneration Policy for Directors, Supervisors and Senior Management

The Bank has clearly documented the remuneration policy for Directors, Supervisors and Senior Management, and has continuously improved the performance assessment mechanism and incentive and restriction mechanism. In accordance with the principle of combining incentives with restrictions, corporate value with shareholders' value and individual performance with team contribution, the Bank adopted a system composed of balanced scorecard-based indicators for the management and duties-based indicators for individuals. The Bank has contributed to statutory retirement programs sponsored by Chinese governmental organizations at different levels for employees including Executive Directors, Supervisors (except External Supervisors) and Senior Management. Upon obtaining all applicable approvals, the Bank will implement a long-term incentive program. As at 31 December 2008, the Bank had not granted any share appreciation rights to any Director, Supervisor, member of the Senior Management, or other key personnel designated by the Board of Directors.

Auditors

The 2008 Financial Statements of the Bank prepared in accordance with CASs were audited by Ernst & Young Hua Ming, and the financial statements prepared in accordance with the IFRSs were audited by Ernst & Young.

Members of Board of Directors

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

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

Independent Non-executive Directors: Mr. Leung Kam Chung, Antony, Mr. Qian Yingyi, Mr. Xu Shanda, and Mr. Wong Kwong Shing, Frank.

By order of the Board of Directors

Jiang Jianqing
Chairman

Meetings of the Board of Supervisors and its Special Committee

Meetings of the Board of Supervisors

During the reporting period, the Board of Supervisors held eight meetings, reviewed and approved 12 proposals including 2007 final accounts, 2007 Annual Report and its abstract, the profit distribution plan, periodical reports of 2008 and supervision report, and heard 14 reports.

ATTENDANCE OF SUPERVISORS IN MEETINGS OF THE BOARD OF SUPERVISORS

Supervisor	Actual attendances/Number of meetings requiring attendance	Attendance rate (%)
Zhao Lin	5/5	100
Wang Weiqiang[(1)]	4/4	100
Wang Chixi	8/8	100
Wang Daocheng	8/8	100
Miao Gengshu	8/8	100
Zhang Wei	8/8	100

Note: (1) Please refer to "Directors, Supervisors and Senior Management and Basic Information on Employees and Institutions — Appointment and Removal".

Meetings of the Supervision Committee

During the reporting period, the Supervision Committee held five meetings, reviewed and approved seven proposals including the 2008 Work Report of the Supervision Committee and the Plan on Supervision and Inspection of the Board of Supervisors for 2008, and heard 12 reports.

ATTENDANCE OF SUPERVISORS OF THE SUPERVISION COMMITTEE IN MEETINGS OF THE SUPERVISION COMMITTEE

Supervisor of the Supervision Committee	Actual attendances/Number of meetings requiring attendance	Attendance rate (%)
Wang Daocheng	5/5	100
Wang Chixi	5/5	100
Miao Gengshu	5/5	100

Work of the Board of Supervisors

During the reporting period, the Board of Supervisors carried out profound supervision and inspection in accordance with applicable laws and regulations and the Articles of Association of the Bank and focusing on major operational decision-making and implementation processes of the Bank, and all its members performed their duties and responsibilities diligently, and took great efforts to further improve corporate governance of the Bank, boost sustained and sound growth of business lines and safeguard the interests of the Bank, shareholders and employees.

The Board of Supervisors strengthened financial supervision and further improved the level of financial management. The Board of Supervisors reviewed the profit distribution plan, final accounts and periodical reports for disclosure submitted by the Board of Directors to the Shareholders' General Meeting and heard external auditor's special reports. To reinforce the supervision upon daily financial activities, the Board of Supervisors performed special inspections or investigations upon financial receipts and disbursements, accounting items, financial data gathering and statements preparation, asset disposals and centralized purchases of eight business departments of the Head Office and 32 branches, delivered 45 inquiry letters and four inspection proposals, to which relevant departments and branches all responded actively.

The Board of Supervisors reinforced the supervision upon risk and internal control to advance compliant and sound operation. The Board of Supervisors placed emphasis upon significant events in the operations management, risk management and internal control of the Bank, and learnt in a timely manner the impact of economic and financial changes upon the asset quality of the Bank. On the basis of offsite monitoring, the Board of Supervisors made special inspections or investigations upon the liquidity management, management of bond assets, property loans, small enterprise loans, personal loans, lending interest rates, decision-making procedures of acquisitions, management of connected transactions and improvement of information disclosure regulations, then prepared the supervisory reports and raised pertinent recommendations to the Management.

The Board of Supervisors strengthened the supervision upon performance of duties to boost effective performance under applicable laws. The Board of Supervisors supervised the Board of Directors, the Senior Management and their members in respect of compliance with applicable laws and regulations and the Articles of Association of the Bank, their performance of duties and powers, and implementation of the resolutions of the Shareholders' General Meeting, the rules of procedures and related reporting regulations. Pursuant to the "Supervisory Measures of the Board of Supervisors on the Board of Directors, the Senior Management and Their Members", the Board of Supervisors launched the supervision and assessment upon performance of duties by Directors and Senior Management members in 2007 and fed its supervisory and assessment opinions back to Directors and Senior Management members. The Board of Supervisors also carried out special inspections upon the implementation of the Regulations for Annual Report Work of Independent Directors and work of the 2007 Annual Report of the Bank.

The Board of Supervisors enhanced self-development to better fulfill its supervisory duties. The Board of Supervisors preliminarily completed its re-election, and elected the new chairman and shareholder supervisor. The seminar on the work of the Board of Supervisors was held to discuss working methods and clarify working approaches. Supervisors attended the meetings of the Board of Supervisor, the Shareholders' General Meeting and the Board meetings (as non-voting attendees), studied the proposals in earnest, and put forth their opinions and suggestions. In addition to participating into the training sessions of CSRC Beijing Office, supervisors launched deeper and wider investigations, heard the work reports of 12 departments and offices of the Head Office and visited nine provincial branches and operations in Hong Kong and Macau. The Supervisors also attended the training courses held by the Beijing Securities Regulatory Bureau.

Independent Opinions of the Board of Supervisors on Relevant Issues

Legal Operation

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

Authenticity of Financial Statements

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

Use of IPO Proceeds

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

Purchase and Disposal of Assets

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

Connected Transactions

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

Implementation of Resolutions Passed at the Shareholders' General Meeting

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

Explanation concerning Internal Control by the Board of Directors

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

Material Legal Proceedings and Arbitration

The Bank is involved in several legal proceedings in the ordinary course of business. Most of these legal proceedings involve enforcement claims initiated by the Bank to recover payment on non-performing loans, and some were arisen from disputes with customers. As at 31 December 2008, the amount of unresolved legal proceedings which the Bank and/or its subsidiaries was/were defendant totaled RMB3,292 million. The Bank does not expect any material adverse effect on the business, financial position or operational results.

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

SECURITIES INVESTMENT

S/N	Type	Stock code	Stock name	Initial investment cost (RMB)	Shares held (10,000)	Book value at the end of the reporting period (RMB)	Percentage of total securities investment at the end of the reporting period (%)	Gain/(loss) during the reporting period (RMB)
1	Stock	3988 (Hong Kong, China)	BOC	29,029,844	1,000	18,695,697	100	(13,463,353)
Other securities investment held as at the end of the reporting period					—			
Gain/(loss) from sale of securities investment during the reporting period				—	—	—	—	
Total				**29,029,844**	**—**	**18,695,697**	**100**	**(13,463,353)**

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

SHARES IN OTHER LISTED COMPANIES HELD BY THE BANK

Stock code	Stock name	Initial investment cost (RMB)	Percentage of the investee's share capital (%)	Book value at the end of the reporting period (RMB)	Gain/(loss) during the reporting period[(2)] (RMB)	Change in owner's equity during the reporting period (RMB)	Accounting item	Source of shares
SBK (South Africa)	Standard Bank Group	33,340,405,522	20.07	28,258,086,468	1,977,497,759	(6,512,288,345)	Long-term equity investment	Investment with self-owned capital
966 (Hong Kong, China)	CHINA INSURANCE	344,185,970	6.82	1,008,422,312	8,595,161	(951,621,096)	Available-for-sale financial assets	Purchase from market
601998	CNCB	149,999,600	0.07	99,827,320	1,383,617	(162,671,980)	Available-for-sale financial assets	Purchase from market
1688 (Hong Kong, China)	ALIBABA	131,782,620	0.20	48,727,230	(71,863,511)	(143,741,428)	Available-for-sale financial assets	Purchase from market
600744	HHEP	25,779,158	3.60	76,890,000	—	(130,200,400)	Available-for-sale financial assets	Consolidation with trust investment company
001740 (Korea)	SK Networks	10,063,627	0.10	10,929,127	—	(27,759,848)	Available-for-sale financial assets	Debt-equity swap
94 (Hong Kong, China)	OMNICORP	9,263,010	1.25	826,278	—	(2,401,800)	Available-for-sale financial assets	Purchase from market
000430	ZTDC	2,000,000	3.33	24,847,200	—	(43,146,000)	Available-for-sale financial assets	Consolidation with trust investment company
4642 (Malaysia)	YHS	500,091	0.02	54,459	5,623	(38,333)	Available-for-sale financial assets	Purchase from market
532 (Singapore)	EQUATION CORP LTD	152,816	<0.01	7,123	—	(13,151)	Available-for-sale financial assets	Purchase from market
000886	HAINAN EXPRESSWAY	112,500	0.02	207,589	—	(730,769)	Available-for-sale financial assets	Consolidation with trust investment company

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

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

SHARES IN UNLISTED FINANCIAL ENTERPRISE HELD BY THE BANK

Company	Initial investment cost (RMB)	Shares held (10,000)	Shareholding percentage (%)	Book value at the end of the reporting period (RMB)	Gain/(loss) during the reporting period (2) (RMB)	Change in owner's equity during the reporting period (RMB)	Accounting item	Source of shares
Tai Ping Insurance Company Ltd.	172,585,678	N/A	7.93	62,489,056	—	—	Available-for-sale financial assets	Investment of proprietary fund
China UnionPay Co., Ltd	146,250,000	11,250.00	3.90	146,250,000	1,800,000	—	Available-for-sale financial assets	Investment of proprietary fund
Xiamen International Bank	102,301,500	N/A	18.75	102,301,500	—	—	Available-for-sale financial assets	Investment of proprietary fund
Guangdong Development Bank	52,465,475	2,379.22	0.21	52,465,475	—	—	Available-for-sale financial assets	Investment of proprietary fund
China Ping An Insurance (HK) Co., Ltd.	14,134,025	27.50	25.00	25,275,066	(12,119,107)	(2,177,083)	Long-term equity investment	Investment of proprietary fund
Joint Electronic Teller Services Limited	10,158,374	0.0024	0.03	9,733,564	2,592,205	—	Available-for-sale financial assets	Investment of proprietary fund
Yueyang City Commercial Bank	3,500,000	353.64	1.59	3,500,000	—	—	Available-for-sale financial assets	Investment of proprietary fund
Luen Fung Hang Insurance Co., Ltd.	1,518,440	2.40	6.00	1,484,579	143,756	—	Available-for-sale financial assets	Investment of proprietary fund
Guilin City Commercial Bank	420,000	113.61	0.28	420,000	215,856	—	Available-for-sale financial assets	Investment of proprietary fund
Nanchang City Commercial Bank	300,000	39.00	0.03	390,000	—	—	Available-for-sale financial assets	Investment of proprietary fund
Total	**503,633,492**	—	—	**404,309,240**	**(7,367,290)**	**(2,177,083)**	—	—

Notes: (1) The shares in Tai Ping Insurance Company Ltd and China Ping An Insurance (HK) Co., Ltd. were held by ICBC (Asia), a controlling subsidiary of the Bank; shares in Joint Electronic Teller Services Limited were held by ICBC (Asia) and Seng Heng Bank, controlling subsidiaries of the Bank, and shares in Luen Fung Hang Insurance Co., Ltd. were held by Seng Heng Bank.

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

PURCHASE AND SALE OF SHARES IN OTHER LISTED COMPANIES

	Stock name	Shares held at the beginning of the reporting period	Shares bought/ sold during the reporting period	Shares held at the end of the reporting period	Fund utilized (RMB)	Investment income generated (RMB)
Buy	—	—	550,000	—	3,174,300	—
Sell	—	146,648,994	24,662,107	122,536,887	—	132,274,437

Material Asset Acquisition, Disposal and Merger

The information on the acquisition of shares and warrants in ICBC (Asia), acquisition of shares in Seng Heng Bank and acquisition of 20% equity interests in Standard Bank was included in the 2007 Annual Report. The announcements on the completion of the above three transactions were published in the *China Securities Journal*, *Shanghai Securities News* and *Securities Times* and at the websites of SSE, SEHK and the Bank in January and March 2008 respectively.

Execution of Share Incentive Plan

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

Material Related Party Transactions

During the reporting period, the Bank had not entered into any material related party transactions.

Material Contracts and Performance of Obligations thereunder

Material Trust, Sub-contract and Lease

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

Material Guarantees

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

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

In accordance with the "Circular Concerning Several Issues on Regulating Fund Transfers between Listed Companies and Their Related Parties and External Guarantee of Listed Companies" (ZH.J.F [2003] No. 56) issued by CSRC and relevant provisions of SSE, we, in the capacity of Independent Non-executive Directors of the Bank, reviewed external guarantees of the Bank on the principle of fairness, impartiality and objectivity, and hereby give our special explanation and opinions as follows; upon review, external guarantee provided by the Bank mainly focuses on issuance of letters of guarantee, which is one of the ordinary banking services within the business scope of the Bank as approved by PBOC and CBRC. As at 31 December 2008, the balance of letters of guarantee offered by the Bank totaled RMB217,071 million.

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

Leung Kam Chung, Antony

Qian Yingyi

Xu Shanda

Wong Kwong Shing, Frank

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

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

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

Occupation of Fund by Controlling Shareholder and Other Related Parties

None of the controlling shareholder or related parties of the Bank occupied any fund of the Bank. The auditors have issued the "Special Explanation on the Occupation of Fund by Controlling Shareholder and Other Related Parties of Industrial and Commercial Bank of China Limited in 2008".

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

The shareholders made no new commitments during the reporting period, and the commitments lasting to this reporting period is the same as that disclosed in the 2006 Annual Report. As at 31 December 2008, all commitments made by the shareholders were properly fulfilled.

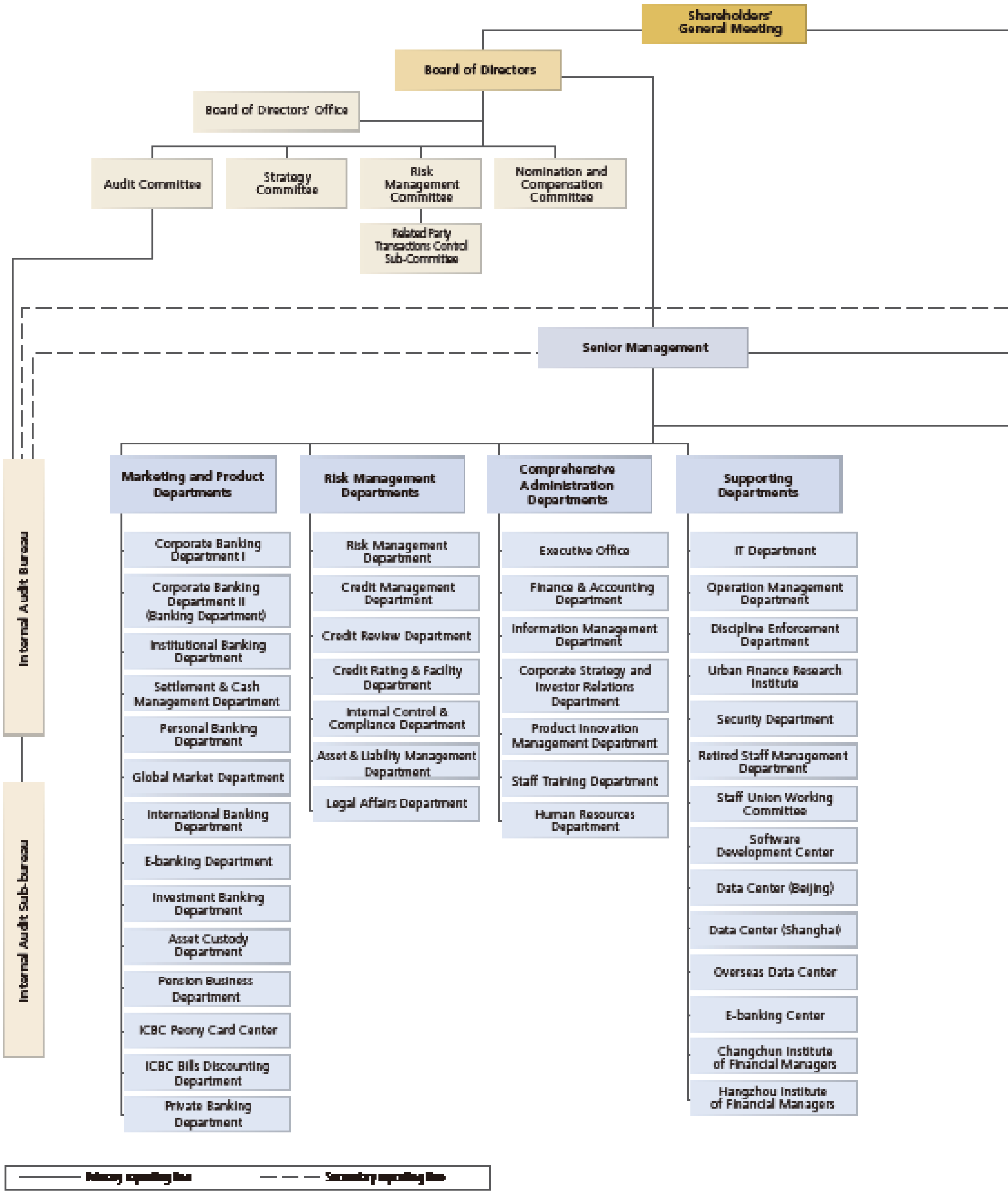
Investigations, Administrative Penalties, Censures by CSRC; Public Reprimand by Stock Exchanges; and Sanctions Imposed by Other Regulatory and Judicial Authorities during the Reporting Period

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

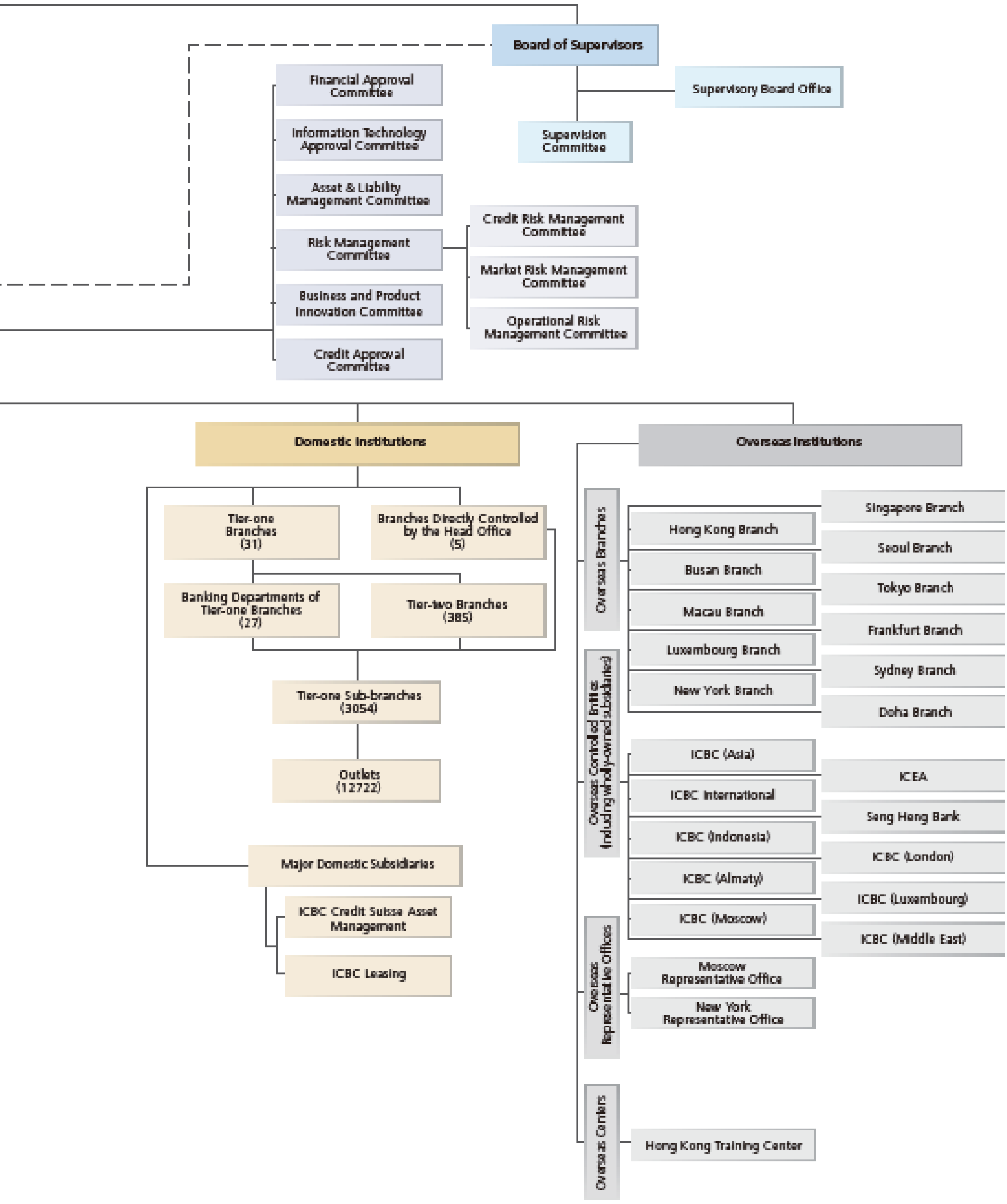
Other Major Events

Please refer to "Corporate Governance Report — Internal Control" for information on internal control.

Organizational Chart



Note: The above presents the organizational chart of the Bank as at the end of 2008.


Board of Supervisors
Supervisory Board Office
Supervision Committee
Financial Approval Committee
Information Technology Approval Committee
Asset & Liability Management Committee
Risk Management Committee
Business and Product Innovation Committee
Credit Approval Committee
Credit Risk Management Committee
Market Risk Management Committee
Operational Risk Management Committee
Domestic Institutions
Tier-one Branches (31)
Branches Directly Controlled by the Head Office (5)
Banking Departments of Tier-one Branches (27)
Tier-two Branches (385)
Tier-one Sub-branches (3054)
Outlets (12722)
Major Domestic Subsidiaries
ICBC Credit Suisse Asset Management
ICBC Leasing
Overseas Institutions
Overseas Branches
Hong Kong Branch
Busan Branch
Macau Branch
Luxembourg Branch
New York Branch
Singapore Branch
Seoul Branch
Tokyo Branch
Frankfurt Branch
Sydney Branch
Doha Branch
Overseas Controlled Entities (including wholly-owned subsidiaries)
ICBC (Asia)
ICBC International
ICBC (Indonesia)
ICBC (Almaty)
ICBC (Moscow)
ICEA
Seng Heng Bank
ICBC (London)
ICBC (Luxembourg)
ICBC (Middle East)
Overseas Representative Offices
Moscow Representative Office
New York Representative Office
Overseas Centers
Hong Kong Training Center

Independent Auditors' Report and Financial Statements

Independent Auditors' Report

ERNST & YOUNG

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

To the shareholders of Industrial and Commercial Bank of China Limited

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

We have audited the financial statements of Industrial and Commercial Bank of China Limited (the "Bank") and its subsidiaries (collectively referred to as the "Group") set out on pages 147 to 258, which comprise the consolidated and the company balance sheets as at 31 December 2008, and the consolidated income statement, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Directors' responsibility for the financial statements

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

Auditors' responsibility

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

We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement.

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

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

Opinion

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

Ernst & Young

Certified Public Accountants

Hong Kong

25 March 2009

Consolidated Income Statement

Year ended 31 December 2008
(In RMB millions, unless otherwise stated)

	Notes	2008	2007
Interest income	6	440,574	357,287
Interest expense	6	(177,537)	(132,822)
NET INTEREST INCOME	6	263,037	224,465
Fee and commission income	7	46,711	40,015
Fee and commission expense	7	(2,709)	(1,656)
NET FEE AND COMMISSION INCOME	7	44,002	38,359
Net trading income	8	1,883	1,351
Net loss on financial assets and liabilities designated at fair value through profit or loss	9	(699)	(1,415)
Net gain/(loss) on financial investments	10	(367)	499
Other operating income/(expense), net	11	2,339	(5,831)
OPERATING INCOME		310,195	257,428
Operating expenses	12	(111,335)	(104,660)
Impairment losses on:			
Loans and advances to customers	26	(36,512)	(33,061)
Others	15	(18,950)	(4,345)
OPERATING PROFIT		143,398	115,362
Share of profits and losses of associates		1,978	16
PROFIT BEFORE TAX		145,376	115,378
Income tax expense	16	(34,150)	(33,124)
PROFIT FOR THE YEAR		111,226	82,254
Attributable to:			
Equity holders of the parent company		110,841	81,520
Minority interests		385	734
		111,226	82,254
DIVIDEND			
Proposed final	18	55,113	44,425
EARNINGS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT COMPANY			
— Basic and diluted (RMB yuan)	19	0.33	0.24

Consolidated Balance Sheet

31 December 2008
(In RMB millions, unless otherwise stated)

	Notes	2008	2007
ASSETS			
Cash and balances with central banks	20	1,693,024	1,142,346
Due from banks and other financial institutions	21	168,363	199,758
Financial assets held for trading	22	32,182	31,536
Financial assets designated at fair value through profit or loss	23	1,459	2,785
Derivative financial assets	24	15,721	22,769
Reverse repurchase agreements	25	163,493	75,880
Loans and advances to customers	26	4,436,011	3,957,542
Financial investments	27	3,014,669	3,073,007
Investments in associates	29	28,421	172
Property and equipment	30	86,800	80,266
Deferred income tax assets	31	10,746	5,833
Other assets	32	106,257	91,818
TOTAL ASSETS		**9,757,146**	**8,683,712**
LIABILITIES			
Financial liabilities held for trading		4,268	—
Financial liabilities designated at fair value through profit or loss	33	7,566	15,590
Derivative financial liabilities	24	13,612	7,127
Due to banks and other financial institutions	34	646,254	805,174
Repurchase agreements	35	4,648	193,508
Certificates of deposit		726	562
Due to customers	36	8,223,446	6,898,413
Income tax payable		37,862	33,668
Deferred income tax liabilities	31	16	337
Subordinated bonds	37	35,000	35,000
Other liabilities	38	177,118	150,657
TOTAL LIABILITIES		**9,150,516**	**8,140,036**
EQUITY			
Equity attributable to equity holders of the parent company			
Issued share capital	39	334,019	334,019
Reserves	40	195,727	158,204
Retained profits	40	72,929	46,148
		602,675	538,371
Minority interests		3,955	5,305
TOTAL EQUITY		**606,630**	**543,676**
TOTAL EQUITY AND LIABILITIES		**9,757,146**	**8,683,712**

Jiang Jianqing
Chairman

Yang Kaisheng
Vice Chairman and President

Shen Rujun
General Manager of Finance and Accounting Department

Consolidated Statement of Changes in Equity

Year ended 31 December 2008
(In RMB millions, unless otherwise stated)

	Attributable to equity holders of the parent company												
		Reserves											
	Issued share capital	Capital reserve	Surplus reserves	General reserve	Investment revaluation reserve	Foreign currency translation reserve	Cash flow hedge reserve	Other reserves	Subtotal	Retained profits	Total	Minority interests	Total equity
Balance as at 1 January 2008	334,019	106,312	13,536	40,834	(1,389)	(1,089)	—	—	158,204	46,148	538,371	5,305	543,676
Net change in the fair value of available-for-sale investments	—	—	—	—	6,594	—	—	—	6,594	—	6,594	(832)	5,762
Reserve realised on disposal/ impairment of available-for-sale investments	—	—	—	—	3,228	—	—	—	3,228	—	3,228	201	3,429
Net loss on cash flow hedges	—	—	—	—	—	—	(4,075)	—	(4,075)	—	(4,075)	2	(4,073)
Foreign currency translation	—	—	—	—	—	(8,359)	—	—	(8,359)	—	(8,359)	(245)	(8,604)
Share of changes recognised directly in equity of associates	—	—	—	—	(18)	218	27	273	500	—	500	—	500
Total income and expense for the year recognised directly in equity	—	—	—	—	9,804	(8,141)	(4,048)	273	(2,112)	—	(2,112)	(874)	(2,986)
Profit for the year	—	—	—	—	—	—	—	—	—	110,841	110,841	385	111,226
Total income and expense for the year	—	—	—	—	9,804	(8,141)	(4,048)	273	(2,112)	110,841	108,729	(489)	108,240
Dividend — 2007 final (note 18)	—	—	—	—	—	—	—	—	—	(44,425)	(44,425)	—	(44,425)
Appropriation to surplus reserves (i)	—	—	11,114	—	—	—	—	—	11,114	(11,114)	—	—	—
Appropriation to general reserve (ii)	—	—	—	28,521	—	—	—	—	28,521	(28,521)	—	—	—
Acquisition of a subsidiary	—	—	—	—	—	—	—	—	—	—	—	368	368
Change in shareholdings in a subsidiary	—	—	—	—	—	—	—	—	—	—	—	(854)	(854)
Dividends to minority shareholders	—	—	—	—	—	—	—	—	—	—	—	(375)	(375)
Balance as at 31 December 2008	**334,019**	**106,312**	**24,650**	**69,355**	**8,415**	**(9,230)**	**(4,048)**	**273**	**195,727**	**72,929**	**602,675**	**3,955**	**606,630**

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

(ii) Includes the appropriation made by subsidiaries in the amount of RMB147 million.

(In RMB millions, unless otherwise stated)

	Attributable to equity holders of the parent company										
		Reserves									
	Issued share capital	Capital reserve	Surplus reserves	General reserve	Investment revaluation reserve	Foreign currency translation reserve	Subtotal	Retained profits	Total	Minority interests	Total equity
Balance as at 1 January 2007	334,019	106,312	5,464	12,719	2,142	(351)	126,286	6,159	466,464	4,537	471,001
Net change in the fair value of available-for-sale investments	—	—	—	—	(5,758)	—	(5,758)	—	(5,758)	389	(5,369)
Reserve realised on disposal/ impairment of available-for-sale investments	—	—	—	—	2,227	—	2,227	—	2,227	65	2,292
Foreign currency translation	—	—	—	—	—	(738)	(738)	—	(738)	(369)	(1,107)
Total income and expense for the year recognised directly in equity	—	—	—	—	(3,531)	(738)	(4,269)	—	(4,269)	85	(4,184)
Profit for the year	—	—	—	—	—	—	—	81,520	81,520	734	82,254
Total income and expense for the year	—	—	—	—	(3,531)	(738)	(4,269)	81,520	77,251	819	78,070
Dividend — 2006 final (note 18)	—	—	—	—	—	—	—	(5,344)	(5,344)	—	(5,344)
Appropriation to surplus reserves (i)	—	—	8,072	—	—	—	8,072	(8,072)	—	—	—
Appropriation to general reserve (ii)	—	—	—	28,115	—	—	28,115	(28,115)	—	—	—
Acquisition of a subsidiary	—	—	—	—	—	—	—	—	—	9	9
Change in shareholdings in a subsidiary	—	—	—	—	—	—	—	—	—	338	338
Dividends paid to minority shareholders	—	—	—	—	—	—	—	—	—	(398)	(398)
Balance as at 31 December 2007	**334,019**	**106,312**	**13,536**	**40,834**	**(1,389)**	**(1,089)**	**158,204**	**46,148**	**538,371**	**5,305**	**543,676**

(i) Includes the appropriation made by overseas branches in the amount of RMB7 million in aggregate.

(ii) Includes the appropriation made by a subsidiary in the amount of RMB33 million.

Consolidated Cash Flow Statement

Year ended 31 December 2008
(In RMB millions, unless otherwise stated)

	Notes	2008	2007
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		145,376	115,378
Adjustments for:			
Share of profits and losses of associates		(1,978)	(16)
Depreciation	12	8,190	8,318
Amortisation	12	1,300	1,174
Amortisation of financial investments		(4,345)	(13,033)
Impairment losses on loans and advances to customers	26	36,512	33,061
Impairment losses on assets other than loans and advances to customers	15	18,950	4,345
Unrealised foreign exchange difference		30,390	9,086
Interest expense on subordinated bonds	6	1,241	1,181
Accreted interest on impaired loans	6	(1,538)	(1,430)
Loss/(gain) on disposal of available-for-sale investments, net	10	449	(425)
Net trading loss/(gain) on equity investments	8	14	(4)
Net gain on disposal of property and equipment and other assets (other than repossessed assets)		(518)	(678)
Dividend income	10	(82)	(74)
		233,961	156,883
Net decrease/(increase) in operating assets:			
Due from central banks		(262,312)	(422,734)
Due from banks and other financial institutions		13,801	16,753
Financial assets held for trading		6,580	(12,235)
Financial assets designated at fair value through profit or loss		1,182	(974)
Reverse repurchase agreements		(56,115)	(37,500)
Loans and advances to customers		(541,025)	(475,760)
Other assets		(7,133)	(16,739)
		(845,022)	(949,189)
Net increase/(decrease) in operating liabilities:			
Financial liabilities designated at fair value through profit or loss		(6,759)	(16,559)
Due to banks and other financial institutions		(148,259)	407,331
Repurchase agreements		(188,835)	146,522
Certificates of deposit		(252)	(1,145)
Due to customers		1,337,886	585,368
Other liabilities		26,738	(11,682)
		1,020,519	1,109,835
Net cash inflow from operating activities before tax		409,458	317,529
Income tax paid		(38,545)	(21,400)
Net cash inflow from operating activities		370,913	296,129

(In RMB millions, unless otherwise stated)

	Notes	2008	2007
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of property and equipment and other assets		(15,554)	(9,385)
Proceeds from disposal of property and equipment and other assets (other than repossessed assets)		520	2,823
Purchases of financial investments		(1,086,048)	(1,455,833)
Proceeds from sale and redemption of investments		1,127,448	1,217,425
Acquisition of a subsidiary	41(a)	2,261	144
Acquisition of minority interests		(1,783)	—
Acquisition of an associate		(37,420)	(134)
Proceeds from disposal of an associate		—	94
Dividends received		652	74
Net cash outflow from investing activities		(9,924)	(244,792)
CASH FLOWS FROM FINANCING ACTIVITIES			
Capital contribution by minority shareholders		66	—
Interest paid on subordinated bonds		(1,240)	(1,205)
Dividends paid on ordinary shares		(44,425)	(15,490)
Dividends paid to minority shareholders		(325)	(398)
Net cash outflow from financing activities		(45,924)	(17,093)
NET INCREASE IN CASH AND CASH EQUIVALENTS		315,065	34,244
Cash and cash equivalents at beginning of the year		301,687	275,360
Effect of exchange rate changes on cash and cash equivalents		(9,461)	(7,917)
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	41(b)	607,291	301,687
NET CASH INFLOW FROM OPERATING ACTIVITIES INCLUDES:			
Interest received		425,143	328,121
Interest paid		(148,789)	(119,736)

Balance Sheet

31 December 2008
(In RMB millions, unless otherwise stated)

	Notes	2008	2007
ASSETS			
Cash and balances with central banks	20	1,691,466	1,141,461
Due from banks and other financial institutions	21	154,357	174,997
Financial assets held for trading	22	25,362	31,485
Financial assets designated at fair value through profit or loss	23	144	1,142
Derivative financial assets	24	13,991	22,358
Reverse repurchase agreements	25	162,192	75,880
Loans and advances to customers	26	4,289,955	3,838,922
Financial investments	27	3,002,451	3,061,504
Investments in subsidiaries	28	19,999	12,371
Investment in an associate	29	33,160	—
Property and equipment	30	86,220	79,986
Deferred income tax assets	31	10,607	5,811
Other assets	32	96,261	86,453
TOTAL ASSETS		**9,586,165**	**8,532,370**
LIABILITIES			
Financial liabilities held for trading		4,268	—
Financial liabilities designated at fair value through profit or loss	33	2,285	10,278
Derivative financial liabilities	24	11,003	6,592
Due to banks and other financial institutions	34	632,760	799,013
Repurchase agreements	35	4,246	195,565
Due to customers	36	8,077,732	6,769,606
Income tax payable		37,894	33,493
Subordinated bonds	37	35,000	35,000
Other liabilities	38	173,494	146,804
TOTAL LIABILITIES		**8,978,682**	**7,996,351**
EQUITY			
Issued share capital	39	334,019	334,019
Reserves	40	203,231	156,866
Retained profits	40	70,233	45,134
TOTAL EQUITY		**607,483**	**536,019**
TOTAL EQUITY AND LIABILITIES		**9,586,165**	**8,532,370**

Jiang Jianqing
Chairman

Yang Kaisheng
Vice Chairman and President

Shen Rujun
General Manager of Finance
and Accounting Department

1. CORPORATE INFORMATION

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

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

The Bank listed its A Shares on the Shanghai Stock Exchange ("SSE") and its H Shares on the Stock Exchange of Hong Kong Limited ("SEHK") on 27 October 2006. The stock codes are 601398 and 1398 respectively.

The principal activities of the Bank and its subsidiaries (collectively referred to as the "Group") comprise the provision of banking services including Renminbi ("RMB") and foreign currency deposits, loans, payment and settlement services, and other services as approved by the CBRC and the provision of related services by its overseas establishments as approved by the respective local regulators. Overseas establishments refer to branches and subsidiaries established under local jurisdictions outside Mainland China.

2.1 BASIS OF PREPARATION

Statement of compliance

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

Basis of consolidation

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

Subsidiaries

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

The acquisition of a subsidiary during the year has been accounted for using the purchase method of accounting. This method involves allocating the cost of the business combinations to the fair value of the identifiable assets acquired, and liabilities and contingent liabilities assumed at the date of acquisition. The cost of the acquisition is measured at the aggregate of the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition.

Minority interests represent the portion of profit or loss and net assets in subsidiaries not held by the Group and are presented separately in the consolidated income statement, and within equity in the consolidated balance sheet separately from the equity attributable to equity holders of the parent company. An acquisition of minority interests is accounted for using the parent entity extension method whereby the difference between the consideration and the carrying value of the net assets acquired is recognised as goodwill.

Special purpose entities

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

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

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

(iii) the Bank has rights to obtain the majority of the benefits of the SPE and therefore may be exposed to risks incident to the activities of the SPE; or

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

2.2 CHANGES IN ACCOUNTING POLICY

The Group has historically used revaluation model to measure its property and equipment in the H shares financial statements prepared under IFRSs. On the other hand, these assets are measured using cost model in the A shares financial statements prepared under generally accepted accounting principles in the PRC ("PRC GAAP"). According to the relevant regulations issued by the Ministry of Finance (the "MOF") of the PRC, listed companies shall adopt consistent accounting policies of the same transactions in the H shares and A shares financial statements. Commencing 2008, the Bank changed its accounting policy in the H shares financial statements from the revaluation model to the cost model, and thereby eliminating the difference in the accounting policy for property and equipment applied in the H shares and A shares financial statements.

The changes in accounting policy did not result in significant impact on the financial statements of the Group and of the Bank.

(In RMB millions, unless otherwise stated)

2.3 NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS THAT ARE EFFECTIVE OR EARLY ADOPTED IN 2008 AND RELEVANT TO THE GROUP

The IASB has issued the following new and revised IFRSs and IFRIC interpretations that are effective or early adopted in 2008 and relevant to the Group's operation.

IAS 39 and IFRS 7 Amendments	Financial Instruments: Recognition, Measurement and Disclosure — Reclassification of Financial Assets
IFRIC 11	IFRS 2 — Group and Treasury Share Transactions
IFRIC 13	Customer Loyalty Programmes

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

The amendments to IAS 39 and IFRS 7 allow reclassifications of certain financial instruments held for trading to either the held-to-maturity, loans and receivables or available-for-sale category, if specified criteria are met. The amendments also allow the reclassification of certain instruments from available-for-sale to loans and receivables. The amendments may be applied retrospectively but not before 1 July 2008. Any reclassification of a financial asset made in periods beginning on or after 1 November 2008 shall take effect only from the date when the reclassification is made. The Group has not made any significant reclassification pursuant to these amendments during the year.

IFRIC interpretation 11 requires arrangements whereby an employee is granted rights to an entity's equity instruments to be accounted for as an equity settled scheme, even if the entity buys the instrument from another party, or the shareholders provide the equity instruments needed. As the Group currently has no such transactions, the interpretation has had no impact on the financial position and results of operations of the Group.

IFRIC interpretation 13 requires customer loyalty credits to be accounted for as a separate component of the sales transaction in which they are granted. A portion of the fair value of the consideration received is allocated to the award credits and deferred. This is then recognised as revenue when the award credits are redeemed or the liability is otherwise extinguished. The Group has early adopted IFRIC interpretation 13 in 2008. The impact of adopting IFRIC interpretation 13 is not significant to these financial statements.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(1) Subsidiaries

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

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

(2) Associates

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

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

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

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

(3) Foreign currency translation

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

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

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

At each balance sheet date, the assets and liabilities of foreign subsidiaries and branches are translated into the presentation currency of the Group at the exchange rates ruling at the balance sheet date. Their income statements are translated at the weighted average exchange rates for the year. The exchange differences arising on translation are taken directly to equity. On disposal of a foreign entity, the deferred cumulative amount recognised in equity relating to that particular foreign operation is recognised in the income statement.

(4) Financial instruments

Initial recognition of financial instruments

The classification of financial instruments at initial recognition depends on the purpose for which the financial instruments were acquired and their characteristics. All financial instruments are measured initially at their fair value plus, in the case of financial assets not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial assets.

Measurement of fair value

The fair value of financial instruments traded in active markets at the balance sheet date is based on its quoted market price or dealer price quotation (bid price for long positions and ask price for short positions), without any deduction for transaction costs.

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

"Day 1" profit

Where the transaction price in a non-active market is different to the fair value from other observable current market transactions in the same instrument or based on a valuation technique whose variables include only data from observable markets, the Group immediately recognises the difference between the transaction price and fair value (a "Day 1" profit) in "Net trading income". In cases where data which is not observable is used, the difference between the transaction price and model value is only recognised in the income statement when the inputs become observable, or when the instrument is derecognised.

Financial assets or financial liabilities held for trading

Financial assets and liabilities are classified as held for trading if they are acquired or incurred for the purpose of selling or repurchasing in the near term. Financial assets held for trading mainly includes debt securities and equity investments. Derivatives are held for trading unless they are designated as effective hedging instruments. Financial liabilities held for trading mainly includes short positions in securities.

Financial assets or financial liabilities held for trading are recorded in the balance sheet at fair value. Changes in fair value are recognised in "Net trading income". Interest and dividend income or expense are recorded in "Net trading income" according to the terms of the contract, or when the right to the payment has been established.

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

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

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

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

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

Financial assets and liabilities designated at fair value through profit or loss are recorded in the balance sheet at fair value. Changes in fair value are recorded in "Net gain/loss on financial assets and liabilities designated at fair value through profit or loss". Interest income or expense is recorded in "Net gain/loss on financial assets and liabilities designated at fair value through profit or loss" respectively, according to the terms of the contract, while dividend income is recorded in "Net gain/loss on financial assets and liabilities designated at fair value through profit or loss" when the rights to payment have been established.

Held-to-maturity financial investments

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

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

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

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

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

Loans and receivables

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

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

Available-for-sale financial assets

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

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

Deposits, debt securities issued and other financial liabilities

Deposits, debt securities issued other than those designated as trading liabilities or at fair value through profit or loss, and other financial liabilities are carried at amortised costs using the effective interest method.

(5) Impairment of financial assets

An assessment is made at each balance sheet date to determine whether there is objective evidence of impairment of financial assets as a result of one or more events that occur after the initial recognition of those assets ("loss events") and whether the loss events have an impact on the estimated future cash flows of the financial assets or group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the borrower or a group of borrowers is experiencing significant financial difficulty, default or delinquency in interest or principal payments, they would probably enter into bankruptcy or other financial reorganisation and where observable data indicate that there is a measurable decrease in the estimated future cash flows.

Financial assets carried at amortised cost

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

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

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

The methodology and assumptions used for estimating future cash flows are reviewed regularly by the Group.

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

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

Financial assets carried at cost

If there is objective evidence that an impairment loss has been incurred on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured, the amount of impairment loss is measured as the difference between the carrying amount of that financial asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. The carrying amount of the asset is reduced through the use of an impairment provision account and the amount of the loss is recognised in the income statement. Impairment losses on these assets are not reversed.

Available-for-sale financial assets

For available-for-sale financial assets, the Group assesses at each balance sheet date whether there is objective evidence that an asset or a group of assets is impaired.

In the case of equity investments classified as available-for-sale, objective evidence would include a significant or prolonged decline in the fair value of the investment below its cost. Where there is evidence of impairment, the cumulative loss, measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognised in the income statement, is removed from equity and recognised in the income statement. Impairment losses on equity investments are not reversed through the income statement; increases in their fair value after impairment are recognised directly in equity.

In the case of debt instruments classified as available-for-sale, impairment is assessed based on the same criteria as financial assets carried at amortised cost. Where there is evidence of impairment, the cumulative loss less any impairment loss on that investment previously recognised in the income statement is removed from equity and recognised in the income statement. If, in a subsequent year, the fair value of a debt instrument increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in the income statement, the impaired loss is reversed through the income statement.

(6) Renegotiated loans

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

(7) Derecognition of financial assets and liabilities

Financial assets

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

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

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

Where continuing involvement takes the form of a written and/or purchased option (including a cash-settled option or similar provision) on the transferred asset, the extent of the Group's continuing involvement is the amount of the transferred asset that the Group may repurchase, except in the case of a written put option (including a cash-settled option or similar provision) on an asset measured at fair value, where the extent of the Group's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

Securitisation

As part of its operational activities, the Group securitises financial assets, generally through the sale of these assets to SPEs which issue securities to investors. The transferred assets may qualify for derecognition in full or in part. Further details on prerequisites for derecognition of financial assets are set out above. Interests in the securitised financial assets may be partially retained by the Group and are primarily classified as available-for-sale financial assets. Gains or losses on securitisations are based on the carrying amount of the financial assets derecognised and the retained interest, based on their relative fair value at the date of the transfer.

Financial liabilities

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

(8) Derivatives and hedge accounting

Derivatives

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

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

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

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

Hedge accounting

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

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

Fair value hedges

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

For fair value hedges relating to items carried at amortised cost, the adjustment to carrying value is amortised through the income statement over the remaining term to maturity. Any adjustment to the carrying amount of a hedged financial instrument for which the effective interest method is used is amortised and charged to the income statement. Amortisation may begin as soon as an adjustment exists and shall begin no later than when the hedged item ceases to be adjusted for changes in its fair value attributable to the risk being hedged.

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

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

Cash flow hedges

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

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

(9) Trade date accounting

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

(10) Offsetting

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

(11) Repurchase and reverse repurchase transactions

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

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

(12) Property and equipment

Property and equipment, other than construction in progress were stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its present working condition and location for its intended use. Expenditure incurred after items of property and equipment have been put into operation, such as repairs and maintenance, is normally charged to the income statement in the period in which it is incurred. In situations where it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of the assets, and where the cost of the item can be measured reliably, the expenditure is capitalised as an additional cost of the assets or as a replacement.

Construction in progress comprises the direct costs of construction during the period of construction and is not depreciated. Construction in progress is reclassified to the appropriate category of property and equipment when completed and ready for use.

The carrying values of property and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying values may not be recoverable.

Depreciation is calculated on the straight-line basis to write off the cost of each asset, less any estimated residual value, over the estimated useful life of each asset as follows:

	Annual depreciation rate
Properties and buildings	2.77% to 19.40%
Leasehold improvements	Over the shorter of the economic useful lives and remaining lease terms
Office equipment and computers	20.00% to 33.33%
Motor vehicles	16.67% to 25.00%

Where parts of an item of property and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately.

Residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the income statement in the year the asset is derecognised.

(13) Land use rights

Land use rights are recognised at cost, being the fair value at the time of injection from the central government of the PRC (the "Government") or the consideration paid. The rights are amortised using the straight-line basis over the period of the leases. When the prepaid land lease payments cannot be allocated reliably between the land and buildings elements, the entire lease payments are included in the cost of properties and buildings as finance leases in property and equipment.

(14) Repossessed assets

Collateral assets for loans and advances are repossessed by the Group when the borrowers are unable to honour their repayments, and would be realised in settlement of the related outstanding debts. Repossessed assets are initially recognised at the carrying amount of the related loan principal and interest receivable, net of allowance for impairment losses. The Group's repossessed assets are reviewed at each balance sheet date by management to assess whether they are recorded in excess of their recoverable amount, and if their carrying value exceeds the recoverable amount, the assets are written down. Any impairment loss, being the difference between the estimated net recoverable amount and the carrying value, is charged to the income statement.

(15) Business combination and goodwill

Business combination is accounted for using the purchase method.

Goodwill arising from a business combination is initially measured at cost, being the excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities as at the date of acquisition. Following initial recognition, goodwill is measured at cost less any accumulated impairment losses.

The carrying amount of goodwill is reviewed for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired.

For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units ("CGU"), or groups of CGUs, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units. Each unit or group of units to which the goodwill is allocated:

- represents the lowest level within the Group at which the goodwill is monitored for internal management purposes; and
- is not larger than a segment based on the Group's reporting format determined in accordance with IAS 14 *Segment Reporting*.

Where goodwill forms part of a CGU (or groups of CGUs) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the CGU retained. An impairment loss recognised for goodwill is not reversed in a subsequent period.

When subsidiaries are sold, the difference between the selling price and the net assets plus cumulative translation differences and goodwill is recognised in the income statement.

(16) Impairment of non-financial assets other than goodwill

The Group assesses at each reporting date whether there is any indication that an asset may be impaired. If any such indication exists, or when impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of its fair value less costs to sell and its value in use and is determined on an individual basis, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the CGU to which the asset belongs. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered to be impaired and is written down to its recoverable amount. In assessing value in use of an asset, the estimated future cash flows are discounted to their present values using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Impairment losses of continuing operations are recognised in the income statement under those expense categories consistent with the function of the impaired assets.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of any depreciation/amortisation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the income statement. After such a reversal, the depreciation/amortisation charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

(17) Cash and cash equivalents

Cash and cash equivalents refer to short term highly liquid assets, which are readily convertible into known amounts of cash and subject to an insignificant risk of changes in value. Cash and cash equivalents comprise cash, unrestricted balances with central banks, and amounts due from banks and other financial institutions and reverse repurchase agreements with original maturity of less than three months.

(18) Leases

Finance leases

Leases which transfer substantially all the risks and rewards of ownership of the assets to the lessees are classified as finance leases. When the Group is a lessor under finance leases, an amount representing the minimum lease payment receivables and initial direct costs is included in the balance sheet as loans and advances to customers. Any unguaranteed residual value is also recognised at the inception of the lease. The difference between the sum of the minimum lease payment receivables, initial direct costs, the unguaranteed residual value and their present value is recognised as unearned finance income. Unearned finance income is recognised over the period of the lease using the effective interest method.

Operating leases

Leases where substantially all the rewards and risks of the assets remain with the lessor are accounted for as operating leases. Rental payments applicable to such operating leases are charged to the income statement on the straight-line basis over the lease terms.

(19) Related parties

A party is considered to be related to the Group if:

(i) the party, directly or indirectly through one or more intermediaries, (a) controls, is controlled by, or is under common control with, the Group; (b) has an interest in the Group that gives it significant influence over the Group; or (c) has joint control over the Group;

(ii) the party is an associate of the Group;

(iii) the party is a joint venture in which the Group is a venturer;

(iv) the party is a member of the key management personnel of the Group or its parent company;

(v) the party is a close member of the family of any individual referred to in (i) or (iv);

(vi) the party is an entity that is controlled, jointly controlled or significantly influenced by, or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (iv) or (v); or

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

(20) Recognition of income and expense

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and when the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

Interest income and expense

For all financial instruments measured at amortised cost and interest-generating financial instruments classified as available-for-sale financial investments, interest income or expense is recorded at the effective interest rate, which is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or financial liability. The calculation takes into account all contractual terms of the financial instrument (for example, prepayment options) and includes any fees or incremental costs that are directly attributable to the instrument and are an integral part of the effective interest rate, but not future credit losses. The carrying amount of the financial asset or financial liability is adjusted if the Group revises its estimates of payments or receipts. The adjusted carrying amount is calculated based on the original effective interest rate and the change in carrying amount is recorded as an interest income or expense.

Once a financial asset or a group of similar financial assets has been written down as a result of an impairment loss, interest income is recognised using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

Fee and commission income

The Group earns fee and commission income from a diverse range of services it provides to its customers. Fee income can be divided into the following two categories:

(i) Fee income on transactions conducted or from services provided over a period of time

Fee income is recognised on the basis of when the transaction is completed or on accrual basis when the service is provided over a period of time. These fees mainly include fee income on settlement and clearing business, commission income and asset management, custody and other management and advisory fees.

(ii) Fee income from providing transaction services

Fees arising from negotiating or participating in the negotiation of a transaction for a third party such as the arrangement of the acquisition of shares or other securities or the purchase or sale of businesses, are recognised on completion of the underlying transaction. Fees or components of fees that are linked to a certain performance are recognised after fulfilling the corresponding criteria.

The fair value of the award credits granted to the bank card holders is deferred and recognised as fee and commission income when the award credits are redeemed or expired.

Dividend income

Dividend income is recognised when the Group's right to receive payment has been established.

Net trading income

Results arising from trading activities include all gains and losses from changes in fair value for financial assets and financial liabilities that are held for trading. This includes gains and losses from changes in fair value relating to the ineffective portion of the hedging arrangements.

(21) Income tax

Current tax

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the balance sheet date.

Deferred income tax

Deferred income tax is provided using the liability method on temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts.

Deferred income tax liabilities are recognised for all taxable temporary differences, except:

(i) where the deferred income tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable income or deductible expenses; and

(ii) in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not be reversed in the foreseeable future.

Deferred income tax assets are recognised for all deductible temporary differences, carryforward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax credits and unused tax losses can be utilised, except:

(i) where the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable income or deductible expenses; and

(ii) in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred income tax assets are recognised only to the extent that it is probable that the temporary differences will be reversed in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax assets and deferred income tax liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date and reflect the corresponding tax effect.

The carrying amount of deferred income tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable income will be available to allow all or part of the deferred income tax asset to be utilised. When it is virtually probable that sufficient taxable income will be available, the reduced amount can be reversed accordingly.

Income tax relating to items recognised directly in equity is recognised in equity and not in the income statement.

Deferred income tax assets and deferred income tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred income taxes relate to the same taxable entity and the same taxation authority.

(22) Employee benefits

Short term employee benefits

Salaries and bonuses, social security contributions and other short term employee benefits are accrued in the period in which services have been rendered by the employees of the Group.

Defined contribution plans

According to the statutory requirements in Mainland China, the Group is required to make contributions to defined contribution schemes separately administered by the local government authorities.

In addition, employees in Mainland China also participate in a defined contribution retirement benefit plan established by the Bank (the “Annuity Plan”). The Bank and its employees are required to contribute a certain percentage of the employees’ previous year basic salaries to the Annuity Plan. The contribution is charged to the income statement when it incurs. The Bank pays a fixed contribution into the Annuity Plan and has no obligation to pay further contributions if the Annuity Plan does not hold sufficient assets to pay all employees benefits.

All eligible employees outside Mainland China participate in local defined contribution schemes. The Group contributes to these defined contribution schemes based on the requirements of the local regulatory bodies.

Contributions to these plans are recognised in the income statement as incurred.

Termination benefits

Termination benefits are payable whenever an employee's employment is voluntarily terminated before the normal retirement date or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises retirement benefits in the income statement when it is demonstrably committed to terminate the employment of current employees according to a detailed formal plan without possibility of withdrawal.

Early retirement benefits

According to the Bank's policy on early retirement benefits, certain employees are entitled to take leave of absence and in return receive a certain level of staff salaries and related benefits from the Bank. The salaries and benefit payments are made from the date of early retirement to the normal retirement date. The amounts of retirement benefit expense and present value of these liabilities are dependent on assumptions used in calculating such amounts. These assumptions include discount rates, retirement benefit growth rates and other factors. Gains and losses arising from the changes in assumptions and amendments to pension plans are recognised in the income statement as incurred.

(23) Fiduciary activities

Where the Group acts in a fiduciary capacity such as custodian or agent, assets arising thereon together with related undertakings to return such assets to customers are excluded from the balance sheet.

The Group grants entrusted loans on behalf of third-party lenders, which are recorded off-balance sheet. The Group, as an agent, grants such entrusted loans to borrowers under the direction of those third-party lenders who fund these loans. The Group has been contracted by those third-party lenders to manage the administration and collection of these loans on their behalf. Those third-party lenders determine both the underwriting criteria for and the terms of all entrusted loans including their purposes, amounts, interest rates, and repayment schedules. The Group charges a commission related to its activities in connection with entrusted loans which are recognised ratably over the period in which the service is provided. The risk of loss is borne by those third-party lenders.

(24) Financial guarantee contracts

The Group issues financial guarantee contracts, including letters of credit, letters of guarantee and acceptance. These financial guarantee contracts provide for specified payments to be made to reimburse the holders for the losses they incur when a guaranteed party defaults under the original or modified terms of a debt instrument, loan or any other obligation.

The Group initially measures all financial contracts at fair value, in other liabilities, being the premium received. This amount is recognised ratably over the period of the contract as fee and commission income. Subsequently, the liabilities are measured at the higher of the initial fair value less cumulative amortisation and the best estimate of expenditure required to settle any financial obligation arising as a result of the guarantee. Any increase in the liability relating to a financial guarantee is taken to the income statement. The premium received is recognised in the income statement as fee and commission income over the life of the guarantee on the straight-line basis.

(25) Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Where the Group expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expenses relating to any provision is presented in the income statement net of any reimbursement.

(26) Contingent liabilities

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that an outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

Contingent liabilities are not recognised but are disclosed in the notes to the financial statements. When a change in the probability of an outflow occurs so that outflow is probable, it will then be recognised as a provision.

(27) Dividends

Dividends are recognised as a liability and deducted from equity when they are approved by the Bank's shareholders in general meeting. Interim dividends are deducted from equity when they are declared and no longer at the discretion of the Bank. Dividend for the year that is approved after the balance sheet date is disclosed as an event after the balance sheet date.

4. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

In the process of applying the Group's accounting policies, management has used its judgements and made assumptions of the effects of uncertain future events on the financial statements. The most significant use of judgements and key assumptions concerning the future and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial period, are described below.

Designation of held-to-maturity investments

Non-derivative financial assets with fixed or determinable payments and fixed maturity are classified as held-to-maturity investments when the Group has the positive intention and ability to hold the investments to maturity. Accordingly, in evaluating whether a financial asset shall be classified as a held-to-maturity investment, significant management judgement is required. If the Group fails to correctly assess its intention and ability to hold the investments to maturity and the Group sells or reclassifies more than an insignificant amount of held-to-maturity investments before maturity, the Group shall reclassify the whole held-to-maturity investment portfolio as available-for-sale.

Impairment losses of loans and advances and amounts due from banks and other financial institutions

The Group determines periodically whether there is any objective evidence that impairment losses on loans and advances and amounts due from banks and other financial institutions have occurred. If any such evidence exists, the Group assesses the amount of impairment losses. The amount of impairment losses is measured as the difference between the carrying amount and the present value of estimated future cash flows. Assessing the amount of impairment losses requires significant judgement on whether the objective evidence for impairment exists and also significant estimates when determining the present value of the expected future cash flows.

Impairment losses of available-for-sale and held-to-maturity investments

In determining whether there is any objective evidence that impairment losses on available-for-sale and held-to-maturity investments have occurred, the Group assesses periodically whether there has been a significant or prolonged decline in the fair value below its cost or carrying amount, or whether other objective evidence of impairment exists based on the investee's financial conditions and business prospects, including industry environment, change of technology, operating and financing cash flows. This requires a significant level of judgement of management, which would affect the amount of impairment losses.

Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis and when circumstances indicate that the carrying value may be impaired. This requires an estimation of the recoverable amount of the CGU or groups of CGUs, to which the goodwill is allocated. Estimating the recoverable amount requires the Group to make an estimate of the expected future cash flows from the CGU or groups of CGUs and also to choose a suitable discount rate in order to calculate the present value of those cash flows.

Income tax

Determining income tax provisions requires the Group to estimate the future tax treatment of certain transactions. The Group carefully evaluates tax implications of transactions in accordance with prevailing tax regulations and makes tax provisions accordingly. In addition, deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences can be utilised. This requires significant estimation on the tax treatments of certain transactions and also significant assessment on the probability that adequate future taxable profits will be available for the deferred income tax assets to be recovered.

Fair value of financial instruments

If the market for a financial instrument is not active, the Group establishes fair value by using a valuation technique. Valuation techniques include using recent arm's length market transactions between knowledgeable and willing parties, if available, reference to the current fair value of another instrument that is substantially the same, discounted cash flow analysis and option pricing models. To the extent practicable, valuation technique makes maximum use of market inputs. However, where market inputs are not available, management needs to make estimates on such unobservable market inputs.

(In RMB millions, unless otherwise stated)

5. IMPACT OF ISSUED BUT NOT YET EFFECTIVE INTERNATIONAL FINANCIAL REPORTING STANDARDS

The Group has not applied the following new and revised IFRSs and IFRIC interpretations that have been issued but are not yet effective, in these financial statements.

IFRS 1 and IAS 27 Amendments	First-time Adoption of IFRSs and Consolidated and Separate Financial Statements — Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate[1]
IFRS 2 Amendments	Share-based Payment — Vesting Conditions and Cancellations[1]
IFRS 3 and IAS 27 (Revised)	Business Combinations and Consolidated and Separate Financial Statements[2]
IFRS 7 Amendments	Financial Instruments: Disclosures — Improving Disclosures about Financial Instruments[1]
IFRS 8	Operating Segments[1]
IAS 1 (Revised)	Presentation of Financial Statements[1]
IAS 23 (Revised)	Borrowing Costs[1]
IAS 32 and IAS 1 Amendments	Financial Instruments: Presentation and Presentation of Financial Statements — Puttable Financial Instruments and Obligations Arising on Liquidation[1]
IAS 39 Amendment	Financial Instruments: Recognition and Measurement — Eligible Hedged Items[2]
IFRIC 9 and IAS 39 Amendments	Embedded Derivatives[3]
IFRIC 16	Hedges of a Net Investment in a Foreign Operation[4]
IFRIC 17	Distribution of Non-cash Assets to Owners[2]

Apart from the above, the IASB has issued *Improvements to IFRSs** which sets out amendments to a number of IFRSs primarily with a view to removing inconsistencies and clarifying wording. Except for the amendment to IFRS 5 which is effective for annual periods on or after 1 July 2009, other amendments are effective for annual periods beginning on or after 1 January 2009 although there are separate transitional provisions for each standard.

1 Effective for annual periods beginning on or after 1 January 2009

2 Effective for annual periods beginning on or after 1 July 2009

3 Effective for annual periods ending on or after 30 June 2009

4 Effective for annual periods beginning on or after 1 October 2008

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

The Group is in the process of making an assessment of the impact of these new and revised IFRSs and interpretations upon initial application. Further information about those changes that are expected to significantly affect the Group is as follows:

IFRS 3 (Revised) introduces a number of changes in the accounting for business combinations that will impact the amount of goodwill recognised, the reported results in the period that an acquisition occurs, and future reported results. IAS 27 (Revised) requires that a change in the ownership interest of a subsidiary (without loss of control) is accounted for as an equity transaction. Therefore, such transaction will no longer give rise to goodwill, nor will it give rise to a gain or loss. Furthermore, the amended standard changes the accounting for losses incurred by the subsidiary as well as the loss of control of a subsidiary. The changes by IFRS 3 and IAS 27 (Revised) will affect future acquisitions or loss of control and transactions with minority interests. The Group will early adopt IFRS 3 and IAS 27 (Revised) from 1 January 2009.

IAS 1 (Revised) separates owner and non-owner changes in equity. The statement of changes in equity will include only details of transactions with owners, with all non-owner changes in equity presented as a single line. In addition, it introduces the statement of comprehensive income: it presents all items of income and expense recognised in profit or loss, together with all other items of recognised income and expense, either in one single statement, or in two linked statements.

(In RMB millions, unless otherwise stated)

6. NET INTEREST INCOME

	2008	2007
Interest income on:		
Loans and advances to customers		
— Personal loans	56,869	42,742
— Corporate loans	234,696	180,792
— Discounted bills	15,538	14,346
Due from central banks	22,634	14,805
Due from banks and other financial institutions	8,149	12,878
Financial investments	102,688	91,724
	440,574	357,287
Interest expense on:		
Due to customers	(160,253)	(116,336)
Due to banks and other financial institutions	(16,043)	(15,305)
Subordinated bonds	(1,241)	(1,181)
	(177,537)	(132,822)
Net interest income	263,037	224,465

The above interest income and expenses were related to financial instruments which are not at fair value through profit or loss.

Included in interest income on loans and advances to customers for the year is an amount of RMB1,538 million (2007: RMB1,430 million) with respect to the accreted interest on impaired loans. Included in interest income on financial investments for the year is an amount of RMB1,062 million (2007: RMB17 million) with respect to interest income on impaired debt securities.

7. NET FEE AND COMMISSION INCOME

	2008	2007
Settlement, clearing business and cash management	13,002	9,215
Personal wealth management and private banking services (i)	10,327	15,994
Investment banking business	8,028	4,505
Bank card business	7,199	5,372
Corporate wealth management services (i)	2,788	1,949
Assets fiduciary business (i)	2,066	1,465
Guarantee and commitment business	1,849	563
Trust and agency services (i)	756	584
Others	696	368
Fee and commission income	46,711	40,015
Fee and commission expense	(2,709)	(1,656)
Net fee and commission income	44,002	38,359

(i) Included in personal wealth management and private banking services, corporate wealth management services, assets fiduciary business and trust and agency services above is an amount of RMB5,097 million (2007: RMB2,559 million) with respect to trust and other fiduciary activities.

(In RMB millions, unless otherwise stated)

8. NET TRADING INCOME

	2008	2007
Debt securities	1,943	1,343
Equity investments	(14)	4
Derivatives	(46)	4
	1,883	1,351

The above amounts include gains and losses arising from the buying and selling, interest income and expense on and changes in the fair value of financial assets and liabilities held for trading as well as changes in the fair value relating to the ineffective portion of the hedging arrangements.

9. NET LOSS ON FINANCIAL ASSETS AND LIABILITIES DESIGNATED AT FAIR VALUE THROUGH PROFIT OR LOSS

	2008	2007
Financial assets	(55)	192
Financial liabilities	(644)	(1,607)
	(699)	(1,415)

The above amounts represent gains and losses arising from the buying and selling, interest income and expense on and changes in the fair value of financial assets and liabilities designated at fair value through profit or loss upon initial recognition.

10. NET GAIN/(LOSS) ON FINANCIAL INVESTMENTS

	2008	2007
Dividend income from unlisted investments	69	74
Dividend income from listed investments	13	—
Dividend income	82	74
Gain/(loss) on disposal of available-for-sale investments, net	(449)	425
	(367)	499

11. OTHER OPERATING INCOME/(EXPENSE), NET

	2008	2007
Loss from foreign exchange and foreign exchange products, net	(851)	(9,457)
Net gain on disposal of property and equipment, repossessed assets and others	1,563	1,838
Sundry bank charge income	251	698
Others	1,376	1,090
	2,339	(5,831)

12. OPERATING EXPENSES

	2008	2007
Staff costs:		
Salaries and bonuses	35,169	27,159
Staff benefits	10,846	10,679
Contributions to defined contribution schemes (i)	5,237	4,561
Early retirement benefits	2,000	12,500
	53,252	54,899
Premises and equipment expenses:		
Depreciation (note 30)	8,190	8,318
Minimum lease payments under operating leases in respect of land and buildings	2,469	2,023
Repairs and maintenance charges	2,686	2,145
Utility expenses	1,672	1,556
	15,017	14,042
Amortisation	1,300	1,174
Other administrative expenses (ii)	17,243	14,816
Business tax and surcharges	18,765	14,511
Others	5,758	5,218
	111,335	104,660

(i) Contributions to defined contribution schemes mainly include contributions to the state pension and the Bank's Annuity Plan. During the year and as at the balance sheet date, the Group's forfeited contributions available to reduce its contributions to the pension schemes in future years were not material.

(ii) Included in other administrative expenses is auditors' remuneration of RMB181 million for the year (2007: RMB171 million).

13. DIRECTORS' AND SUPERVISORS' EMOLUMENTS

Details of the directors' and supervisors' emoluments before tax, as disclosed pursuant to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and Section 161 of the Hong Kong Companies Ordinance, are as follows:

	Group	
	2008 RMB'000	2007 RMB'000
Salaries, allowances and benefits in kind	4,607	3,492
Discretionary bonuses	3,962	5,375
Contributions to defined contribution schemes	895	1,085
Fees	1,903	2,160
	11,367	12,112

The emoluments before tax of the Bank's directors and supervisors for the year were as follows:

		Year ended 31 December 2008				
Name	Position	Salaries, allowances and benefits in kind RMB'000	Discretionary bonuses RMB'000	Contributions to defined contribution schemes RMB'000	Fees RMB'000	Total RMB'000
JIANG Jianqing	Chairman of the Board of Directors, Executive Director	800	658	152	—	1,610
YANG Kaisheng	Vice Chairman of the Board of Directors, Executive Director, President	760	643	132	—	1,535
ZHAO Lin (i)	Chairman of the Board of Supervisors	420	345	78	—	843
WANG Weiqiang (i)	Former Chairman of the Board of Supervisors	360	297	65	—	722
ZHANG Furong	Executive Director, Vice President	680	579	122	—	1,381
NIU Ximing	Executive Director, Vice President	680	579	122	—	1,381
LEUNG Kam Chung, Antony	Independent Non-executive Director	—	—	—	490	490
QIAN Yingyi	Independent Non-executive Director	—	—	—	470	470
XU Shanda	Independent Non-executive Director	—	—	—	205	205
John L. THORNTON (ii)	Former Independent Non-executive Director	—	—	—	398	398
FU Zhongjun	Non-executive Director	—	—	—	—	—
KANG Xuejun	Non-executive Director	—	—	—	—	—
SONG Zhigang	Non-executive Director	—	—	—	—	—
GAO Jianhong (iii)	Non-executive Director	—	—	—	—	—
LI Jun (iii)	Non-executive Director	—	—	—	—	—
LI Xiwen (iii)	Non-executive Director	—	—	—	—	—
Christopher A. COLE	Non-executive Director	—	—	—	—	—
WANG Wenyan (iv)	Former Non-executive Director	—	—	—	—	—
ZHAO Haiying (iv)	Former Non-executive Director	—	—	—	—	—
ZHONG Jian'an (iv)	Former Non-executive Director	—	—	—	—	—
WANG Chixi	Shareholder Supervisor	500	390	110	—	1,000
WANG Daocheng	External Supervisor	—	—	—	150	150
MIAO Gengshu	External Supervisor	—	—	—	140	140
ZHANG Wei	Employee Supervisor	407	471	114	50	1,042
		4,607	3,962	895	1,903	11,367

(i) Mr. Wang Weiqiang resigned as the chairman of the board of supervisors on 10 June 2008 and Mr. Zhao Lin succeeded on the same date, which has been approved by the supervisory committee.

(ii) The resignation of the above director was approved at the board of directors' meeting held on 19 November 2008 and became effective on the same date.

(iii) The appointments of the above directors have been approved by the CBRC, and their appointments took effect from 17 December 2008.

(iv) The retirement of the above directors became effective on 17 December 2008, pursuant to the laws and regulations of the PRC and the relevant provisions of the articles of association of the Bank.

		Year ended 31 December 2007				
Name	Position	Salaries, allowances and benefits in kind RMB'000	Discretionary bonuses RMB'000	Contributions to defined contribution schemes RMB'000	Fees RMB'000	Total RMB'000
JIANG Jianqing	Chairman of the Board of Directors, Executive Director	620	986	189	—	1,795
YANG Kaisheng	Vice Chairman of the Board of Directors, Executive Director, President	600	934	177	—	1,711
WANG Weiqiang	Chairman of the Board of Supervisors	560	882	162	—	1,604
ZHANG Furong	Executive Director, Vice President	520	865	148	—	1,533
NIU Ximing	Executive Director, Vice President	520	850	147	—	1,517
LEUNG Kam Chung, Antony	Independent Non-executive Director	—	—	—	510	510
QIAN Yingyi	Independent Non-executive Director	—	—	—	470	470
XU Shanda	Independent Non-executive Director	—	—	—	100	100
John L. THORNTON	Independent Non-executive Director	—	—	—	450	450
FU Zhongjun	Non-executive Director	—	—	—	—	—
KANG Xuejun	Non-executive Director	—	—	—	—	—
SONG Zhigang	Non-executive Director	—	—	—	—	—
Christopher A. COLE	Non-executive Director	—	—	—	—	—
WANG Wenyan	Non-executive Director	—	—	—	—	—
ZHAO Haiying	Non-executive Director	—	—	—	—	—
ZHONG Jian'an	Non-executive Director	—	—	—	—	—
WANG Chixi	Shareholder Supervisor	391	402	131	—	924
WANG Daocheng	External Supervisor	—	—	—	300	300
MIAO Gengshu	External Supervisor	—	—	—	280	280
ZHANG Wei	Employee Supervisor	281	456	131	50	918
		3,492	5,375	1,085	2,160	12,112

The non-executive directors of the Bank received emoluments from the Bank's shareholders or its affiliates in respect of their services during the year.

One of the Bank's executive directors, who is also a director of a subsidiary of the Bank, waived emoluments amounting to RMB0.17 million for the year ended 31 December 2008 (2007: RMB0.19 million), which were related to discretionary bonuses for employees who contributed to the success of operations of the Bank's subsidiary. Therefore, those emoluments were not included in the directors' emoluments disclosed above. Save for above, there was no arrangement under which a director or a supervisor waived or agreed to waive any remuneration during the year ended 31 December 2008.

During the year, no emoluments were paid by the Group to any of the persons who are directors or supervisors as an inducement to join or upon joining the Group or as compensation for loss of office (2007: Nil).

14. FIVE HIGHEST PAID INDIVIDUALS

The five highest paid individuals of the Group are employees of the Bank's overseas subsidiaries. Their emoluments were determined based on the prevailing market rates in the respective countries/regions where the subsidiaries are operating. None of them are directors, supervisors or key management personnel of the Bank whose emoluments are disclosed in note 13 or 46(e) to the financial statements. Details of the emoluments in respect of the five highest paid individuals are as follows:

	Group	
	2008 RMB'000	2007 RMB'000
Salaries, allowances and benefits in kind	14,957	11,559
Discretionary bonuses	4,146	19,997
Contributions to defined contribution schemes	5,318	767
	24,421	32,323

The number of these individuals whose emoluments fell within the following bands is set out below.

	Number of employees	
	2008	2007
RMB2,500,001 to RMB3,000,000	1	—
RMB3,500,001 to RMB4,000,000	1	—
RMB4,000,001 to RMB4,500,000	1	—
RMB4,500,001 to RMB5,000,000	1	1
RMB5,000,001 to RMB5,500,000	—	1
RMB5,500,001 to RMB6,000,000	—	1
RMB6,000,001 to RMB6,500,000	—	1
RMB8,500,001 to RMB9,000,000	1	—
RMB10,000,001 to RMB10,500,000	—	1
	5	5

During the year, no emoluments were paid by the Group to any of these non-director and non-supervisor individuals as an inducement to join or upon joining the Group or as compensation for loss of office (2007: Nil).

(In RMB millions, unless otherwise stated)

15. IMPAIRMENT LOSSES ON ASSETS OTHER THAN LOANS AND ADVANCES TO CUSTOMERS

	Notes	2008	2007
Charge/(reversal) of impairment losses on:			
Due from banks and other financial institutions	21	(121)	22
Financial investments:			
Held-to-maturity debt securities	27(d)	1,616	110
Available-for-sale investments	27(c)(i), (d)	16,485	3,135
Property and equipment	30	16	536
Other assets		954	542
		18,950	4,345

16. INCOME TAX EXPENSE

Pursuant to the new corporate income tax law which has become effective from 1 January 2008 onwards, the PRC income tax has been provided at the statutory rate of 25% (2007: 33%) during the year. Taxes on profits assessable elsewhere have been calculated at the applicable rates of tax prevailing in the countries/regions in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

	2008	2007
Current income tax expense:		
PRC		
— Mainland China	42,054	40,137
— Hong Kong and Macau	142	359
Overseas	93	76
	42,289	40,572
Adjustment in respect of current income tax of prior years	400	(1,890)
	42,689	38,682
Deferred income tax credit	(8,539)	(5,558)
	34,150	33,124

A reconciliation of the income tax expense applicable to profit before tax at the PRC statutory income tax rate of 25% (2007: 33%) to income tax expense at the Group's effective income tax rate is as follows:

	2008	2007
Profit before tax	145,376	115,378
Tax at the PRC statutory income tax rate	36,344	38,075
Effects of different applicable rates of tax prevailing in other countries/regions	(112)	(371)
Non-deductible expenses (i)	2,049	1,906
Non-taxable income (ii)	(4,335)	(6,446)
Profits and losses attributable to associates	(494)	—
Effects of change in tax rate on deferred income tax	—	1,636
Adjustment in respect of current income tax of prior years	400	(1,890)
Others	298	214
Tax expense at the Group's effective income tax rate	34,150	33,124

(i) The non-deductible expenses mainly represent non-deductible impairment provision and write-offs.

(ii) The non-taxable income mainly represents interest income arising from PRC government bonds, which is exempted from income tax.

17. PROFIT ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT COMPANY

The consolidated profit attributable to equity holders of the parent company for the year ended 31 December 2008 includes a profit of RMB108,959 million (2007: RMB80,933 million) which has been dealt with in the financial statements of the Bank (note 40).

18. DIVIDEND

	2008	2007
Dividends on ordinary shares declared and paid:		
Final dividend for 2007: RMB0.133 per share (2006: RMB0.016 per share)	44,425	5,344

	2008	2007
Dividends on ordinary shares proposed for approval (not recognised as at 31 December):		
Final dividend for 2008: RMB0.165 per share (2007: RMB0.133 per share)	55,113	44,425

The proposed final dividend for the year is subject to the approval of the Bank's shareholders at the forthcoming annual general meeting. The dividend was not recognised as a liability as at 31 December 2008.

19. EARNINGS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT COMPANY

The calculation of basic and diluted earnings per share is based on the following:

	2008	2007
Earnings:		
Profit for the year attributable to equity holders of the parent company	110,841	81,520
Shares:		
Weighted average number of ordinary shares in issue (million)	334,019	334,019
Basic and diluted earnings per share (RMB yuan)	0.33	0.24

There were no dilutive events during the year ended 31 December 2008 and 31 December 2007.

(In RMB millions, unless otherwise stated)

20. CASH AND BALANCES WITH CENTRAL BANKS

	Group		Bank	
	2008	2007	2008	2007
Cash on hand	40,025	39,123	39,439	38,899
Balances with central banks other than restricted deposits	373,807	83,328	373,550	82,793
Unrestricted cash and balances with central banks	413,832	122,451	412,989	121,692
Mandatory reserve deposits with central banks	1,191,472	947,236	1,190,757	947,110
Other restricted deposits with central banks	87,720	72,659	87,720	72,659
Restricted balances with central banks	1,279,192	1,019,895	1,278,477	1,019,769
	1,693,024	1,142,346	1,691,466	1,141,461

The Group is required to place mandatory reserve deposits and other restricted deposits with the PBOC and certain central banks of overseas countries or regions where it has operations. Mandatory reserve deposits with central banks and other restricted deposits are not available for use in the Group's daily operations.

Mandatory reserve deposits mainly consist of deposits placed with the PBOC. As at 31 December 2008, the required mandatory deposit reserve ratios set by the PBOC in respect of customer deposits denominated in RMB and foreign currencies were 15.5% (2007: 14.5%) and 5% (2007: 5%), respectively. The amounts of mandatory reserve deposits placed with the central banks of those countries or regions outside Mainland China are determined by local jurisdictions.

21. DUE FROM BANKS AND OTHER FINANCIAL INSTITUTIONS

	Group		Bank	
	2008	2007	2008	2007
Nostro accounts:				
Banks operating in Mainland China	11,092	11,380	10,089	10,866
Other financial institutions operating in Mainland China	1,004	469	1,004	469
Banks operating outside Mainland China	29,509	17,591	22,201	16,733
	41,605	29,440	33,294	28,068
Allowance for impairment losses	(34)	(34)	(34)	(34)
	41,571	29,406	33,260	28,034
Placements with banks and other financial institutions:				
Banks operating in Mainland China	10,899	15,879	12,528	18,684
Other financial institutions operating in Mainland China	6,499	5,884	6,440	5,784
Banks operating outside Mainland China	109,429	148,745	102,162	122,651
	126,827	170,508	121,130	147,119
Allowance for impairment losses	(35)	(156)	(33)	(156)
	126,792	170,352	121,097	146,963
	168,363	199,758	154,357	174,997

(In RMB millions, unless otherwise stated)

Movements of allowance for impairment losses during the year are as follows:

Group	Nostro accounts	Placements with banks and other financial institutions	Total
At 1 January 2007	31	145	176
Charge for the year	3	19	22
Write-offs	—	(8)	(8)
At 31 December 2007 and 1 January 2008	34	156	190
Charge for the year	—	2	2
Reversal for the year	—	(123)	(123)
At 31 December 2008	34	35	69

Bank	Nostro accounts	Placements with banks and other financial institutions	Total
At 1 January 2007	31	145	176
Charge for the year	3	19	22
Write-offs	—	(8)	(8)
At 31 December 2007 and 1 January 2008	34	156	190
Reversal for the year	—	(123)	(123)
At 31 December 2008	34	33	67

22. FINANCIAL ASSETS HELD FOR TRADING

	Group		Bank	
	2008	2007	2008	2007
Debt securities	32,163	31,501	25,362	31,485
Equity investments	19	35	—	—
	32,182	31,536	25,362	31,485
Debt securities analysed into:				
Listed in Hong Kong	203	1	68	—
Listed outside Hong Kong	1,689	650	186	650
Unlisted	30,271	30,850	25,108	30,835
	32,163	31,501	25,362	31,485

The equity investments are all listed in Hong Kong.

(In RMB millions, unless otherwise stated)

23. FINANCIAL ASSETS DESIGNATED AT FAIR VALUE THROUGH PROFIT OR LOSS

	Group		Bank	
	2008	2007	2008	2007
Debt securities	1,459	2,785	144	1,142
Debt securities analysed into:				
Listed in Hong Kong	301	76	—	—
Listed outside Hong Kong	1,005	1,812	144	1,142
Unlisted	153	897	—	—
	1,459	2,785	144	1,142

24. DERIVATIVE FINANCIAL INSTRUMENTS

A derivative is a financial instrument, the value of which changes in response to the change in a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index, or other similar variables. The Group uses derivative financial instruments including forwards, swaps and options.

The notional amount of a derivative represents the amount of underlying asset upon which the value of the derivative is based. It indicates the volume of business transacted by the Group but does not reflect the risk.

The fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable and willing parties in an arm's length transaction.

At the balance sheet date, the Group and the Bank had derivative financial instruments as follows:

Group

	31 December 2008						
	Notional amounts with remaining life of					Fair values	
	Within three months	Over three months but within one year	Over one year but within five years	Over five years	Total	Assets	Liabilities
Exchange rate contracts:							
Forward and swap contracts	242,378	191,333	16,327	11,769	461,807	8,749	(5,721)
Option contracts purchased	5,853	8,843	20	—	14,716	305	(305)
	248,231	200,176	16,347	11,769	476,523	9,054	(6,026)
Interest rate contracts:							
Swap contracts	5,094	22,711	103,525	51,392	182,722	6,543	(7,462)
Forward contracts	3,964	3,759	21,802	1,504	31,029	118	(118)
Option contracts purchased/written	—	—	529	—	529	5	(5)
	9,058	26,470	125,856	52,896	214,280	6,666	(7,585)
Other derivative contracts	27	96	—	—	123	1	(1)
	257,316	226,742	142,203	64,665	690,926	15,721	(13,612)

(In RMB millions, unless otherwise stated)

Group

	31 December 2007						
	Notional amounts with remaining life of					Fair values	
	Within three months	Over three months but within one year	Over one year but within five years	Over five years	Total	Assets	Liabilities
Exchange rate contracts:							
Forward and swap contracts	208,328	258,667	28,724	11,828	507,547	9,631	(4,804)
Option contracts purchased	29,798	83,948	3,892	—	117,638	11,644	(218)
	238,126	342,615	32,616	11,828	625,185	21,275	(5,022)
Interest rate contracts:							
Swap contracts	4,887	12,944	92,734	48,742	159,307	1,353	(1,964)
Forward contracts	4,529	4,483	27,465	5,698	42,175	129	(129)
Option contracts purchased/written	423	596	2,889	3,080	6,988	12	(12)
	9,839	18,023	123,088	57,520	208,470	1,494	(2,105)
	247,965	360,638	155,704	69,348	833,655	22,769	(7,127)

Bank

	31 December 2008						
	Notional amounts with remaining life of					Fair values	
	Within three months	Over three months but within one year	Over one year but within five years	Over five years	Total	Assets	Liabilities
Exchange rate contracts:							
Forward and swap contracts	226,490	157,180	13,403	11,769	408,842	7,490	(3,877)
Option contracts purchased	962	2,885	—	—	3,847	172	(172)
	227,452	160,065	13,403	11,769	412,689	7,662	(4,049)
Interest rate contracts:							
Swap contracts	4,689	17,857	94,166	48,113	164,825	6,211	(6,836)
Forward contracts	3,964	3,759	21,802	1,504	31,029	118	(118)
	8,653	21,616	115,968	49,617	195,854	6,329	(6,954)
Other derivative contracts	—	96	—	—	96	—	—
	236,105	181,777	129,371	61,386	608,639	13,991	(11,003)

(In RMB millions, unless otherwise stated)

Bank

	31 December 2007						
	Notional amounts with remaining life of					Fair values	
	Within three months	Over three months but within one year	Over one year but within five years	Over five years	Total	Assets	Liabilities
Exchange rate contracts:							
Forward and swap contracts	173,189	224,046	26,976	11,534	435,745	9,475	(4,614)
Option contracts purchased	22,805	68,415	—	—	91,220	11,552	(118)
	195,994	292,461	26,976	11,534	526,965	21,027	(4,732)
Interest rate contracts:							
Swap contracts	4,262	10,530	77,460	45,268	137,520	1,196	(1,725)
Forward contracts	4,529	4,483	27,465	5,698	42,175	129	(129)
Option contracts purchased/written	—	—	21	2,941	2,962	6	(6)
	8,791	15,013	104,946	53,907	182,657	1,331	(1,860)
	204,785	307,474	131,922	65,441	709,622	22,358	(6,592)

Cash flow hedges

The Group's cash flow hedge consists of foreign exchange forward and currency swap contracts that are used to protect against exposures to variability of future cash flows arising from floating rate foreign currency denominated assets and a forecast transaction which subsequently occurred and resulted in the recognition of an investment in a foreign operation during the year. The effective portion of the gain or loss on the hedging instrument is recognised directly in cash flow hedge reserve, being a component in equity, and will be recycled into the profit or loss when the forecast cash flows or the investment acquired affects the income statement. The ineffective portion is immediately recognised in the income statement.

Among the above derivative financial instruments, those designated as hedging instruments in the Group's cash flow hedge are set out below:

	31 December 2008						
	Notional amounts with remaining life of					Fair values	
	Within three months	Over three months but within one year	Over one year but within five years	Over five years	Total	Assets	Liabilities
Currency swap contract	—	444	—	—	444	—	(33)

31 December 2007: Nil

There is no ineffectiveness recognised in the income statement that arises from cash flow hedges for the current year (2007: Nil).

(In RMB millions, unless otherwise stated)

Fair value hedges

Fair value hedges are used by the Group to protect it against changes in the fair value of financial assets and financial liabilities due to movements in market interest rates and exchange rates. The financial instruments hedged for interest rate risk and currency risk mainly include available-for-sale debt securities.

The effectiveness of the hedge based on changes in fair value of the derivatives and the hedged items attributable to the hedged risk recognised in the income statement during the year is presented as follows:

	Group	
	2008	2007
Loss arising from fair value hedge, net:		
— Hedging instruments	(529)	(211)
— Hedged items attributable to the hedged risk	496	208
	(33)	(3)

Among the above derivative financial instruments, those designated as hedging instruments in fair value hedge are set out below:

Group

	31 December 2008						
	Notional amounts with remaining life of					Fair values	
	Within three months	Over three months but within one year	Over one year but within five years	Over five years	Total	Assets	Liabilities
Currency swap contracts	—	—	124	—	124	—	(23)
Interest rate swap contracts	312	1,721	9,681	1,191	12,905	3	(796)
	312	1,721	9,805	1,191	13,029	3	(819)

	31 December 2007						
	Notional amounts with remaining life of					Fair values	
	Within three months	Over three months but within one year	Over one year but within five years	Over five years	Total	Assets	Liabilities
Currency swap contracts	—	—	74	—	74	—	(4)
Interest rate swap contracts	167	1,486	2,686	881	5,220	11	(160)
	167	1,486	2,760	881	5,294	11	(164)

(In RMB millions, unless otherwise stated)

Bank

	31 December 2008						
	Notional amounts with remaining life of					Fair values	
	Within three months	Over three months but within one year	Over one year but within five years	Over five years	Total	Assets	Liabilities
Currency swap contracts	—	—	54	—	54	—	(20)
Interest rate swap contracts	311	1,041	7,693	707	9,752	3	(546)
	311	1,041	7,747	707	9,806	3	(566)

	31 December 2007						
	Notional amounts with remaining life of					Fair values	
	Within three months	Over three months but within one year	Over one year but within five years	Over five years	Total	Assets	Liabilities
Interest rate swap contracts	—	923	2,061	530	3,514	3	(133)

The credit risk weighted amounts in respect of the above derivatives of the Group and of the Bank as at the balance sheet date are as follows:

	Group		Bank	
	2008	2007	2008	2007
Currency derivatives	5,900	5,117	4,758	4,404
Interest rate derivatives	6,141	1,729	5,804	1,611
Other derivatives	8	—	6	—
	12,049	6,846	10,568	6,015

The credit risk weighted amounts represent the counterparty credit risk associated with derivative transactions and are calculated with reference to the guidelines issued by the CBRC. The amounts calculated are dependent on, among other factors, the credit worthiness of the customer and the maturity characteristic of each type of contract. The amount differs from the carrying amount or maximum exposure to credit risk.

25. REVERSE REPURCHASE AGREEMENTS

	Group		Bank	
	2008	2007	2008	2007
Analysed by counterparty:				
Banks	84,511	65,763	84,511	65,763
Other financial institutions	78,982	10,117	77,681	10,117
	163,493	75,880	162,192	75,880
Analysed by collateral:				
Securities	111,466	6,185	111,466	6,185
Bills	42,685	58,153	42,685	58,153
Loans	9,342	11,542	8,041	11,542
	163,493	75,880	162,192	75,880

(In RMB millions, unless otherwise stated)

Under certain reverse repurchase agreements, the Group and the Bank received collateral that is permitted to be sold or repledged in the absence of default by the owners of the collateral. The fair value of the collateral received on such terms as at 31 December 2007 amounted to RMB4,790 million. There was no collateral received on such items as at 31 December 2008.

26. LOANS AND ADVANCES TO CUSTOMERS

	Group		Bank	
	2008	2007	2008	2007
Corporate loans	3,396,633	3,057,517	3,269,141	2,949,787
Personal loans	849,045	763,607	829,824	752,363
Discounted bills	326,316	252,105	326,315	252,103
	4,571,994	4,073,229	4,425,280	3,954,253
Allowance for impairment losses	(135,983)	(115,687)	(135,325)	(115,331)
	4,436,011	3,957,542	4,289,955	3,838,922

Movements of allowance for impairment losses during the year are as follows:

Group

	Individually assessed	Collectively assessed	Total
At 1 January 2007	56,991	40,202	97,193
Impairment loss:	15,928	17,133	33,061
— impairment allowances charged	36,869	38,439	75,308
— impairment allowances transferred	371	(371)	—
— reversal of impairment allowances	(21,312)	(20,935)	(42,247)
Accreted interest on impaired loans (note 6)	(1,430)	—	(1,430)
Write-offs	(7,579)	(592)	(8,171)
Recoveries of loans and advances previously written off	295	—	295
Transfer out	(5,261)	—	(5,261)
At 31 December 2007 and 1 January 2008	58,944	56,743	115,687
Impairment loss:	10,955	25,557	36,512
— impairment allowances charged	25,045	54,683	79,728
— impairment allowances transferred	443	(443)	—
— reversal of impairment allowances	(14,533)	(28,683)	(43,216)
Accreted interest on impaired loans (note 6)	(1,538)	—	(1,538)
Write-offs	(11,917)	(456)	(12,373)
Recoveries of loans and advances previously written off	83	146	229
Transfer out	(2,468)	(66)	(2,534)
At 31 December 2008	54,059	81,924	135,983

Transfer out mainly represents impairment losses of loans transferred into repossessed assets.

(In RMB millions, unless otherwise stated)

Bank

	Individually assessed	Collectively assessed	Total
At 1 January 2007	56,785	39,959	96,744
Impairment loss:	15,914	17,167	33,081
— impairment allowances charged	36,716	38,300	75,016
— impairment allowances transferred	371	(371)	—
— reversal of impairment allowances	(21,173)	(20,762)	(41,935)
Accreted interest on impaired loans	(1,411)	—	(1,411)
Write-offs	(7,535)	(592)	(8,127)
Recoveries of loans and advances previously written off	295	—	295
Transfer out	(5,251)	—	(5,251)
At 31 December 2007 and 1 January 2008	58,797	56,534	115,331
Impairment loss:	10,710	25,424	36,134
— impairment allowances charged	24,782	54,417	79,199
— impairment allowances transferred	443	(443)	—
— reversal of impairment allowances	(14,515)	(28,550)	(43,065)
Accreted interest on impaired loans	(1,524)	—	(1,524)
Write-offs	(11,858)	(446)	(12,304)
Recoveries of loans and advances previously written off	76	143	219
Transfer out	(2,443)	(88)	(2,531)
At 31 December 2008	53,758	81,567	135,325

Movements of allowance for impairment losses during the year analysed into those attributable to corporate loans and discounted bills and personal loans are as follows:

Group

	Corporate loans and discounted bills	Personal loans	Total
At 1 January 2007	86,346	10,847	97,193
Impairment loss:	30,363	2,698	33,061
— impairment allowances charged	68,486	6,822	75,308
— reversal of impairment allowances	(38,123)	(4,124)	(42,247)
Accreted interest on impaired loans (note 6)	(1,430)	—	(1,430)
Write-offs	(7,579)	(592)	(8,171)
Recoveries of loans and advances previously written off	295	—	295
Transfer out	(5,261)	—	(5,261)
At 31 December 2007 and 1 January 2008	102,734	12,953	115,687
Impairment loss:	30,639	5,873	36,512
— impairment allowances charged	69,723	10,005	79,728
— reversal of impairment allowances	(39,084)	(4,132)	(43,216)
Accreted interest on impaired loans (note 6)	(1,538)	—	(1,538)
Write-offs	(11,917)	(456)	(12,373)
Recoveries of loans and advances previously written off	83	146	229
Transfer out	(2,468)	(66)	(2,534)
At 31 December 2008	117,533	18,450	135,983

(In RMB millions, unless otherwise stated)

Bank

	Corporate loans and discounted bills	Personal loans	Total
At 1 January 2007	85,954	10,790	96,744
Impairment loss:	30,353	2,728	33,081
— impairment allowances charged	68,194	6,822	75,016
— reversal of impairment allowances	(37,841)	(4,094)	(41,935)
Accreted interest on impaired loans	(1,411)	—	(1,411)
Write-offs	(7,535)	(592)	(8,127)
Recoveries of loans and advances previously written off	295	—	295
Transfer out	(5,251)	—	(5,251)
At 31 December 2007 and 1 January 2008	102,405	12,926	115,331
Impairment loss:	30,283	5,851	36,134
— impairment allowances charged	69,221	9,978	79,199
— reversal of impairment allowances	(38,938)	(4,127)	(43,065)
Accreted interest on impaired loans	(1,524)	—	(1,524)
Write-offs	(11,858)	(446)	(12,304)
Recoveries of loans and advances previously written off	76	143	219
Transfer out	(2,443)	(88)	(2,531)
At 31 December 2008	116,939	18,386	135,325

	Group		Bank	
	2008	2007	2008	2007
Loans and advances for which allowance for impairment losses is:				
Individually assessed	94,811	103,055	93,936	102,530
Collectively assessed	4,477,183	3,970,174	4,331,344	3,851,723
	4,571,994	4,073,229	4,425,280	3,954,253
Allowance for impairment losses:				
Individually assessed	54,059	58,944	53,758	58,797
Collectively assessed	81,924	56,743	81,567	56,534
	135,983	115,687	135,325	115,331
Net loans and advances for which allowance for impairment losses is:				
Individually assessed	40,752	44,111	40,178	43,733
Collectively assessed	4,395,259	3,913,431	4,249,777	3,795,189
	4,436,011	3,957,542	4,289,955	3,838,922
Identified impaired loans and advances	104,482	111,774	103,529	111,140
Percentage of impaired loans and advances	2.29%	2.74%	2.34%	2.81%

(In RMB millions, unless otherwise stated)

Securitisation business

The Group enters into securitisation transactions in the normal course of business by which it transfers credit assets to SPEs which issue asset-backed securities to investors. The Group may retain interests in the form of subordinated tranches which would give rise to the Group's continuing involvement in the transferred assets. Those financial assets are recognised on the balance sheet to the extent of the Group's continuing involvement. The extent of the Group's continuing involvement is the extent to which the Group exposes to changes in the value of the transferred assets.

As at 31 December 2008, loans with an original carrying amount of RMB12,032 million (2007: RMB4,021 million) have been securitised by the Group under arrangements in which the Group retains a continuing involvement in such assets. As at 31 December 2008, the amount of assets that the Group continues to recognise was RMB519 million (2007: RMB116 million), and the assets were classified as available-for-sale securities.

27. FINANCIAL INVESTMENTS

		Group		Bank	
	Notes	2008	2007	2008	2007
Receivables	(a)	1,162,769	1,211,767	1,162,769	1,211,767
Held-to-maturity debt securities	(b)	1,314,320	1,330,085	1,319,106	1,334,508
Available-for-sale investments	(c)	537,580	531,155	520,576	515,229
		3,014,669	3,073,007	3,002,451	3,061,504

(a) Receivables

The receivables are unlisted and stated at amortised cost and comprise the following:

		Group and Bank	
	Notes	2008	2007
Huarong bonds	(i)	312,996	312,996
Special government bond	(ii)	85,000	85,000
MOF receivable	(iii)	142,773	193,981
Special PBOC bills	(iv)	434,790	434,790
PBOC bills and financial bonds	(v)	187,210	185,000
		1,162,769	1,211,767

Notes:

(i) Huarong bonds are a series of long term bonds issued by China Huarong Asset Management Corporation ("Huarong") in 2000 and 2001, with an aggregate amount of RMB312,996 million. The proceeds from the issuance of the bond were used to purchase impaired assets of the Group. The bonds are non-transferable, with a tenure of 10 years and bear interest at a fixed rate of 2.25% per annum. The MOF will provide support for the repayment of the principal of the Huarong bonds if necessary. In addition, with effect from 1 July 2005, should Huarong be unable to make full payment of the bond interest, the MOF will provide funding in support of the payment.

(ii) The special government bond represents a non-negotiable bond with a nominal value of RMB85,000 million issued by the MOF to the Bank in 1998. The bond will mature in 2028 and bears interest at a fixed rate of 2.25% per annum.

(iii) MOF receivable represents the receivable arising from the disposal of certain impaired assets to Huarong in 2005. The amount is repayable by 2010 and bears interest at a fixed rate of 3% per annum. The repayment of principal from the MOF during the year amounted to RMB51,208 million (2007: RMB32,397million).

(In RMB millions, unless otherwise stated)

(iv) Special PBOC bills consist of:

- a non-transferable bill with a nominal value of RMB430,465 million issued by the PBOC in June 2005, which will mature in June 2010 and bears a fixed interest rate of 1.89% per annum. The PBOC has the right to early redeem the bill prior to the maturity date; and
- a non-transferable bill with a nominal value of RMB4,325 million issued by the PBOC in June 2006, which will mature in June 2011 and bears a fixed interest rate of 1.89% per annum. The PBOC has the right to early redeem the bill prior to the maturity date.

(v) PBOC bills and financial bonds

The balance represents non-transferable debt securities with fixed or determinable payments.

(b) Held-to-maturity debt securities

Held-to-maturity debt securities are stated at amortised cost and comprise the following:

	Group		Bank	
	2008	2007	2008	2007
Debt securities	1,316,033	1,330,234	1,320,701	1,334,654
Allowance for impairment losses	(1,713)	(149)	(1,595)	(146)
	1,314,320	1,330,085	1,319,106	1,334,508

	Group		Bank	
	2008	2007	2008	2007
Analysed into:				
Listed in Hong Kong	517	655	448	655
Listed outside Hong Kong	221,998	331,109	220,832	330,547
Unlisted	1,091,805	998,321	1,097,826	1,003,306
	1,314,320	1,330,085	1,319,106	1,334,508
Market value of listed debt securities	234,224	323,928	232,983	323,401

(In RMB millions, unless otherwise stated)

(c) Available-for-sale investments

Available-for-sale investments comprise the following:

	Group		Bank	
	2008	2007	2008	2007
Debt securities, at fair value (i)	528,829	524,723	513,238	511,113
Equity investments:				
At fair value (i)	6,861	3,412	5,541	1,177
At cost (ii):				
Debt for equity swaps (iii)	2,249	3,130	2,249	3,130
Others	412	338	295	240
Allowance for impairment losses of equity investments	(771)	(448)	(747)	(431)
	1,890	3,020	1,797	2,939
Subtotal for equity investments	8,751	6,432	7,338	4,116
Total	537,580	531,155	520,576	515,229
Debt securities analysed into:				
Listed in Hong Kong	3,924	1,617	2,075	612
Listed outside Hong Kong	94,479	44,454	85,693	38,792
Unlisted	430,426	478,652	425,470	471,709
	528,829	524,723	513,238	511,113
Equity investments analysed into:				
Listed in Hong Kong	1,058	2,235	—	—
Listed outside Hong Kong	213	1,177	213	1,177
Unlisted	7,480	3,020	7,125	2,939
	8,751	6,432	7,338	4,116
Market value of listed securities:				
Debt securities	98,403	46,071	87,768	39,404
Equity investments	1,271	3,412	213	1,177
	99,674	49,483	87,981	40,581

(i) When impairment of an available-for-sale investment measured at fair value occurs, any impairment loss recognised is recorded in the carrying amount directly. As at 31 December 2008, the carrying amount of available-for-sale investments measured at fair value includes debt securities and equity investments which are individually assessed to be impaired amounting to RMB24,565 million (2007: RMB5,500 million) and RMB49 million (2007: Nil) respectively, with aggregate impairment loss recognised in the income statement for the year of RMB16,162 million (2007: RMB3,081 million).

(ii) Certain available-for-sale unlisted equity investments which do not have any quoted market prices and whose fair values cannot be measured reliably are stated at cost less any impairment losses. There is no active market for these investments and it is the Bank's intention to dispose of them as opportunities arise. During the year, the Bank derecognised part of these equity investments with a carrying value of RMB881 million (2007: RMB1,086 million) at the time of derecognition. There was no gain or loss recognised for such derecognition during the year (2007: gain of RMB121 million).

(iii) As with other state-owned banks, the Bank obtained equity interests in certain enterprises in lieu of repayments of loans through debt for equity swap arrangements set by the Government in 1999. These equity interests are held through an asset management company, but the Bank in fact retains the risks and rewards of ownership and rights to dispose of these equity interests. By their nature, these equity interests are treated as equity investments of the Group.

(In RMB millions, unless otherwise stated)

(d) Movements of allowance for impairment losses of held-to-maturity debt securities and available-for-sale equity investments measured at cost during the year are as follows:

	Group			Bank		
	Held-to-maturity debt securities	Available-for-sale equity investments	Total	Held-to-maturity debt securities	Available-for-sale equity investments	Total
At 1 January 2007	39	467	506	39	467	506
Charge for the year	110	54	164	107	37	144
Disposals	—	(73)	(73)	—	(73)	(73)
At 31 December 2007 and 1 January 2008	149	448	597	146	431	577
Charge for the year	1,616	323	1,939	1,500	316	1,816
Disposals	(52)	—	(52)	(51)	—	(51)
At 31 December 2008	1,713	771	2,484	1,595	747	2,342

28. INVESTMENTS IN SUBSIDIARIES

	Bank	
	2008	2007
Unlisted investments, at cost	9,808	4,815
Shares listed in Hong Kong, at cost	10,191	7,556
	19,999	12,371
Market value of the Bank's investment in a subsidiary whose shares are listed in Hong Kong	6,777	15,176

(In RMB millions, unless otherwise stated)

Particulars of the Bank's principal subsidiaries as at the balance sheet date are as follows:

Name	Percentage of equity interest directly attributable to the Bank 2008 %	2007 %	Nominal value of issued share/ paid-up capital	Place of incorporation/ registration and operations	Principal activities
Industrial and Commercial Bank of China (Asia) Limited ("ICBC (Asia)") (i)	72.04	62.98	HK$2,571 million	Hong Kong, the PRC	Commercial banking
ICBC International Holdings Limited (ii)	100	100	HK$280 million	Hong Kong, the PRC	Investment banking
JSC Industrial and Commercial Bank of China Almaty	100	100	US$10 million	Almaty, Kazakhstan	Commercial banking
ICEA Finance Holdings Limited	75	75	US$20 million	British Virgin Islands and Hong Kong	Investment banking
ICBC (London) Limited	100	100	US$200 million	London, United Kingdom	Commercial banking
ICBC Credit Suisse Asset Management Co., Ltd. (iii)	55	55	RMB200 million	Beijing, the PRC	Fund management
Industrial and Commercial Bank of China Luxembourg S.A.*	100	100	US$18.50 million	Luxembourg	Commercial banking
PT. Bank ICBC Indonesia (iv)	97.83	90	Rupiah460,000 million	Indonesia	Commercial banking
ZAO Industrial and Commercial Bank of China (Moscow)*	100	100	Ruble1,000 million	Moscow, Russia	Commercial banking
ICBC Financial Leasing Co., Ltd. (v)	100	100	RMB2,000 million	Tianjin, the PRC	Financial leasing
Seng Heng Bank Limited ("Seng Heng Bank") (note 41(a))	79.93	—	MOP150 million	Macau, the PRC	Commercial banking
Industrial and Commercial Bank of China (Middle East) Limited (vi)	100	—	US$50 million	Dubai, United Arab Emirates	Commercial banking and investment banking

* Not audited by Ernst & Young Hong Kong or other member firms of the Ernst & Young global network.

The above table lists the principal subsidiaries of the Bank. To give details of other subsidiaries would, in the opinion of management, result in particulars of excessive length.

(i) On 24 January 2008, the Bank acquired 100,913,330 ordinary shares and 11,212,592 warrants of ICBC (Asia) from Fortis Bank at a consideration of HK$1,924 million in aggregate. On 6 May 2008, the Bank exercised all of the warrants acquired and subscribed for 11,212,592 shares in ICBC (Asia) at HK$20 per share, being HK$224 million in aggregate.

During the year, the Bank was allotted 41,665,829 ordinary shares of ICBC (Asia) in lieu of cash in the amount of HK$812 million in aggregate, pursuant to the scrip dividend schemes of ICBC (Asia).

Subsequent to the above, the equity interests held by the Bank in ICBC (Asia) increased to 72.04%.

(ii) The company was formerly known as Industrial and Commercial International Capital Limited. On 12 September 2008, its name was changed to ICBC International Holdings Limited. The principal activities of the company also changed from commercial banking to investment banking with the approval of the Hong Kong Monetary Authority.

(iii) ICBC Credit Suisse Asset Management Co., Ltd. is registered as a sino-foreign joint venture enterprise under the PRC Law.

(iv) During the year, the Bank made a capital injection of Rupiah 360,000 million in PT. Bank ICBC Indonesia with the approval of the local regulatory authority. Subsequently, the equity interest held by the Bank in PT. Bank ICBC Indonesia increased to 97.83%.

(v) ICBC Financial Leasing Co., Ltd. is registered as a limited company under the PRC law.

(vi) Industrial and Commercial Bank of China (Middle East) Limited, a wholly-owned subsidiary of the Bank, was established on 28 April 2008 with registered capital of US$50 million.

(In RMB millions, unless otherwise stated)

Included in the Bank's balance sheet are balances with subsidiaries as follows:

	2008	2007
Due from subsidiaries	12,612	16,149
Due to subsidiaries	(3,284)	(4,404)
Investments	8,372	7,854

The balances with subsidiaries included nostro accounts, placements with banks and other financial institutions, investments, other assets, money market takings, deposits from banks and other financial institutions and repurchase agreements. These transactions were conducted under similar terms with those on other customers of the Bank.

Apart from the above, the Bank has consolidated SPEs which are controlled by the Bank.

29. INVESTMENTS IN ASSOCIATES

	Group	
	2008	2007
Share of net assets	13,191	144
Goodwill	15,230	28
	28,421	172

	Bank	
	2008	2007
Shares listed outside Hong Kong, at cost	33,160	—

The following table illustrates the summarised financial information of the Group's associates extracted from their financial statements:

	2008	2007
Assets	1,097,073	634
Liabilities	(1,024,138)	(214)
Net assets	72,935	420
Revenue	61,799	93
Profit for the year	12,202	61

(In RMB millions, unless otherwise stated)

Particulars of the Group's associates at the balance sheet date are as follows:

Name	Percentage of equity interest attributable to the Group 2008 %	2007 %	Place of incorporation/ registration	Principal activities
Listed investment directly held:				
Standard Bank Group Limited ("Standard Bank")* (i)	20.07	—	Republic of South Africa	Commercial banking
Unlisted investment indirectly held:				
China Ping An Insurance (Hong Kong) Company Limited (ii)	18.01	15.75	Hong Kong	General insurance
IEC Investments Limited* (iii)	28.82	25.19	Hong Kong	Investment company

* Not audited by Ernst & Young Hong Kong or other member firms of the Ernst & Young global network.

(i) On 3 March 2008, the Bank completed its acquisition of a 20% equity interest in Standard Bank, with a consideration of ZAR36,330 million (equivalent to approximately RMB33,340 million). On 22 September 2008, the Bank received a pre-acquisition dividend amounted to RMB180 million, as a deduction of cost of investment in Standard Bank.

(ii) The shareholding of a 25% equity interest in this associate is held through a non-wholly-owned subsidiary, ICBC (Asia). The percentage of ownership interest disclosed represents the effective percentage held by the Group.

(iii) The shareholding of a 40% equity interest in this associate is held through a non-wholly-owned subsidiary, ICBC (Asia). The percentage of ownership interest disclosed represents the effective percentage held by the Group.

	2008	2007
Market value of listed investment	18,460	—

(In RMB millions, unless otherwise stated)

30. PROPERTY AND EQUIPMENT

Group

	Properties and buildings	Construction in progress	Leasehold improve-ments	Office equipment and computers	Motor vehicles	Total
Cost:						
1 January 2007	73,674	2,908	1,472	17,626	1,884	97,564
Additions	1,426	2,390	547	4,314	128	8,805
Acquisition of a subsidiary	3	—	—	2	2	7
Transfers	1,279	(1,600)	—	310	21	10
Disposals	(1,737)	(1,031)	(225)	(316)	(275)	(3,584)
At 31 December 2007 and 1 January 2008	74,645	2,667	1,794	21,936	1,760	102,802
Additions	2,990	5,101	1,090	5,457	227	14,865
Acquisition of a subsidiary (note 41(a))	183	—	—	34	1	218
Transfers	1,759	(2,372)	24	603	9	23
Disposals	(510)	(65)	(20)	(704)	(377)	(1,676)
At 31 December 2008	79,067	5,331	2,888	27,326	1,620	116,232
Accumulated depreciation and impairment:						
At 1 January 2007	5,404	345	606	7,717	1,089	15,161
Depreciation charge for the year (note 12)	3,341	—	273	4,320	384	8,318
Impairment losses (note 15)	470	51	—	10	5	536
Disposals	(506)	(247)	(205)	(290)	(231)	(1,479)
At 31 December 2007 and 1 January 2008	8,709	149	674	11,757	1,247	22,536
Depreciation charge for the year (note 12)	3,531	—	375	4,075	209	8,190
Impairment losses (note 15)	16	—	—	—	—	16
Disposals	(252)	(7)	(13)	(684)	(354)	(1,310)
At 31 December 2008	12,004	142	1,036	15,148	1,102	29,432
Net carrying amount:						
At 31 December 2007	65,936	2,518	1,120	10,179	513	80,266
At 31 December 2008	67,063	5,189	1,852	12,178	518	86,800

(In RMB millions, unless otherwise stated)

Bank

	Properties and buildings	Construction in progress	Leasehold improve-ments	Office equipment and computers	Motor vehicles	Total
Cost:						
1 January 2007	73,515	2,908	1,286	17,274	1,867	96,850
Additions	1,375	2,390	528	4,257	127	8,677
Transfers	1,279	(1,600)	—	310	21	10
Disposals	(1,621)	(1,031)	(210)	(52)	(268)	(3,182)
At 31 December 2007 and 1 January 2008	74,548	2,667	1,604	21,789	1,747	102,355
Additions	2,946	5,101	1,034	5,387	220	14,688
Transfers	1,759	(2,372)	24	603	9	23
Disposals	(501)	(65)	—	(634)	(371)	(1,571)
At 31 December 2008	78,752	5,331	2,662	27,145	1,605	115,495
Accumulated depreciation and impairment:						
At 1 January 2007	5,352	345	509	7,444	1,077	14,727
Depreciation charge for the year	3,313	—	271	4,295	382	8,261
Impairment losses	470	51	—	10	5	536
Disposals	(431)	(247)	(205)	(47)	(225)	(1,155)
At 31 December 2007 and 1 January 2008	8,704	149	575	11,702	1,239	22,369
Depreciation charge for the year	3,516	—	352	4,034	206	8,108
Impairment losses	16	—	—	—	—	16
Disposals	(245)	(7)	—	(618)	(348)	(1,218)
At 31 December 2008	11,991	142	927	15,118	1,097	29,275
Net carrying amount:						
At 31 December 2007	65,844	2,518	1,029	10,087	508	79,986
At 31 December 2008	66,761	5,189	1,735	12,027	508	86,220

(In RMB millions, unless otherwise stated)

The Group's and the Bank's properties and buildings were held under the following lease terms:

	Group		Bank	
	2008	2007	2008	2007
Long term leases (over 50 years)				
Held in the PRC (other than Hong Kong)	6,186	6,483	6,186	6,483
Held in Hong Kong	185	292	185	216
Held in overseas	11	44	—	44
	6,382	6,819	6,371	6,743
Medium term leases (10 to 50 years)				
Held in the PRC (other than Hong Kong)	58,216	56,832	58,135	56,830
Held in Hong Kong	97	24	46	10
Held in overseas	85	—	41	—
	58,398	56,856	58,222	56,840
Short term leases (less than 10 years)				
Held in the PRC (other than Hong Kong)	2,270	2,261	2,168	2,261
Held in Hong Kong	13	—	—	—
	2,283	2,261	2,168	2,261
	67,063	65,936	66,761	65,844

As at 31 December 2008, the process of obtaining the titleship for the Group's properties and buildings with an aggregate net carrying value of RMB5,601 million (2007: RMB4,680 million) was still in progress. Management is of the view that the aforesaid matter would not affect the rights of the Group to these assets nor have any significant impact on the business operation of the Group.

31. DEFERRED INCOME TAX

Deferred income tax assets and liabilities as at the balance sheet date are as follows:

Group

Deferred income tax assets

	At 1 January 2008	Credited/ (charged) to income statement	Credited/ (charged) to equity	At 31 December 2008
Allowances for impairment losses	4,671	7,232	—	11,903
Changes in fair value of available-for-sale investments	695	—	(3,620)	(2,925)
Changes in fair value of financial instruments at fair value through profit or loss	(3,179)	2,188	—	(991)
Early retirement benefits	3,125	(536)	—	2,589
Others	521	(351)	—	170
Total	5,833	8,533	(3,620)	10,746

(In RMB millions, unless otherwise stated)

	At 1 January 2007	Credited/ (charged) to income statement	Credited/ (charged) to equity	At 31 December 2007
Allowances for impairment losses	—	4,671	—	4,671
Changes in fair value of available-for-sale investments	—	—	695	695
Changes in fair value of financial instruments at fair value through profit or loss	—	(3,179)	—	(3,179)
Early retirement benefits	—	3,125	—	3,125
Others	—	521	—	521
Total	—	5,138	695	5,833

Deferred income tax liabilities

	At 1 January 2008	Charged/ (credited) to income statement	Charged/ (credited) to equity	At 31 December 2008
Allowances for impairment losses	(13)	13	—	—
Changes in fair value of available-for-sale investments	315	—	(315)	—
Others	35	(19)	—	16
Total	337	(6)	(315)	16

	At 1 January 2007	Charged/ (credited) to income statement	Charged/ (credited) to equity	At 31 December 2007
Allowances for impairment losses	(1,481)	1,468	—	(13)
Changes in fair value of available-for-sale investments	942	—	(627)	315
Changes in fair value of financial instruments at fair value through profit or loss	1,776	(1,776)	—	—
Others	147	(112)	—	35
Total	1,384	(420)	(627)	337

(In RMB millions, unless otherwise stated)

Bank

Deferred income tax assets

	At 1 January 2008	Credited/ (charged) to income statement	Credited/ (charged) to equity	At 31 December 2008
Allowances for impairment losses	4,671	7,188	—	11,859
Changes in fair value of available-for-sale investments	695	—	(3,722)	(3,027)
Changes in fair value of financial instruments at fair value through profit or loss	(3,179)	2,188	—	(991)
Early retirement benefits	3,125	(536)	—	2,589
Others	499	(322)	—	177
Total	5,811	8,518	(3,722)	10,607

	At 1 January 2007	Credited/ (charged) to income statement	Credited/ (charged) to equity	At 31 December 2007
Allowances for impairment losses	1,481	3,190	—	4,671
Changes in fair value of available-for-sale investments	(879)	—	1,574	695
Changes in fair value of financial instruments at fair value through profit or loss	(1,776)	(1,403)	—	(3,179)
Early retirement benefits	—	3,125	—	3,125
Others	(153)	652	—	499
Total	(1,327)	5,564	1,574	5,811

32. OTHER ASSETS

	Group		Bank	
	2008	2007	2008	2007
Interest receivable	52,584	43,265	51,232	42,139
Repossessed assets	2,206	3,400	2,204	3,398
Land use rights	23,037	23,318	23,037	23,318
Settlement accounts	8,202	4,598	6,201	2,169
Goodwill (i)	4,891	1,420	—	—
Precious metal	2,819	1,134	2,819	1,134
Others	12,518	14,683	10,768	14,295
	106,257	91,818	96,261	86,453

(i) Goodwill arising from business combinations mainly relate to the acquisition of ICBC (Asia) and Seng Heng Bank. Goodwill has been allocated to the Group's CGU, which is not larger than the reportable segment of the group, for impairment testing.

The recoverable amount of the CGU is determined based on the discounted future cash flows of the CGU. The cash flow projections based on financial forecasts approved by management of the subsidiaries cover a three to five year period. Cash flows beyond the three to five year period are extrapolated using the estimate rates which do not exceed the long-term average growth rate for the business in which the CGU operates. The discount rate is the pre-tax rate and reflects the specific risk associated with the CGU.

(In RMB millions, unless otherwise stated)

As indicated by the impairment test, goodwill arising from business combinations are not impaired and thus, no impairment loss is recognised.

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

		Group		Bank	
	Notes	2008	2007	2008	2007
Structured deposits	(i)	2,551	10,558	2,285	10,278
Notes payable	(ii)	2,629	2,863	—	—
Certificates of deposit	(iii)	2,386	2,169	—	—
		7,566	15,590	2,285	10,278

Notes:

(i) The fair value of structured deposits as at 31 December 2008 was RMB6 million below the amount that the Group would be contractually required to pay to the holders of these structured deposits upon maturity (2007: RMB187 million below).

(ii) The notes were issued in September 2004 by ICBCA (C.I.) Limited, an indirectly-held subsidiary of the Bank, at a coupon rate of 4.125% per annum and maturing on 16 September 2009. The amount of fair value in excess of the amount that the Group would be contractually required to pay to the holders of these notes upon maturity amounted to RMB41 million as at 31 December 2008 (2007: RMB1 million above).

(iii) The certificates of deposit are all issued by ICBC (Asia) to financial institutions and retail customers at fixed or floating rates. The amount of fair value in excess of the amount that the Group would be contractually required to pay to the holders of these certificates of deposit upon maturity amounted to RMB33 million as at 31 December 2008 (2007: RMB11 million above).

There were no significant changes in the credit spread of the Bank and ICBC (Asia) and therefore the amounts of changes in fair value of the financial liabilities that are attributable to changes in credit risk are considered not significant during the years presented and cumulatively as at 31 December 2008 and 31 December 2007.

Certain structured deposits, notes payable and certificates of deposit have been matched with derivatives as part of a documented risk management strategy to mitigate market risk, such as interest rate risk. An accounting mismatch would arise if these financial liabilities were accounted for at amortised cost, because the related derivatives are measured at fair value with movements in the fair value taken through the income statement. By designating these financial liabilities at fair value through profit or loss, the movement in their fair values will be recorded in the income statement.

34. DUE TO BANKS AND OTHER FINANCIAL INSTITUTIONS

	Group		Bank	
	2008	2007	2008	2007
Money market takings	53,647	77,565	40,661	70,772
Deposits	592,607	727,609	592,099	728,241
	646,254	805,174	632,760	799,013

(In RMB millions, unless otherwise stated)

35. REPURCHASE AGREEMENTS

	Group		Bank	
	2008	2007	2008	2007
Analysed by counterparty:				
Banks	4,648	105,199	4,246	107,256
Other financial institutions	—	88,309	—	88,309
	4,648	193,508	4,246	195,565
Analysed by collateral:				
Securities	200	190,174	200	190,174
Bills	3,841	—	3,841	—
Loans	607	3,334	205	5,391
	4,648	193,508	4,246	195,565

36. DUE TO CUSTOMERS

	Group		Bank	
	2008	2007	2008	2007
Demand deposits:				
Corporate customers	2,575,763	2,378,392	2,558,776	2,364,089
Personal customers	1,444,430	1,182,787	1,432,430	1,174,888
Time deposits:				
Corporate customers	1,482,438	1,128,417	1,390,127	1,044,464
Personal customers	2,604,785	2,093,787	2,580,372	2,071,135
Others	116,030	115,030	116,027	115,030
	8,223,446	6,898,413	8,077,732	6,769,606

37. SUBORDINATED BONDS

As approved by the PBOC and the CBRC, the Bank issued callable subordinated bonds of RMB35,000 million through open market bidding in 2005. The Group has not had any defaults of principal, interest or other breaches with respect to the subordinated bonds during the year (2007: None). The relevant information on these subordinated bonds is set out below:

Name	Issue date	Issue price	Coupon rate	Value date	Maturity date	Circulation date	Issue amount	Notes
05 ICBC 01 Bond	19 August 2005	RMB100	3.11%	29 August 2005	29 August 2015	30 September 2005	RMB13,000 million	(i)
05 ICBC 02 Bond	19 August 2005	RMB100	3.77%	6 September 2005	6 September 2020	11 October 2005	RMB13,000 million	(ii)
05 ICBC 03 Bond	19 August 2005	RMB100	Base rate +1.05%	14 September 2005	14 September 2015	11 October 2005	RMB9,000 million	(iii)

Notes:

(i) The Bank has the option to redeem all or part of the bonds at face value on 29 August 2010. If the Bank does not exercise this option, the annual coupon rate will increase by 3% thereafter.

(ii) The Bank has the option to redeem all or part of the bonds at face value on 6 September 2015. If the Bank does not exercise this option, the annual coupon rate will increase by 3% thereafter.

(iii) The base rate is determined based on the weighted average of the PRC inter-bank money market 7-day repo rates in the last 10 trading days prior to its coupon payment date. The Bank has the option to redeem all or part of the bonds at face value on 14 September 2010. If the Bank does not exercise this option, the interest margin of the bonds will increase by 1% thereafter.

38. OTHER LIABILITIES

	Group		Bank	
	2008	2007	2008	2007
Interest payable	90,252	62,744	89,606	61,917
Settlement accounts	37,295	24,618	35,476	22,277
Early retirement benefits	10,355	12,500	10,355	12,500
Salaries, bonuses, allowances and subsidies payables	8,252	6,052	8,110	5,903
Sundry tax payables	7,117	7,199	7,093	7,178
Bank drafts	4,415	4,725	4,392	4,680
Payables for bonds purchased	1,700	12,865	1,700	12,865
Others	17,732	19,954	16,762	19,484
	177,118	150,657	173,494	146,804

39. SHARE CAPITAL

	2008		2007	
	Number of shares (millions)	Nominal value	Number of shares (millions)	Nominal value
Registered, issued and fully paid:				
H shares of RMB1 each	83,057	83,057	83,057	83,057
A shares of RMB1 each	250,962	250,962	250,962	250,962
	334,019	334,019	334,019	334,019

Except for the dividends for H shares which are payable in HK$, all of the H shares and A shares rank pari passu with each other in respect of dividends.

Share appreciation rights plan

The Bank's share appreciation rights plan was approved in 2006, which allows share appreciation rights to be granted to eligible participants including directors, supervisors, senior management and other key personnel designated by the board of directors. The share appreciation rights will be granted and exercised based on the price of the Bank's H shares and will be valid for 10 years. As at the date of this report, no share appreciation rights have been granted.

40. RESERVES

(a) Capital reserve

Pursuant to the restructuring in 2005, the paid-up capital, reserves and accumulated losses as determined under PRC GAAP, were converted into the Bank's issued share capital upon its incorporation. In the preparation of the Group's financial statements, the paid-up capital and all the then existing reserves and accumulated losses as determined under IFRSs were accordingly eliminated, with the resulting difference dealt with in the capital reserve. Subsequently, the share premium of new shares issued, after deducting related share issue expenses, was also accounted for under the capital reserve.

(b) Surplus reserves

(i) Statutory surplus reserve

The Bank is required to appropriate 10% of its profit for the year determined under PRC GAAP, to the statutory surplus reserve until the reserve balance reaches 50% of its registered capital.

Subject to the approval of the shareholders, the statutory surplus reserve may be used to offset accumulated losses of the Bank, if any, and may also be converted into capital of the Bank, provided that the balance of the statutory surplus reserve after such capitalisation is not less than 25% of the registered capital immediately before capitalisation.

Pursuant to the resolution of the board of directors' meeting held on 25 March 2009, an appropriation of 10% of the profit for the year determined under PRC GAAP to the statutory surplus reserve, in the amount of RMB11,052 million (2007: RMB8,065 million) was approved.

(ii) Discretionary surplus reserve

After making the appropriation to the statutory surplus reserve, the Bank may also appropriate its profit for the year determined under PRC GAAP to the discretionary surplus reserve upon approval by the shareholders in general meeting. Subject to the approval by the shareholders, the discretionary surplus reserve may be used to offset accumulated losses of the Bank, if any, and may be converted into capital.

The Bank's overseas entities appropriate their profits to the surplus reserves in accordance with the relevant regulations promulgated by the local regulatory bodies.

(c) General reserve

The Bank is required to maintain a general reserve within equity, through the appropriation of profit, which should not be less than 1% of the year end balance of its risk assets.

The Bank's subsidiaries appropriate their profits to the general reserve according to the applicable local regulations.

Pursuant to the resolution of the board of directors' meeting held on 25 March 2009, an appropriation to the general reserve amounted to RMB28,374 million (2007: RMB28,082 million) was approved. The general reserve balance of the Bank as at 31 December 2008 amounted to RMB69,175 million, which has achieved 1% of the year end balance of the Bank's risk assets.

(d) Investment revaluation reserve

The investment revaluation reserve records the fair value changes of available-for-sale investments.

(e) Foreign currency translation reserve

The foreign currency translation reserve is used to record exchange differences arising from the translation of the financial statements of the subsidiaries and branches incorporated outside Mainland China.

(f) Cash flow hedge reserve

The cash flow hedge reserve comprises the portion of the gain or loss on a hedging instrument in a cash flow hedge that is determined to be an effective hedge.

(g) Other reserves

Other reserves represent reserves of subsidiaries and share of reserves of associates other than the items listed above.

(h) Distributable profits

The Bank's distributable profit is based on the retained profits of the Bank as determined under PRC GAAP and IFRSs, whichever is lower. The amount that the Bank's subsidiaries can legally distribute is determined by reference to their profits as reflected in their financial statements prepared in accordance with the accounting regulations and principles promulgated by the local regulatory bodies of the respective countries/regions. These profits may differ from those dealt with in these financial statements, which are prepared in accordance with IFRSs.

(In RMB millions, unless otherwise stated)

The movements in reserves and retained profits of the Bank during the year are set out below:

	Reserves							
	Capital reserve	Surplus reserves	General reserve	Investment revaluation reserve	Foreign currency translation reserve	Cash flow hedge reserve	Total	Retained profits
Balance as at 1 January 2007	105,019	5,461	12,719	1,784	(111)	—	124,872	5,699
Profit for the year	—	—	—	—	—	—	—	80,933
Net change in the fair value of available-for-sale investments	—	—	—	(6,320)	—	—	(6,320)	—
Reserve realised on disposal/ impairment of available-for-sale investments	—	—	—	2,130	—	—	2,130	—
Foreign currency translation	—	—	—	—	30	—	30	—
Dividend — 2006 final (note 18)	—	—	—	—	—	—	—	(5,344)
Appropriation to surplus reserves (note)	—	8,072	—	—	—	—	8,072	(8,072)
Appropriation to general reserve	—	—	28,082	—	—	—	28,082	(28,082)
Balance as at 31 December 2007 and 1 January 2008	**105,019**	**13,533**	**40,801**	**(2,406)**	**(81)**	**—**	**156,866**	**45,134**
Profit for the year	—	—	—	—	—	—	—	108,959
Net change in the fair value of available-for-sale investments	—	—	—	8,644	—	—	8,644	—
Reserve realised on disposal/ impairment of available-for-sale investments	—	—	—	2,612	—	—	2,612	—
Net loss on cash flow hedges	—	—	—	—	—	(4,080)	(4,080)	—
Foreign currency translation	—	—	—	—	(246)	—	(246)	—
Dividend — 2007 final (note 18)	—	—	—	—	—	—	—	(44,425)
Appropriation to surplus reserves (note)	—	11,061	—	—	—	—	11,061	(11,061)
Appropriation to general reserve	—	—	28,374	—	—	—	28,374	(28,374)
Balance as at 31 December 2008	**105,019**	**24,594**	**69,175**	**8,850**	**(327)**	**(4,080)**	**203,231**	**70,233**

Note: Includes the appropriation made by overseas branches in the amount of RMB9 million (2007: RMB7 million).

41. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

(a) Acquisition of a subsidiary

The Bank acquired a 79.93% equity interest in Seng Heng Bank during the year. Seng Heng Bank is a commercial bank domiciled in Macau. The acquisition was completed on 28 January 2008 at a consideration of MOP4,874 million (equivalent to approximately RMB4,352 million) in aggregate.

Had the acquisition taken place at the beginning of the year, total operating income of the Group would have been RMB310,242 million, and the profit for the year of the Group would have been RMB111,251 million.

(In RMB millions, unless otherwise stated)

There is no material difference between the carrying amount of Seng Heng Bank's net assets and the fair value of identifiable assets and liabilities as at the acquisition date. The details of the assets and liabilities acquired and goodwill arising on acquisition are as follows:

	Note	At acquisition date
Cash and balances with central banks		683
Due from banks and other financial institutions		6,315
Financial assets held for trading		7,213
Loans and advances to customers		8,516
Financial investments		4,352
Property and equipment	30	218
Other assets		265
Due to banks and other financial institutions		(72)
Due to customers		(24,778)
Income tax payable		(50)
Deferred income tax liabilities		(17)
Other liabilities		(811)
Minority interests		(368)
Net assets acquired		1,466
Goodwill arising on acquisition		2,886
Total cash consideration		4,352

An analysis of the net inflow of cash and cash equivalents in respect of the acquisition of a subsidiary is as follows:

Cash flow on acquisition of a subsidiary:	
Cash and cash equivalents acquired	6,613
Cash consideration	(4,352)
Net cash inflow	2,261

The goodwill is attributable to the expected synergies arising from the acquisition. From the date of acquisition, Seng Heng Bank has contributed RMB158 million to the net profit of the Group for the year.

(b) Analysis of balances of cash and cash equivalents

	Notes	2008	2007
Cash on hand	20	40,025	39,123
Balances with central banks other than restricted deposits	20	373,807	83,328
Nostro accounts with banks and other financial institutions with original maturity of three months or less	21	36,906	25,526
Placements with banks and other financial institutions with original maturity of three months or less	21	115,584	144,257
Reverse repurchase agreements with original maturity of three months or less	25	40,969	9,453
		607,291	301,687

(In RMB millions, unless otherwise stated)

42. COMMITMENTS AND CONTINGENT LIABILITIES

(a) Capital commitments

At the balance sheet date, the Group and the Bank had capital commitments as follows:

	Group		Bank	
	2008	2007	2008	2007
Authorised, but not contracted for	1,687	2,212	1,687	2,209
Contracted, but not provided for	1,658	45,943	1,644	45,943
	3,345	48,155	3,331	48,152

As at 31 December 2007, the Group entered into agreements in relation to the acquisition of equity interests in subsidiaries and an associate at a total consideration of approximately RMB45,035 million, which have been completed during the year. Such commitments were included in the line of contracted, but not provided for as shown above.

(b) Operating lease commitments

At the balance sheet date, the Group and the Bank leased certain of its premises under operating lease arrangements. The total future minimum lease payments in respect of non-cancellable operating leases were as follows:

	Group		Bank	
	2008	2007	2008	2007
Within one year	2,146	1,635	1,858	1,454
After one year but not more than five years	5,178	3,741	4,415	3,184
After five years	1,658	1,503	1,599	1,316
	8,982	6,879	7,872	5,954

(c) Credit commitments

At any given time, the Group has outstanding commitments to extend credit. These commitments are in the form of approved loans and credit card limits.

The Group provides letters of credit and financial guarantees to guarantee the performance of customers to third parties.

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.

(In RMB millions, unless otherwise stated)

The contractual amounts of credit commitments by category are set out below. The amounts disclosed in respect of loan commitments and undrawn credit card limit are under the assumption that the amounts will be fully advanced. The amounts for acceptances, letters of credit and guarantees represent the maximum potential losses that would be recognised at the balance sheet date had the counterparties failed to perform as contracted.

	Group		Bank	
	2008	2007	2008	2007
Letters of credit issued	113,253	111,254	110,242	107,287
Guarantees issued	217,071	191,748	210,408	189,445
Acceptances	206,632	155,073	206,236	155,073
Loan commitments with original maturity of:				
Not more than one year	144,585	99,848	109,512	64,126
More than one year	94,102	125,628	54,198	76,022
Undrawn credit card limit	160,830	106,136	160,500	103,670
	936,473	789,687	851,096	695,623

	Group		Bank	
	2008	2007	2008	2007
Credit risk weighted amounts of credit commitments	385,049	384,545	373,720	373,275

The credit risk weighted amounts refer to the amounts computed in accordance with the rules promulgated by the CBRC and depend on the status of the counterparties and the maturity profile. The risk weights ranged from 0% to 100% for credit commitments.

(d) Legal proceedings

There were a number of legal proceedings outstanding against the Bank and/or its subsidiaries as at the balance sheet date.

	Group and Bank	
	2008	2007
Claimed amounts	3,292	2,999

In the opinion of management, the Group and the Bank have made adequate allowance for any probable losses based on the current facts and circumstances.

(e) Redemption commitments of government bonds

As an underwriting agent of the Government, the Bank underwrites certain PRC government bonds and sells the bonds to the general public, in which the Bank is obliged to redeem these bonds at the discretion of the holders at any time prior to maturity. The redemption price for the bonds is based on the nominal value of the bonds plus any interest accrued up to the redemption date. As at 31 December 2008, the Bank had underwritten and sold bonds with an accumulated amount of RMB151,345 million (2007: RMB156,718 million) to the general public, and these government bonds have not yet matured nor been redeemed. The directors expect that the amount of redemption of these government bonds through the Bank prior to maturity will not be material.

The MOF will not provide funding for the early redemption of these government bonds on a back-to-back basis but is obliged to repay the principal and the respective interest upon maturity.

(In RMB millions, unless otherwise stated)

(f) Underwriting obligations

At the balance sheet date, the unexpired underwriting obligations are as follows:

	Group and Bank	
	2008	2007
Underwriting obligations	1,000	7,500

43. DESIGNATED DEPOSITS AND LOANS

	Group and Bank	
	2008	2007
Designated deposits	237,432	153,745
Designated loans	236,755	153,422

The designated deposits represent funds that depositors have instructed the Group to use to make loans to third parties as designated by them. The credit risk remains with the depositors.

The difference between designated deposits and designated loans represents the undesignated amount of deposits, which is included in amounts due to customers.

44. ASSETS PLEDGED AS SECURITY

Financial assets of the Group and of the Bank including securities, bills and loans have been pledged as security for the repurchase agreements. As at 31 December 2008, the carrying value of the financial assets of the Group and of the Bank pledged as security amounted to approximately RMB4,648 million (2007: RMB193,508 million) and RMB4,246 million (2007: RMB195,565 million), respectively.

45. FIDUCIARY ACTIVITIES

The Group provides custody and asset management services to third parties. Revenue from such activities is included in "Fee and commission income" set out in note 7 above. Those assets held in a fiduciary capacity are not included in the Group's consolidated balance sheet.

46. RELATED PARTY DISCLOSURES

In addition to the transactions detailed elsewhere in these financial statements, the Group had the following transactions with related parties during the year:

(a) The MOF

As at 31 December 2008, the MOF directly owned approximately 35.33% (2007: 35.33%) of the issued share capital of the Bank. The Group enters into banking transactions with the MOF in its normal course of business, including the subscription and redemption of government bonds. Details of the material transactions are as follows:

	2008	2007
Balances at end of the year:		
The PRC government bonds and the special government bond	482,614	510,088
MOF receivable (note 27(a)(iii))	142,773	193,981

(In RMB millions, unless otherwise stated)

	2008	2007
Transactions during the year:		
Subscription of PRC government bonds	67,603	101,275
Redemption of PRC government bonds	83,863	61,133
Interest income on PRC government bonds	17,233	15,544
Repayment of MOF receivable (note 27(a)(iii))	51,208	32,397
Interest income on MOF receivable	5,294	6,377

	2008	2007
	%	%
Interest rate range during the year is as follows:		
MOF receivable	3	3
Bond investments	1.3 to 7.3	1.6 to 10.2

The MOF is a ministry under the State Council, primarily responsible for, among others, state fiscal revenues and expenditures, and taxation policies. Enterprises or legal entities under the control or supervision of the MOF are mainly financial institutions, government departments or agencies. Enterprises under the control, joint control or significant influence of the MOF are considered not as related parties of the Group.

(b) Huijin

As at 31 December 2008, Central SAFE Investments Limited ("Huijin") directly owned approximately 35.41% (2007: 35.33%) of the issued share capital of the Bank. Huijin was incorporated as a wholly-state-owned investment company with the approval of the State Council. It was established to hold certain equity investments on behalf of the State Council, and to represent the Government in exercising its investor's rights and obligations in certain banks and financial institutions.

In 2005, the Bank entered into an agreement with Huijin, pursuant to which the Bank purchased from Huijin an option to sell to Huijin a maximum of US$12,000 million in exchange for RMB at a pre-determined exchange rate of US$1 to RMB8.2765. The purpose of the option is to economically hedge against the Bank's currency risk arising from part of the US$15,000 million capital injection made by Huijin in 2005. In 2008, the option was exercised in 12 equal monthly instalments and total option premium of RMB2,979 million was paid to Huijin.

In addition to the above, the Group also entered into banking transactions with Huijin in the ordinary course of business under normal commercial terms and at market rates. Details of the material transactions are as follows:

	2008	2007
Balances at end of the year:		
Deposits	35,089	20,776
Interest payable	103	—

	2008	2007
Transactions during the year:		
Interest expense on deposits	1,634	737

(In RMB millions, unless otherwise stated)

	2008 %	2007 %
Interest rate range during the year is as follows:		
Deposits	0.3 to 4.3	0.7 to 6.1

Huijin has equity interests in certain other banks and financial institutions under the direction of the Government. The Group enters into transactions with these banks and financial institutions in the ordinary course of business under normal commercial terms. Management considers that these banks and financial institutions are competitors of the Group. Significant transactions during the year conducted with these banks and financial institutions, and the corresponding balances as at 31 December 2008 are as follows:

	2008	2007
Balances at end of the year:		
Debt securities purchased	441,321	13,643
Due from these banks and financial institutions	38,894	12,093
Derivative financial assets	564	49
Due to these banks and financial institutions	41,508	46,786
Derivative financial liabilities	400	34

	2008	2007
Transactions during the year:		
Interest income from debt securities purchased	1,146	527
Interest income from amounts due from these banks and financial institutions	371	633
Interest expense on amounts due to these banks and financial institutions	785	766

	2008 %	2007 %
Interest rate ranges during the year are as follows:		
Debt securities purchased	2.0 to 8.3	1.3 to 8.3
Due from these banks and financial institutions	0 to 7.3	0 to 13.0
Due to these banks and financial institutions	0 to 6.5	0 to 7.3

The interest rates disclosed above vary across product groups and transactions depending on the maturity date, credit risk of counterparty and currency. In particular, given local market conditions, the spread of certain significant or long dated transactions can vary across the market.

(c) Shareholders with significant influence

(i) Goldman Sachs Group Inc.

Goldman Sachs Group Inc. ("Goldman Sachs") is considered to have significant influence on the Bank through its nominated representative serving on the Bank's board of directors. Significant transactions during the year conducted with Goldman Sachs, and the corresponding balances as at 31 December 2008 are as follows:

	2008	2007
Balance at end of the year:		
Debt securities purchased	2,035	2,276

(In RMB millions, unless otherwise stated)

	2008	2007
Transactions during the year:		
Interest income from debt securities purchased	118	271
Interest expense on deposits	11	41

	2008 %	2007 %
Interest rate ranges during the year are as follows:		
Debt securities purchased	1.9 to 7.6	3.4 to 6.0
Deposits	2.1 to 4.4	5.1 to 5.3

The major transactions between the Group and Goldman Sachs comprised debt securities purchased and deposits, as well as the interest income and expense arising from those transactions. In the opinion of management, the transactions between the Group and Goldman Sachs were conducted under normal commercial terms and conditions.

(ii) National Council for Social Security Fund

The National Council for Social Security Fund (the "SSF") had a substantial equity interest in the Bank during the year. Significant transactions during the year conducted with the SSF are as follows:

	2008	2007
Balance at end of the year:		
Deposits	3,300	9,500

	2008	2007
Transactions during the year:		
Interest expense on deposits	60	581

	2008 %	2007 %
Interest rate range during the year is as follows:		
Deposits	0.4 to 5.5	0.7 to 5.5

The major transactions between the Group and the SSF comprised deposits and the corresponding interest expense. In the opinion of management, the transactions between the Group and the SSF were conducted under normal commercial terms and conditions.

(d) Associates

Balance with associates of the Group are set out as follow:

	2008	2007
Balances at end of the year:		
Due from an associate	453	—
Loan to an associate	—	157
Due to associates	24	47

The major transactions between the Group and its associates mainly comprised deposits and placements with and from banks and other financial institutions and the corresponding income and expenses. In the opinion of management, the transactions between the Group and its associates were conducted under normal commercial terms and conditions. As the amounts of income and expenses are not material, they have not been separately disclosed.

(e) Key management personnel

The key management personnel are those persons who have the authority and responsibility to plan, direct and control the activities of the Group, directly or indirectly, including members of the board of directors, the supervisory board and executive officers.

The aggregate compensation for the year, other than those disclosed in note 13 above, is as follows:

	2008 RMB'000	2007 RMB'000
Short-term employment benefits	8,926	9,869
Post-employment benefits	638	616
	9,564	10,485

Companies or corporations in which the key management of the Group, or their close relatives, are shareholders or key management personnel who are able to exercise control or significant influence, are also considered as related parties of the Group.

In the opinion of management, the transactions between the Group and the aforementioned parties were conducted on terms and conditions similar to those offered to other unrelated customers, and these transactions and related balances are not significant to the Group.

(f) Annuity Plan

Apart from the obligations for defined contributions to the Annuity Plan, no transactions were conducted between the Group and the Annuity Plan (2007: Nil).

(g) Transactions with other state-owned entities in the PRC

The Group operates in an economic environment predominated by enterprises directly or indirectly owned and/or controlled by the Government through its numerous authorities, affiliates or other organisations (collectively the "state-owned entities"). During the year, the Group had transactions with the state-owned entities including, but not limited to, lending and deposit taking, taking and placing of inter-bank balances, entrusted lending, the provision of intermediary services, the sale, purchase, underwriting and redemption of bonds issued by other state-owned entities, and the sale, purchase, and leasing of property and other assets.

Management considers that transactions with other state-owned entities are activities conducted in the ordinary course of business, and that the dealings of the Group have not been significantly or unduly affected by the fact that the Group and those state-owned entities are ultimately controlled or owned by the Government. The Group has also established pricing policies for products and services and such pricing policies do not depend on whether or not the customers are state-owned entities. Having due regard to the substance of the relationship, management is of the opinion that none of these transactions are considered related party transactions that require disclosure.

47. SEGMENT INFORMATION

Segment information is presented in respect of the Group's business and geographical segments. The Group manages its business both by business segment, which mainly includes corporate banking, personal banking and treasury operations, and geographical segment. Accordingly, both business segment information and geographical segment information are presented as the Group's primary segment reporting formats.

Transactions between segments mainly represent the provision of funding to and from individual segments. These transactions are conducted on terms determined with reference to the average cost of funding and have been reflected in the performance of each segment. Net interest income and expense arising on internal charges are referred to as "internal net interest income/expense". Interest income and expense relating to third parties are referred to as "external net interest income/expense".

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

(a) Business segments

The Group comprises the following main business segments:

Corporate banking

The corporate banking segment covers the provision of financial products and services to corporations, government agencies and financial institutions. The products and services include corporate loans, trade financing, deposit-taking activities, corporate wealth management services and various types of corporate intermediary services.

Personal banking

The personal banking segment covers the provision of financial products and services to individual customers. The products and services include personal loans, deposit-taking activities, card business, personal wealth management services and various types of personal intermediary services.

Treasury operations

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

Others

This segment represents equity investments and head office ("HO") assets, liabilities, income and expenses that are not directly attributable to a segment or cannot be allocated on a reasonable basis.

(In RMB millions, unless otherwise stated)

	Corporate banking	Personal banking	Treasury operations	Others	Total
Year ended 31 December 2008					
External net interest income/(expense)	181,782	(36,122)	117,377	—	263,037
Internal net interest income/(expense)	(56,035)	123,456	(67,421)	—	—
Net fee and commission income	24,907	18,953	142	—	44,002
Other operating income/(expense), net	2,414	14	(171)	899	3,156
Operating income	153,068	106,301	49,927	899	310,195
Operating expenses	(54,683)	(36,716)	(13,452)	(6,484)	(111,335)
Impairment losses on:					
Loans and advances to customers	(30,639)	(5,873)	—	—	(36,512)
Others	(554)	(6)	(17,590)	(800)	(18,950)
Operating profit/(loss)	67,192	63,706	18,885	(6,385)	143,398
Share of profits and losses of associates	—	—	—	1,978	1,978
Profit/(loss) before tax	67,192	63,706	18,885	(4,407)	145,376
Income tax expense					(34,150)
Profit for the year					111,226
Other segment information:					
Depreciation	3,663	2,470	1,579	478	8,190
Amortisation	640	360	269	31	1,300
Capital expenditure	7,334	4,883	3,147	900	16,264
As at 31 December 2008					
Segment assets	3,706,953	878,988	5,105,568	37,216	9,728,725
Investments in associates					28,421
Total assets					9,757,146
Segment liabilities	4,280,441	4,147,162	715,448	7,465	9,150,516
Other segment information:					
Credit commitments	775,643	160,830	—	—	936,473

(In RMB millions, unless otherwise stated)

	Corporate banking	Personal banking	Treasury operations	Others	Total
Year ended 31 December 2007					
External net interest income/(expense)	143,512	(21,968)	102,921	—	224,465
Internal net interest income/(expense)	(28,160)	84,742	(56,582)	—	—
Net fee and commission income	14,753	23,400	206	—	38,359
Other operating income/(expense), net	(2,469)	—	(5,113)	2,186	(5,396)
Operating income	127,636	86,174	41,432	2,186	257,428
Operating expenses	(49,405)	(38,603)	(12,467)	(4,185)	(104,660)
Impairment losses on:					
Loans and advances to customers	(30,336)	(2,725)	—	—	(33,061)
Others	(277)	(217)	(3,329)	(522)	(4,345)
Operating profit/(loss)	47,618	44,629	25,636	(2,521)	115,362
Share of profits and losses of associates	—	—	—	16	16
Profit/(loss) before tax	47,618	44,629	25,636	(2,505)	115,378
Income tax expense					(33,124)
Profit for the year					82,254
Other segment information:					
Depreciation	3,674	2,914	1,512	218	8,318
Amortisation	528	402	222	22	1,174
Capital expenditure	4,158	3,299	1,712	247	9,416
As at 31 December 2007					
Segment assets	3,304,163	800,948	4,555,289	23,140	8,683,540
Investments in associates					172
Total assets					8,683,712
Segment liabilities	3,718,053	3,346,591	1,063,941	11,451	8,140,036
Other segment information:					
Credit commitments	683,551	106,136	—	—	789,687

(b) Geographical segments

The Group operates principally in Mainland China with branches located in different provinces, autonomous regions and municipalities directly under the Government. The Group also has branches and subsidiaries operating outside Mainland China in Hong Kong, Macau, Singapore, Frankfurt, Luxembourg, Seoul, Busan, Tokyo, London, Almaty, Indonesia, Moscow, Doha, Dubai, Sydney and New York.

In presenting information on the basis of geographical segment, operating income and expense are based on the location of the branches that generate the revenue and incur the expense. Segment assets, liabilities and capital expenditure are allocated based on the geographical locations of the underlying assets and liabilities.

The details of the geographical segments are as follows:

(i) Head Office: the HO business division (including institutions directly controlled by the HO and their offices);

(ii) Yangtze River Delta: including Shanghai, Jiangsu, Zhejiang, Ningbo and Suzhou;

(iii) Pearl River Delta: including Guangdong, Shenzhen, Fujian and Xiamen;

(iv) Bohai Rim: including Beijing, Tianjin, Hebei, Shandong and Qingdao;

(v) Central China: including Shanxi, Henan, Hubei, Hunan, Anhui, Jiangxi and Hainan;

(In RMB millions, unless otherwise stated)

(vi) Western China: including Chongqing, Sichuan, Guizhou, Yunnan, Guangxi, Shaanxi, Gansu, Qinghai, Ningxia, Xinjiang, Inner Mongolia and Tibet;

(vii) Northeastern China: including Liaoning, Heilongjiang, Jilin and Dalian; and

(viii) Overseas and others: branches located outside Mainland China, and domestic and overseas subsidiaries.

	Head Office	Yangtze River Delta	Pearl River Delta	Bohai Rim	Central China	Western China	North-eastern China	Overseas and others	Eliminations	Total
Year ended 31 December 2008										
External net interest income	118,029	47,738	26,021	14,805	19,704	26,457	4,533	5,750	—	263,037
Internal net interest income/(expense)	(84,690)	13,690	10,497	32,580	11,618	10,461	6,561	(717)	—	—
Net fee and commission income	2,245	10,687	7,217	8,437	5,522	5,723	2,282	1,889	—	44,002
Other operating income/(expense), net	(6,842)	2,279	2,344	1,736	1,027	1,719	1,102	(209)	—	3,156
Operating income	28,742	74,394	46,079	57,558	37,871	44,360	14,478	6,713	—	310,195
Operating expenses	(6,743)	(21,081)	(14,496)	(19,298)	(17,829)	(20,249)	(9,213)	(2,426)	—	(111,335)
Impairment losses on:										
Loans and advances to customers	(409)	(10,102)	(5,632)	(7,861)	(5,012)	(5,442)	(1,375)	(679)	—	(36,512)
Others	(16,768)	(225)	92	(136)	(329)	(123)	(439)	(1,022)	—	(18,950)
Operating profit	4,822	42,986	26,043	30,263	14,701	18,546	3,451	2,586	—	143,398
Share of profits and losses of associates	—	—	—	—	—	—	—	1,978	—	1,978
Profit before tax	4,822	42,986	26,043	30,263	14,701	18,546	3,451	4,564	—	145,376
Income tax expense										(34,150)
Profit for the year										111,226
Other segment information:										
Depreciation	872	1,356	1,004	1,361	1,341	1,405	760	91	—	8,190
Amortisation	446	193	79	117	185	176	58	46	—	1,300
Capital expenditure	2,541	2,863	1,785	2,334	2,480	3,148	892	221	—	16,264
As at 31 December 2008										
Segment assets	5,229,411	2,003,485	1,174,627	2,402,081	1,245,770	1,342,482	609,063	273,717	(4,562,657)	9,717,979
Investments in associates	—	—	—	—	—	—	—	28,421	—	28,421
Unallocated assets										10,746
Total assets										9,757,146
Segment liabilities	4,825,553	1,952,978	1,145,838	2,365,629	1,226,264	1,318,006	604,331	236,696	(4,562,657)	9,112,638
Unallocated liabilities										37,878
Total liabilities										9,150,516
Other segment information:										
Credit commitments	185,105	215,313	93,180	199,581	54,933	47,067	18,232	123,062	—	936,473

(In RMB millions, unless otherwise stated)

	Head Office	Yangtze River Delta	Pearl River Delta	Bohai Rim	Central China	Western China	North-eastern China	Overseas and others	Eliminations	Total
Year ended 31 December 2007										
External net interest income	105,793	40,044	20,628	11,521	15,892	20,918	4,407	5,262	—	224,465
Internal net interest income/(expense)	(72,274)	11,343	9,256	28,335	9,574	8,961	6,090	(1,285)	—	—
Net fee and commission income	2,390	7,633	6,838	6,841	4,637	5,713	2,571	1,736	—	38,359
Other operating income/(expense), net	(6,624)	161	(337)	(409)	432	1,198	(144)	327	—	(5,396)
Operating income	29,285	59,181	36,385	46,288	30,535	36,790	12,924	6,040	—	257,428
Operating expenses	(5,664)	(18,093)	(12,888)	(18,374)	(18,416)	(19,574)	(9,647)	(2,004)	—	(104,660)
Impairment losses on:										
Loans and advances to customers	209	(6,050)	(5,349)	(8,241)	(5,013)	(5,147)	(2,711)	(759)	—	(33,061)
Others	(3,142)	(130)	(128)	448	(209)	(456)	(481)	(247)	—	(4,345)
Operating profit	20,688	34,908	18,020	20,121	6,897	11,613	85	3,030	—	115,362
Share of profits and losses of associates	6	—	—	—	—	—	—	10	—	16
Profit before tax	20,694	34,908	18,020	20,121	6,897	11,613	85	3,040	—	115,378
Income tax expense										(33,124)
Profit for the year										82,254
Other segment information:										
Depreciation	892	1,346	1,032	1,420	1,335	1,417	814	62	—	8,318
Amortisation	347	192	74	124	211	164	56	6	—	1,174
Capital expenditure	1,453	1,949	1,074	1,650	1,308	1,416	431	135	—	9,416
As at 31 December 2007										
Segment assets	4,575,914	1,754,819	1,115,718	2,083,118	1,022,925	1,089,117	539,545	251,786	(3,755,235)	8,677,707
Investments in associates	—	—	—	—	—	—	—	172	—	172
Unallocated assets										5,833
Total assets										8,683,712
Segment liabilities	4,296,692	1,687,573	1,081,279	2,034,682	987,909	1,049,693	522,089	201,349	(3,755,235)	8,106,031
Unallocated liabilities										34,005
Total liabilities										8,140,036
Other segment information:										
Credit commitments	132,988	188,336	69,492	161,591	49,155	56,028	13,029	119,068	—	789,687

48. FINANCIAL INSTRUMENTS RISK MANAGEMENT

A description and an analysis of the major risks faced by the Group are as follows:

The board of directors has the ultimate responsibility for the Bank's risk management and oversees the risk management functions through the Risk Management Committee and the Audit Committee of the Board.

The President of the Bank supervises the risk management strategies and reports directly to the Board. He chairs two management committees including the Risk Management Committee and the Asset and Liability Management Committee at the HO level. These two committees formulate and make recommendations in respect of risk management strategies and policies through the President to the Risk Management Committee of the Board. The Bank's Chief Risk Officer assists the President to supervise and manage various risks of the Bank.

The Bank has also assigned departments monitoring financial risks within the Bank, including the Credit Management Department, the Credit Review Department and the Credit Rating and Facility Department monitoring credit risk; the Risk Management Department together with the Asset and Liability Management Department monitoring market and liquidity risks; and the Internal Control and Compliance Department monitoring operational risk. The Risk Management Department at the HO is primarily responsible for coordinating and establishing a comprehensive risk management framework, preparing consolidated reports on the Bank's credit risk, market risk and operational risk and reporting directly to the Chief Risk Officer.

The Bank maintains a dual-reporting line structure at the branch level for risk management purposes. Under this structure, the risk management departments of the branches report to both the corresponding risk management departments at the head office and management of the relevant branches.

(a) Credit risk

Credit risk is the risk of loss arising from a borrower's or counterparty's inability to meet its obligations. Credit risk can also arise from operational failures that result in an unauthorised or inappropriate guarantee, commitment or investment of funds. The Group is exposed to credit risk primarily due to loans, guarantees and other credit related commitments.

The principal features of the Group's credit risk management function include:

- Centralised credit management procedures;
- Risk management rules and procedures that focus on risk control throughout the entire credit business process, including customer investigation and credit rating, granting of credit limits, loan evaluation, loan review and approval and post-disbursement loan monitoring;
- Stringent qualification system for the loan approval officers; and
- Information management systems designed to enable a real time risk monitoring.

To enhance the credit risk management practices, the Group also launches training programs periodically for credit officers at different levels.

In addition to the credit risk exposures on credit-related assets and due from banks and other financial institutions, credit risk also arises in other areas. For instance, credit risk exposure also arises from derivative financial instruments which is, however, limited to those with positive fair values, as recorded in the balance sheet. In addition, the Group also makes available to its customers guarantees which may require the Group to make payments on their behalf. Such payments are collected from customers based on the terms of the agreements signed. They expose the Group to similar risks as loans and these are mitigated by the same control processes and policies.

The Group will normally sign an ISDA Master Agreement, a China Inter-bank Market Financial Derivatives Master Agreement ("NAFMII master agreement") or a China Inter-bank RMB-FX Derivatives Master Agreement ("CFETS master agreement") with its counterparties for documenting over-the-counter derivatives activities. Each of these master agreements provides the contractual framework within which derivatives dealing activities are conducted. Under each of these master agreements, close-out netting shall be applied across all outstanding transactions covered by the agreement if either party defaults.

Risk concentration

Credit risk is often greater when counterparties are concentrated in one single industry or geographical location or have comparable economic characteristics.

Impairment assessment

The main considerations for the loan impairment assessment include whether any payments of principal or interest are overdue or whether there are any liquidity problems of counterparties, credit rating downgrades, or infringement of the original terms of the contract. The Group addresses impairment assessment in two areas: individually assessed impairment and collectively assessed impairment.

Individually assessed loans

All corporate loans and discounted bills are individually reviewed for objective evidence of impairment and classified based on a five-tier classification system. Corporate loans and discounted bills that are classified as substandard, doubtful or loss are assessed individually for impairment.

If there is objective evidence that an impairment loss on a loan or advance has been incurred on an individual basis, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in the income statement. In determining allowances on an individual basis, the following factors are considered:

- The sustainability of the counterparty's business plan;
- The borrower's ability to improve performance once a financial difficulty has arisen;
- Projected receipts and the expected payout should bankruptcy ensue;
- The availability of other financial support and the realisable value of collateral; and
- The timing of the expected cash flows.

It may not be possible to identify a single, discrete event that caused the impairment, but it may be possible to identify impairment through the combined effect of several events. The impairment losses are evaluated at each reporting date, unless unforeseen circumstances require more careful attention.

Collectively assessed loans

Loans that are assessed for impairment losses on a collective basis include the following:

- Homogeneous groups of loans, including all personal loans; and
- All loans for which no impairment can be identified individually, either due to the absence of any loss events or due to an inability to measure reliably the impact of potential loss events on future cash flows.

For the purpose of collective assessment, assets are grouped on the basis of similar credit risk characteristics that are indicative of the debtors' ability to pay all amounts due according to the contractual terms.

Objective evidence of impairment losses on a collective basis consists of observable data indicating a measurable decrease in the estimated future cash flows from a portfolio of loans since the initial recognition of those loans, including:

- Adverse changes in the payment status of borrowers in the group of loans; and
- National or local economic conditions that correlate with defaults on assets in the portfolio of loans.

Homogenous Groups of Loans Not Considered Individually Significant

For homogeneous groups of loans, the Group uses an analysis of historical trends of probability of default and the amount of the consequential loss, as well as an evaluation of current economic conditions that may have a consequential impact on inherent losses in the portfolio.

Individually Assessed Loans with No Objective Evidence of Impairment

When no impairment can be identified for individual loans, either due to the absence of any loss events or due to an inability to measure reliably the impact of potential loss events on future cash flows, these loans are grouped together in portfolios of similar credit risk characteristics for the purpose of assessing a collective impairment loss. This loss covers those loans that were impaired at the balance sheet date but which would not be individually identified as impaired until some time in the future. The collective impairment loss is assessed after taking into account:

- Historical loss experience in portfolios of similar risk characteristics; and
- The current economic and credit environment and, whether in management's experience, these indicate that the actual level of incurred but not yet identified losses is likely to be greater or less than that suggested by historical experience.

As soon as information that specifically identifies objective evidence of impairment on individual assets in a pool is available, those assets are excluded and individually assessed. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment for impairment.

Collateral

The amount and type of collateral required depend on the assessment of the credit risk of the counterparty. Guidelines are in place specifying the types of collateral and valuation parameters which can be accepted.

The main types of collateral obtained are as follows:

- For reverse repurchase transactions, mainly collateralised by bills, loans or investment securities;
- For commercial lending, mainly collateralised by charges over land and properties and other assets of the borrowers; and
- For retail lending, mainly collateralised by mortgages over residential properties.

Management monitors the market value of collateral periodically and requests additional collateral in accordance with the underlying agreement when it is considered necessary.

It is the Group's policy to dispose of repossessed assets in an orderly manner. In general, the Group does not occupy repossessed assets for business use.

(In RMB millions, unless otherwise stated)

(i) Maximum exposure to credit risk without taking account of any collateral and other credit enhancements

As at the balance sheet date, the maximum credit risk exposure of the Group and of the Bank without taking account of any collateral and other credit enhancements is set out below:

	Group		Bank	
	2008	2007	2008	2007
Balances with central banks	1,652,999	1,103,223	1,652,027	1,102,562
Due from banks and other financial institutions	168,363	199,758	154,357	174,997
Financial assets held for trading	32,163	31,501	25,362	31,485
Financial assets designated at fair value through profit or loss	1,459	2,785	144	1,142
Derivative financial assets	15,721	22,769	13,991	22,358
Reverse repurchase agreements	163,493	75,880	162,192	75,880
Loans and advances to customers	4,436,011	3,957,542	4,289,955	3,838,922
Financial investments				
— Receivables	1,162,769	1,211,767	1,162,769	1,211,767
— Held-to-maturity debt securities	1,314,320	1,330,085	1,319,106	1,334,508
— Available-for-sale debt securities	528,829	524,723	513,238	511,113
Others	70,780	59,136	65,813	55,420
	9,546,907	8,519,169	9,358,954	8,360,154
Credit commitments	936,473	789,687	851,096	695,623
Total credit risk exposure	10,483,380	9,308,856	10,210,050	9,055,777

(ii) Risk concentrations

Credit risk is often greater when counterparties are concentrated in one single industry or geographic location or have comparable economic features. Besides, different geographic areas and industrial sectors have their unique characteristics in terms of economic development, and could present a different credit risk.

(In RMB millions, unless otherwise stated)

By geographical segment

The following tables break down the Group's and the Bank's maximum credit risk exposure without taking account of any collateral and other credit enhancements, as categorised by geographical segment.

Group

31 December 2008

	Head Office	Yangtze River Delta	Pearl River Delta	Bohai Rim	Central China	Western China	North-eastern China	Overseas and others	Total
Balances with central banks	1,517,097	32,926	20,262	43,874	10,957	19,250	6,339	2,294	1,652,999
Due from banks and other financial institutions	112,429	13,411	1,855	6,078	2,658	469	130	31,333	168,363
Financial assets held for trading	23,358	—	—	2,004	—	—	—	6,801	32,163
Financial assets designated at fair value through profit or loss	—	—	—	—	—	—	—	1,459	1,459
Derivative financial assets	6,640	2,078	1,296	1,529	974	875	460	1,869	15,721
Reverse repurchase agreements	136,157	8,599	5,910	10,200	1,326	—	—	1,301	163,493
Loans and advances to customers	122,181	1,109,346	647,505	812,171	586,756	708,141	266,799	183,112	4,436,011
Financial investments									
— Receivables	1,156,769	—	—	—	—	—	6,000	—	1,162,769
— Held-to-maturity debt securities	1,143,359	38,665	22,815	99,658	373	441	4,280	4,729	1,314,320
— Available-for-sale debt securities	389,763	32,990	15,336	30,581	7,898	9,981	11,273	31,007	528,829
Others	40,303	5,312	2,946	6,324	3,904	4,960	1,143	5,888	70,780
	4,648,056	1,243,327	717,925	1,012,419	614,846	744,117	296,424	269,793	9,546,907
Credit commitments	185,105	215,313	93,180	199,581	54,933	47,067	18,232	123,062	936,473
Total credit risk exposure	4,833,161	1,458,640	811,105	1,212,000	669,779	791,184	314,656	392,855	10,483,380

31 December 2007

	Head Office	Yangtze River Delta	Pearl River Delta	Bohai Rim	Central China	Western China	North-eastern China	Overseas and others	Total
Balances with central banks	990,607	23,534	17,386	39,254	8,819	17,133	5,358	1,132	1,103,223
Due from banks and other financial institutions	119,319	8,382	6,824	8,307	4,269	1,372	613	50,672	199,758
Financial assets held for trading	31,485	—	—	—	—	—	—	16	31,501
Financial assets designated at fair value through profit or loss	—	—	—	—	—	—	—	2,785	2,785
Derivative financial assets	20,340	548	504	114	182	177	304	600	22,769
Reverse repurchase agreements	47,346	4,615	6,995	10,272	6,121	101	430	—	75,880
Loans and advances to customers	170,777	1,019,596	594,918	708,864	509,742	592,264	208,173	153,208	3,957,542
Financial investments									
— Receivables	1,205,767	—	—	—	—	—	6,000	—	1,211,767
— Held-to-maturity debt securities	1,137,367	40,128	22,744	103,953	1,105	1,415	13,668	9,705	1,330,085
— Available-for-sale debt securities	422,538	22,723	13,394	21,383	7,198	9,405	4,125	23,957	524,723
Others	32,548	4,418	3,037	4,660	3,860	4,413	1,281	4,919	59,136
	4,178,094	1,123,944	665,802	896,807	541,296	626,280	239,952	246,994	8,519,169
Credit commitments	132,988	188,336	69,492	161,591	49,155	56,028	13,029	119,068	789,687
Total credit risk exposure	4,311,082	1,312,280	735,294	1,058,398	590,451	682,308	252,981	366,062	9,308,856

(In RMB millions, unless otherwise stated)

Bank

31 December 2008

	Head Office	Yangtze River Delta	Pearl River Delta	Bohai Rim	Central China	Western China	North-eastern China	Overseas and others	Total
Balances with central banks	1,517,097	32,926	20,262	43,874	10,957	19,250	6,339	1,322	1,652,027
Due from banks and other financial institutions	119,599	13,483	2,675	6,555	2,677	484	137	8,747	154,357
Financial assets held for trading	23,358	—	—	2,004	—	—	—	—	25,362
Financial assets designated at fair value through profit or loss	—	—	—	—	—	—	—	144	144
Derivative financial assets	6,707	2,078	1,296	1,529	974	875	460	72	13,991
Reverse repurchase agreements	136,157	8,599	5,910	10,200	1,326	—	—	—	162,192
Loans and advances to customers	122,181	1,109,346	647,505	812,171	586,756	708,141	266,799	37,056	4,289,955
Financial investments									
— Receivables	1,156,769	—	—	—	—	—	6,000	—	1,162,769
— Held-to-maturity debt securities	1,150,392	38,665	22,815	99,658	373	441	4,280	2,482	1,319,106
— Available-for-sale debt securities	389,763	32,990	15,336	30,581	7,898	9,981	11,273	15,416	513,238
Others	40,368	5,312	2,948	6,324	3,904	4,960	1,143	854	65,813
	4,662,391	1,243,399	718,747	1,012,896	614,865	744,132	296,431	66,093	9,358,954
Credit commitments	185,105	215,313	93,180	199,581	54,933	47,067	18,232	37,685	851,096
Total credit risk exposure	4,847,496	1,458,712	811,927	1,212,477	669,798	791,199	314,663	103,778	10,210,050

31 December 2007

	Head Office	Yangtze River Delta	Pearl River Delta	Bohai Rim	Central China	Western China	North-eastern China	Overseas and others	Total
Balances with central banks	990,607	23,534	17,386	39,254	8,819	17,133	5,358	471	1,102,562
Due from banks and other financial institutions	130,741	8,507	9,826	8,626	4,304	1,575	630	10,788	174,997
Financial assets held for trading	31,485	—	—	—	—	—	—	—	31,485
Financial assets designated at fair value through profit or loss	—	—	—	—	—	—	—	1,142	1,142
Derivative financial assets	20,349	548	504	119	182	177	304	175	22,358
Reverse repurchase agreements	47,346	4,615	6,995	10,272	6,121	101	430	—	75,880
Loans and advances to customers	170,777	1,019,596	594,918	708,864	509,742	592,264	208,173	34,588	3,838,922
Financial investments									
— Receivables	1,205,767	—	—	—	—	—	6,000	—	1,211,767
— Held-to-maturity debt securities	1,143,885	40,128	22,744	103,953	1,105	1,415	13,668	7,610	1,334,508
— Available-for-sale debt securities	422,259	22,723	13,394	21,383	7,198	9,405	4,125	10,626	511,113
Others	33,039	4,419	3,076	4,665	3,861	4,414	1,281	665	55,420
	4,196,255	1,124,070	668,843	897,136	541,332	626,484	239,969	66,065	8,360,154
Credit commitments	132,988	188,336	69,492	161,591	49,155	56,028	13,029	25,004	695,623
Total credit risk exposure	4,329,243	1,312,406	738,335	1,058,727	590,487	682,512	252,998	91,069	9,055,777

(In RMB millions, unless otherwise stated)

By industry segment

The credit risk exposures of the Group mainly comprise loans and advances to customers and investments in securities. Details of the composition of the Group's investments in debt securities are set out in note 48(a)(iv) to the financial statements. The composition of the Group's and of the Bank's gross loans and advances to customers by industry is analysed as follows:

	Group		Bank	
	2008	2007	2008	2007
Manufacturing	777,249	758,655	762,593	744,381
Transportation and logistics	707,482	612,849	694,075	603,180
Power generation and supply	516,771	408,220	511,454	407,574
Property development	386,141	329,664	348,822	310,136
Water, environment and public utility management	275,649	231,309	275,469	230,343
Retail, wholesale and catering	204,272	201,018	192,618	189,054
Leasing and commercial services	203,977	171,511	190,032	161,357
Science, education, culture and sanitation	71,036	70,132	70,441	69,937
Construction	61,843	64,334	61,080	54,298
Others	192,213	209,825	162,557	179,527
Subtotal for corporate loans	3,396,633	3,057,517	3,269,141	2,949,787
Personal mortgage and business loans	729,611	664,171	711,561	653,047
Others	119,434	99,436	118,263	99,316
Subtotal for personal loans	849,045	763,607	829,824	752,363
Discounted bills	326,316	252,105	326,315	252,103
	4,571,994	4,073,229	4,425,280	3,954,253

(iii) Loans and advances to customers

The total credit risk exposures of loans and advances to customers are summarised as follows:

	Group		Bank	
	2008	2007	2008	2007
Neither past due nor impaired	4,413,241	3,917,290	4,268,654	3,800,326
Past due but not impaired	54,271	44,165	53,097	42,787
Impaired	104,482	111,774	103,529	111,140
	4,571,994	4,073,229	4,425,280	3,954,253
Allowance for impairment losses	(135,983)	(115,687)	(135,325)	(115,331)
	4,436,011	3,957,542	4,289,955	3,838,922

(In RMB millions, unless otherwise stated)

Neither past due nor impaired

The loans and advances to customers of the Group and of the Bank that are neither past due nor impaired are classified as "Pass" or "Special mention" under the 5-tier loan classification system maintained by the Group. Management of the Group considers that these loans are exposed to normal business risk and there is no identifiable objective evidence of impairment for these loans which may incur losses to the Group at the balance sheet date.

The following tables present the types of loans and advances to customers which are neither past due nor impaired as at the balance sheet date:

Group

	31 December 2008			31 December 2007		
	Pass	Special mention	Total	Pass	Special mention	Total
Unsecured loans	1,294,007	38,479	1,332,486	1,118,366	18,224	1,136,590
Guaranteed loans	765,169	60,053	825,222	724,808	55,695	780,503
Loans secured by mortgages	1,514,766	74,788	1,589,554	1,334,705	97,713	1,432,418
Pledged loans	638,410	27,569	665,979	540,474	27,305	567,779
	4,212,352	200,889	4,413,241	3,718,353	198,937	3,917,290

Bank

	31 December 2008			31 December 2007		
	Pass	Special mention	Total	Pass	Special mention	Total
Unsecured loans	1,241,896	37,262	1,279,158	1,056,246	17,917	1,074,163
Guaranteed loans	748,900	59,291	808,191	713,023	55,556	768,579
Loans secured by mortgages	1,447,243	71,322	1,518,565	1,295,514	96,425	1,391,939
Pledged loans	635,171	27,569	662,740	538,340	27,305	565,645
	4,073,210	195,444	4,268,654	3,603,123	197,203	3,800,326

Past due but not impaired

The following tables present the ageing analysis of each type of loans and advances to customers of the Group and of the Bank that are subject to credit risk which are past due but not impaired as at the balance sheet date:

Group

	Corporate loans		Personal loans		Total	
	2008	2007	2008	2007	2008	2007
Past due for:						
Less than one month	7,740	5,734	34,229	26,309	41,969	32,043
One to two months	95	2,364	6,421	4,073	6,516	6,437
Two to three months	313	680	5,144	4,595	5,457	5,275
Over three months	18	410	311	—	329	410
Total	8,166	9,188	46,105	34,977	54,271	44,165
Fair value of collaterals held	11,101	18,531	99,619	69,696	110,720	88,227

(In RMB millions, unless otherwise stated)

Bank

	Corporate loans		Personal loans		Total	
	2008	2007	2008	2007	2008	2007
Past due for:						
Less than one month	7,274	4,794	33,974	25,958	41,248	30,752
One to two months	—	2,322	6,408	4,057	6,408	6,379
Two to three months	—	663	5,132	4,588	5,132	5,251
Over three months	—	405	309	—	309	405
Total	7,274	8,184	45,823	34,603	53,097	42,787
Fair value of collaterals held	9,455	14,470	99,095	69,325	108,550	83,795

Impaired

Impaired loans and advances are defined as those loans and advances having objective evidence of impairment as a result of one or more events that occur after initial recognition and that event has an impact on the estimated future cash flows of loans and advances that can be reliably estimated. These loans and advances include corporate loans and personal loans which are graded as "Substandard", "Doubtful" or "Loss".

The fair value of collaterals that the Group and the Bank hold relating to loans individually determined to be impaired as at 31 December 2008 amounted to RMB25,833 million (2007: RMB27,846 million) and RMB25,645 million (2007: RMB26,546 million), respectively. The collateral consists of land and properties, equipment and others.

Renegotiated loans and advances to customers

The Group has formulated a set of loan restructuring policies to renegotiate the contractual terms with customers, to maximise the collectibility of loans and to manage customer relationships.

The carrying amount of renegotiated loans and advances to customers is as follows:

	Group		Bank	
	2008	2007	2008	2007
Renegotiated loans and advances to customers	25,246	38,381	25,079	38,273
Impaired loans and advances to customers included in above	22,020	34,196	21,857	34,087

Collateral repossessed

During the year, the Group and the Bank took possession of collaterals held as security with a carrying amount of RMB4,823 million (2007: RMB9,517 million). These collaterals mainly comprise land and buildings and equipment.

(In RMB millions, unless otherwise stated)

(iv) Debt securities

The total credit risk exposures of debt securities are summarised as follows:

	Group		Bank	
	2008	2007	2008	2007
Neither past due nor impaired	3,008,066	3,094,686	2,989,198	3,083,914
Impaired: (i)				
Available-for-sale debt securities, at fair value	24,565	5,500	24,517	5,427
Held-to-maturity debt securities, at amortised cost	8,622	824	8,499	820
Less: Allowance for impairment losses for held-to-maturity debt securities	(1,713)	(149)	(1,595)	(146)
	31,474	6,175	31,421	6,101
	3,039,540	3,100,861	3,020,619	3,090,015

(i) Impaired debt securities are all determined based on individual assessments. In determining whether a debt securities is impaired, the Group considers the evidence of loss event and the decreases in estimated future cash flows. The majority of the Group's impaired debt securities are U.S. mortgage-backed securities, whose fair values declines over the year are due to the deterioration in the underlying mortgages' performance. No collateral was held by the Group as security of the impaired debt securities.

Neither past due nor impaired

The credit risk of debt securities mainly arise from the risk that the issuer might default on a payment or go into liquidation. Debt securities by different types of issuer are generally subject to different degrees of credit risk.

The following tables present an analysis of debt securities which are neither past due nor impaired by types of issuer and investments:

Group

31 December 2008

	Receivables	Held-to-maturity investments	Available-for-sale investments	Held for trading investments	Investments designated at fair value through profit or loss	Total
Governments and central banks	800,563	756,824	319,156	5,447	182	1,882,172
Policy banks	47,000	468,680	81,514	3,933	—	601,127
Public sector entities	—	23,117	15,485	1,832	176	40,610
Banks and other financial institutions	315,206	43,936	42,592	6,132	548	408,414
Corporate entities	—	14,854	45,517	14,819	553	75,743
	1,162,769	1,307,411	504,264	32,163	1,459	3,008,066

(In RMB millions, unless otherwise stated)

31 December 2007

	Receivables	Held-to-maturity investments	Available-for-sale investments	Held for trading investments	Investments designated at fair value through profit or loss	Total
Governments and central banks	851,771	794,464	278,442	4,744	196	1,929,617
Policy banks	47,000	419,384	81,577	6,350	—	554,311
Public sector entities	—	29,386	53,665	2,047	190	85,288
Banks and other financial institutions	312,996	68,998	83,025	285	1,090	466,394
Corporate entities	—	17,178	22,514	18,075	1,309	59,076
	1,211,767	1,329,410	519,223	31,501	2,785	3,094,686

Bank

31 December 2008

	Receivables	Held-to-maturity investments	Available-for-sale investments	Held for trading investments	Investments designated at fair value through profit or loss	Total
Governments and central banks	800,563	755,105	317,893	4,627	—	1,878,188
Policy banks	47,000	468,659	81,256	3,928	—	600,843
Public sector entities	—	22,953	15,098	1,831	—	39,882
Banks and other financial institutions	315,206	50,796	33,275	254	144	399,675
Corporate entities	—	14,689	41,199	14,722	—	70,610
	1,162,769	1,312,202	488,721	25,362	144	2,989,198

31 December 2007

	Receivables	Held-to-maturity investments	Available-for-sale investments	Held for trading investments	Investments designated at fair value through profit or loss	Total
Governments and central banks	851,771	792,382	277,902	4,744	—	1,926,799
Policy banks	47,000	419,384	81,556	6,350	—	554,290
Public sector entities	—	29,279	52,905	2,033	—	84,217
Banks and other financial institutions	312,996	76,291	77,665	283	640	467,875
Corporate entities	—	16,498	15,658	18,075	502	50,733
	1,211,767	1,333,834	505,686	31,485	1,142	3,083,914

(b) Liquidity risk

Liquidity risk is the risk that funds will not be available to meet liabilities as they fall due. This may arise from amounts or maturity mismatches of assets and liabilities.

The Group manages its liquidity risk through the Asset and Liability Management Department and aims at:

- optimising the structure of assets and liabilities;
- maintaining the stability of the deposit base and the diversification of funding sources;
- projecting cash flows and evaluating the level of current assets; and
- in terms of liquidity of the branches, maintaining an efficient internal fund transfer mechanism.

(In RMB millions, unless otherwise stated)

(i) Analysis of the remaining maturity of the Group's assets and liabilities as at the balance sheet date is set out below:

31 December 2008

	Overdue/ repayable on demand	Less than one month	One month to three months	Three months to one year	One to five years	More than five years	Undated (iv)	Total
Assets:								
Cash and balances with central banks	413,832	—	—	—	—	—	1,279,192	1,693,024
Due from banks and other financial institutions (i)	38,895	203,436	71,588	16,492	1,445	—	—	331,856
Financial assets held for trading	—	2,196	8,271	13,881	6,004	1,811	19	32,182
Financial assets designated at fair value through profit or loss	—	—	—	71	515	873	—	1,459
Derivative financial assets	4	1,197	4,852	2,505	3,489	3,674	—	15,721
Loans and advances to customers	9,624	195,162	388,501	1,300,790	1,182,466	1,313,697	45,771	4,436,011
Investments								
— Receivables	—	—	—	—	1,068,559	94,210	—	1,162,769
— Held-to-maturity debt securities	—	21,229	39,652	152,574	769,870	324,086	6,909	1,314,320
— Available-for-sale investments	—	35,439	47,052	133,293	226,172	62,308	33,316	537,580
— Investments in associates	—	—	—	—	—	—	28,421	28,421
Property and equipment	—	—	—	—	—	—	86,800	86,800
Others	28,327	8,477	2,889	5,063	33,179	8,829	30,239	117,003
Total assets	490,682	467,136	562,805	1,624,669	3,291,699	1,809,488	1,510,667	9,757,146
Liabilities:								
Financial liabilities held for trading	—	4,268	—	—	—	—	—	4,268
Financial liabilities designated at fair value through profit or loss	—	537	860	5,351	682	136	—	7,566
Derivative financial liabilities	—	1,885	1,152	2,572	4,055	3,948	—	13,612
Due to banks and other financial institutions (ii)	529,713	44,244	32,299	41,593	3,053	—	—	650,902
Due to customers (iii)	4,177,866	608,284	742,760	2,099,041	590,151	6,070	—	8,224,172
Subordinated bonds	—	—	—	—	—	35,000	—	35,000
Others	106,684	6,761	17,844	62,658	14,680	6,369	—	214,996
Total liabilities	4,814,263	665,979	794,915	2,211,215	612,621	51,523	—	9,150,516
Net liquidity gap	(4,323,581)	(198,843)	(232,110)	(586,546)	2,679,078	1,757,965	1,510,667	606,630

(i) Includes reverse repurchase agreements.

(ii) Includes repurchase agreements.

(iii) Includes certificates of deposit.

(iv) Includes loans and advances to customers and bond investments that are impaired or overdue for more than one month.

(In RMB millions, unless otherwise stated)

(i) Analysis of the remaining maturity of the Group's assets and liabilities as at the balance sheet date is set out below: (continued)

31 December 2007

	Overdue/ repayable on demand	Less than one month	One month to three months	Three months to one year	One to five years	More than five years	Undated (iv)	Total
Assets:								
Cash and balances with central banks	122,451	—	—	—	—	—	1,019,895	1,142,346
Due from banks and other financial institutions (i)	19,031	164,672	42,928	42,843	6,164	—	—	275,638
Financial assets held for trading	—	1,473	6,204	18,712	4,089	1,023	35	31,536
Financial assets designated at fair value through profit or loss	—	94	107	21	1,308	1,255	—	2,785
Derivative financial assets	—	12,657	2,733	5,116	740	1,523	—	22,769
Loans and advances to customers	6,507	199,117	363,078	1,175,485	1,052,894	1,108,995	51,466	3,957,542
Investments								
— Receivables	—	—	—	—	1,099,767	112,000	—	1,211,767
— Held-to-maturity debt securities	—	94,417	79,300	154,064	653,417	348,212	675	1,330,085
— Available-for-sale investments	—	3,158	23,339	211,282	151,168	130,276	11,932	531,155
— Investments in associates	—	—	—	—	—	—	172	172
Property and equipment	—	—	—	—	—	—	80,266	80,266
Others	20,978	9,405	9,030	21,418	8,039	735	28,046	97,651
Total assets	168,967	484,993	526,719	1,628,941	2,977,586	1,704,019	1,192,487	8,683,712
Liabilities:								
Financial liabilities designated at fair value through profit or loss	2	852	1,632	5,764	5,902	1,438	—	15,590
Derivative financial liabilities	—	516	733	2,046	2,225	1,607	—	7,127
Due to banks and other financial institutions (ii)	683,288	289,317	17,953	7,839	285	—	—	998,682
Due to customers (iii)	3,817,479	552,438	546,154	1,506,416	472,955	3,533	—	6,898,975
Subordinated bonds	—	—	—	—	—	35,000	—	35,000
Others	93,727	5,104	14,131	49,766	13,933	8,001	—	184,662
Total liabilities	4,594,496	848,227	580,603	1,571,831	495,300	49,579	—	8,140,036
Net liquidity gap	(4,425,529)	(363,234)	(53,884)	57,110	2,482,286	1,654,440	1,192,487	543,676

(i) Includes reverse repurchase agreements.

(ii) Includes repurchase agreements.

(iii) Includes certificates of deposit.

(iv) Includes loans and advances to customers and bond investments that are impaired or overdue for more than one month.

(In RMB millions, unless otherwise stated)

(i) Analysis of the remaining maturity of the Bank's assets and liabilities as at the balance sheet date is set out below:

31 December 2008

	Overdue/ repayable on demand	Less than one month	One month to three months	Three months to one year	One to five years	More than five years	Undated (iii)	Total
Assets:								
Cash and balances with central banks	412,988	—	—	—	—	—	1,278,478	1,691,466
Due from banks and other financial institutions (i)	26,954	199,880	72,513	15,757	1,445	—	—	316,549
Financial assets held for trading	—	917	4,536	13,032	5,173	1,704	—	25,362
Financial assets designated at fair value through profit or loss	—	—	—	—	144	—	—	144
Derivative financial assets	—	785	4,587	2,057	3,015	3,547	—	13,991
Loans and advances to customers	8,910	184,884	373,905	1,278,415	1,131,726	1,267,449	44,666	4,289,955
Investments								
— Receivables	—	—	—	—	1,068,559	94,210	—	1,162,769
— Held-to-maturity debt securities	—	20,666	39,150	151,688	770,739	329,959	6,904	1,319,106
— Available-for-sale investments	—	35,439	46,937	130,897	215,618	59,830	31,855	520,576
— Investments in subsidiaries	—	—	—	—	—	—	19,999	19,999
— Investment in an associate	—	—	—	—	—	—	33,160	33,160
Property and equipment	—	—	—	—	—	—	86,220	86,220
Others	23,758	8,485	2,684	4,955	32,985	8,789	25,212	106,868
Total assets	472,610	451,056	544,312	1,596,801	3,229,404	1,765,488	1,526,494	9,586,165
Liabilities:								
Financial liabilities held for trading	—	4,268	—	—	—	—	—	4,268
Financial liabilities designated at fair value through profit or loss	—	537	454	1,102	56	136	—	2,285
Derivative financial liabilities	—	1,665	984	1,281	3,399	3,674	—	11,003
Due to banks and other financial institutions (ii)	530,195	47,341	23,974	35,043	453	—	—	637,006
Due to customers	4,148,861	524,982	719,445	2,088,425	589,975	6,044	—	8,077,732
Subordinated bonds	—	—	—	—	—	35,000	—	35,000
Others	104,121	5,949	17,343	62,875	14,735	6,365	—	211,388
Total liabilities	4,783,177	584,742	762,200	2,188,726	608,618	51,219	—	8,978,682
Net liquidity gap	(4,310,567)	(133,686)	(217,888)	(591,925)	2,620,786	1,714,269	1,526,494	607,483

(i) Includes reverse repurchase agreements.

(ii) Includes repurchase agreements.

(iii) Includes loans and advances to customers and bond investments that are impaired or overdue for more than one month.

(In RMB millions, unless otherwise stated)

(i) Analysis of the remaining maturity of the Bank's assets and liabilities as at the balance sheet date is set out below: (continued)

31 December 2007

	Overdue/ repayable on demand	Less than one month	One month to three months	Three months to one year	One to five years	More than five years	Undated (iii)	Total
Assets:								
Cash and balances with central banks	121,692	—	—	—	—	—	1,019,769	1,141,461
Due from banks and other financial institutions (i)	19,164	134,372	45,964	45,213	6,164	—	—	250,877
Financial assets held for trading	—	1,473	6,190	18,712	4,087	1,023	—	31,485
Financial assets designated at fair value through profit or loss	—	—	107	21	960	54	—	1,142
Derivative financial assets	—	12,572	2,665	4,734	907	1,480	—	22,358
Loans and advances to customers	5,232	192,711	351,072	1,156,109	1,014,463	1,068,444	50,891	3,838,922
Investments								
— Receivables	—	—	—	—	1,099,767	112,000	—	1,211,767
— Held-to-maturity debt securities	—	93,615	78,508	153,079	655,570	353,062	674	1,334,508
— Available-for-sale investments	—	2,669	23,245	209,708	142,337	127,727	9,543	515,229
— Investments in subsidiaries	—	—	—	—	—	—	12,371	12,371
Property and equipment	—	—	—	—	—	—	79,986	79,986
Others	18,905	8,880	8,606	21,363	8,025	730	25,755	92,264
Total assets	164,993	446,292	516,357	1,608,939	2,932,280	1,664,520	1,198,989	8,532,370
Liabilities:								
Financial assets designated at fair value through profit or loss	2	811	1,584	5,423	1,020	1,438	—	10,278
Derivative financial liabilities	—	409	638	1,662	2,335	1,548	—	6,592
Due to banks and other financial institutions (ii)	683,919	288,628	12,695	7,517	1,452	367	—	994,578
Due to customers	3,795,099	467,953	526,403	1,504,075	472,553	3,523	—	6,769,606
Subordinated bonds	—	—	—	—	—	35,000	—	35,000
Others	91,056	4,417	13,499	49,564	13,851	7,910	—	180,297
Total liabilities	4,570,076	762,218	554,819	1,568,241	491,211	49,786	—	7,996,351
Net liquidity gap	(4,405,083)	(315,926)	(38,462)	40,698	2,441,069	1,614,734	1,198,989	536,019

(i) Includes reverse repurchase agreements.

(ii) Includes repurchase agreements.

(iii) Includes loans and advances to customers and bond investments that are impaired or overdue for more than one month.

(In RMB millions, unless otherwise stated)

(ii) Maturity analysis of contractual undiscounted cash flows

The tables below summarise the maturity profile of the Group's and of the Bank's financial instruments based on the contractual undiscounted cash flows. The balances of some items in the tables below are different from the balances on the balance sheet as the tables incorporate all cash flows relating to both principal and interest. The Group's expected cash flows on these instruments may vary significantly from this analysis. For example: demand deposits from customers are expected to maintain a stable or increasing balance although they have been classified as repayable on demand in the following tables.

Group

31 December 2008

	Overdue/ repayable on demand	Less than one month	One month to three months	Three months to one year	One to five years	More than five years	Undated (iii)	Total
Non-derivative cash flows:								
Assets:								
Cash and balances with central banks	413,832	—	—	—	—	—	1,279,192	1,693,024
Due from banks and other financial institutions (i)	38,895	203,756	71,968	17,101	1,499	—	—	333,219
Financial assets held for trading	—	2,242	8,544	14,585	6,727	2,029	19	34,146
Financial assets designated at fair value through profit or loss	—	7	13	138	764	1,860	—	2,782
Loans and advances to customers (ii)	13,407	235,546	446,130	1,488,713	1,690,615	2,075,869	87,111	6,037,391
Investments	—	60,301	99,391	353,923	2,271,101	589,478	122,043	3,496,237
Others	21,686	—	—	—	—	—	—	21,686
	487,820	501,852	626,046	1,874,460	3,970,706	2,669,236	1,488,365	11,618,485

(i) Includes reverse repurchase agreements.

(ii) Renegotiated loans' contractual undiscounted cash flows follow the negotiated term to determine the maturity profile.

(iii) Includes loans and advances to customers and bond investments that are impaired or overdue for more than one month.

31 December 2008

	Overdue/ repayable on demand	Less than one month	One month to three months	Three months to one year	One to five years	More than five years	Undated	Total
Non-derivative cash flows:								
Liabilities:								
Financial liabilities held for trading	—	4,314	—	—	—	—	—	4,314
Financial liabilities designated at fair value through profit or loss	—	548	926	5,464	724	139	—	7,801
Due to banks and other financial institutions (i)	529,713	44,560	32,619	42,606	3,194	—	—	652,692
Due to customers (ii)	4,177,866	622,010	763,755	2,172,977	641,797	6,863	—	8,385,268
Subordinated bonds	—	—	184	1,078	5,046	39,975	—	46,283
Others	62,203	274	7,699	40,269	7,982	6,301	—	124,728
	4,769,782	671,706	805,183	2,262,394	658,743	53,278	—	9,221,086
Derivative cash flows:								
Derivative financial instruments settled on net basis	—	(2)	55	17	(618)	(274)	—	(822)
Total inflow	56	101,649	136,745	187,782	15,719	11,769	—	453,720
Total outflow	(52)	(102,610)	(132,966)	(188,053)	(15,787)	(11,769)	—	(451,237)
Derivative financial instruments settled on gross basis	4	(961)	3,779	(271)	(68)	—	—	2,483

(i) Includes repurchase agreements.

(ii) Includes certificates of deposit.

(In RMB millions, unless otherwise stated)

31 December 2007

	Overdue/ repayable on demand	Less than one month	One month to three months	Three months to one year	One to five years	More than five years	Undated (iii)	Total
Non-derivative cash flows:								
Assets:								
Cash and balances with central banks	122,451	—	—	—	—	—	1,019,895	1,142,346
Due from banks and other financial institutions (i)	19,221	165,469	43,454	44,240	6,393	—	—	278,777
Financial assets held for trading	—	1,483	6,304	19,055	4,759	1,181	35	32,817
Financial assets designated at fair value through profit or loss	—	105	135	114	1,637	3,250	—	5,241
Loans and advances to customers (ii)	7,357	228,481	406,873	1,345,145	1,492,964	1,805,204	92,609	5,378,633
Investments	—	100,846	116,693	437,922	2,169,130	797,928	9,480	3,631,999
Others	19,413	—	—	—	—	—	—	19,413
	168,442	496,384	573,459	1,846,476	3,674,883	2,607,563	1,122,019	10,489,226

(i) Includes reverse repurchase agreements.

(ii) Renegotiated loans' contractual undiscounted cash flows follow the negotiated term to determine the maturity profile.

(iii) Includes loans and advances to customers and bond investments that are impaired or overdue for more than one month.

31 December 2007

	Overdue/ repayable on demand	Less than one month	One month to three months	Three months to one year	One to five years	More than five years	Undated	Total
Non-derivative cash flows:								
Liabilities:								
Financial liabilities designated at fair value through profit or loss	2	863	1,761	6,015	6,416	1,715	—	16,772
Due to banks and other financial institutions (i)	683,288	289,789	18,129	7,994	301	—	—	999,501
Due to customers (ii)	3,817,479	562,271	555,877	1,533,233	489,789	3,847	—	6,962,496
Subordinated bonds	—	—	183	1,077	5,039	41,230	—	47,529
Others	60,140	244	7,687	36,373	9,258	7,879	—	121,581
	4,560,909	853,167	583,637	1,584,692	510,803	54,671	—	8,147,879
Derivative cash flows:								
Derivative financial instruments settled on net basis	—	—	(8)	—	(38)	(243)	—	(289)
Total inflow	4	117,026	121,842	207,256	25,917	20,927	44	493,016
Total outflow	(4)	(114,602)	(118,311)	(198,871)	(25,694)	(21,609)	(13)	(479,104)
Derivative financial instruments settled on gross basis	—	2,424	3,531	8,385	223	(682)	31	13,912

(i) Includes repurchase agreements.

(ii) Includes certificates of deposit.

(In RMB millions, unless otherwise stated)

Bank

31 December 2008

	Overdue/ repayable on demand	Less than one month	One month to three months	Three months to one year	One to five years	More than five years	Undated (iii)	Total
Non-derivative cash flows:								
Assets:								
Cash and balances with central banks	412,988	—	—	—	—	—	1,278,478	1,691,466
Due from banks and other financial institutions (i)	26,954	200,201	72,839	16,361	1,499	—	—	317,854
Financial assets held for trading	—	956	4,799	13,634	5,827	1,918	—	27,134
Financial assets designated at fair value through profit or loss	—	—	6	6	181	—	—	193
Loans and advances to customers (ii)	12,929	224,603	429,846	1,462,808	1,626,244	2,018,702	85,839	5,860,971
Investments	—	59,795	98,666	349,279	2,257,937	586,550	142,275	3,494,502
Others	18,032	—	—	—	—	—	—	18,032
	470,903	485,555	606,156	1,842,088	3,891,688	2,607,170	1,506,592	11,410,152

(i) Includes reverse repurchase agreements.

(ii) Renegotiated loans' contractual undiscounted cash flows follow the negotiated term to determine the maturity profile.

(iii) Includes loans and advances to customers and bond investments that are impaired or overdue for more than one month.

31 December 2008

	Overdue/ repayable on demand	Less than one month	One month to three months	Three months to one year	One to five years	More than five years	Undated	Total
Non-derivative cash flows:								
Liabilities:								
Financial liabilities held for trading	—	4,314	—	—	—	—	—	4,314
Financial liabilities designated at fair value through profit or loss	—	538	455	1,105	56	136	—	2,290
Due to banks and other financial institutions (i)	530,195	47,531	24,160	35,839	489	—	—	638,214
Due to customers	4,148,861	537,132	739,925	2,163,158	641,893	6,833	—	8,237,802
Subordinated bonds	—	—	184	1,078	5,046	39,975	—	46,283
Others	59,274	274	7,676	40,301	7,958	6,301	—	121,784
	4,738,330	589,789	772,400	2,241,481	655,442	53,245	—	9,050,687
Derivative cash flows:								
Derivative financial instruments settled on net basis	—	(3)	(8)	(46)	(439)	(128)	—	(624)
Total inflow	—	96,779	130,634	159,391	13,093	11,769	—	411,666
Total outflow	—	(97,482)	(126,795)	(158,535)	(13,158)	(11,769)	—	(407,739)
Derivative financial instruments settled on gross basis	—	(703)	3,839	856	(65)	—	—	3,927

(i) Includes repurchase agreements.

(In RMB millions, unless otherwise stated)

31 December 2007

	Overdue/ repayable on demand	Less than one month	One month to three months	Three months to one year	One to five years	More than five years	Undated (iii)	Total
Non-derivative cash flows:								
Assets:								
Cash and balances with central banks	121,692	—	—	—	—	—	1,019,769	1,141,461
Due from banks and other financial institutions (i)	19,354	135,149	46,630	46,736	6,393	—	—	254,262
Financial assets held for trading	—	1,483	6,304	19,055	4,759	1,181	—	32,782
Financial assets designated at fair value through profit or loss	—	4	115	45	1,027	56	—	1,247
Loans and advances to customers (ii)	5,542	221,798	393,169	1,321,916	1,446,548	1,779,378	92,395	5,260,746
Investments	—	98,716	116,561	435,749	2,161,366	801,494	19,156	3,633,042
Others	16,744	—	—	—	—	—	—	16,744
	163,332	457,150	562,779	1,823,501	3,620,093	2,582,109	1,131,320	10,340,284

(i) Includes reverse repurchase agreements.

(ii) Renegotiated loans' contractual undiscounted cash flows follow the negotiated term to determine the maturity profile.

(iii) Includes loans and advances to customers and bond investments that are impaired or overdue for more than one month.

31 December 2007

	Overdue/ repayable on demand	Less than one month	One month to three months	Three months to one year	One to five years	More than five years	Undated	Total
Non-derivative cash flows:								
Liabilities:								
Financial liabilities designated at fair value through profit or loss	2	863	1,760	6,015	3,273	1,715	—	13,628
Due to banks and other financial institutions (i)	683,919	289,115	12,898	7,783	1,679	444	—	995,838
Due to customers	3,795,099	476,283	535,773	1,530,848	489,376	3,837	—	6,831,216
Subordinated bonds	—	—	183	1,077	5,039	41,230	—	47,529
Others	57,209	244	7,666	36,150	9,233	7,879	—	118,381
	4,536,229	766,505	558,280	1,581,873	508,600	55,105	—	8,006,592
Derivative cash flows:								
Derivative financial instruments settled on net basis	—	—	(8)	—	(11)	(37)	—	(56)
Total inflow	—	79,828	97,732	168,377	19,926	20,124	44	386,031
Total outflow	—	(77,443)	(94,279)	(159,948)	(19,526)	(20,797)	(13)	(372,006)
Derivative financial instruments settled on gross basis	—	2,385	3,453	8,429	400	(673)	31	14,025

(i) Includes repurchase agreements.

(In RMB millions, unless otherwise stated)

(iii) Analysis of credit commitments by contractual expiry date

Management expects that not all of the commitments will be drawn before expiry of the commitments.

Group

	Repayable on demand	Less than one month	One month to three months	Three months to one year	One to five years	More than five years	Undated	Total
31 December 2008								
Off-balance sheet credit commitments	580,601	49,585	110,948	146,304	19,124	29,911	—	936,473
31 December 2007								
Off-balance sheet credit commitments	578,726	32,094	68,907	109,950	10	—	—	789,687

Bank

	Repayable on demand	Less than one month	One month to three months	Three months to one year	One to five years	More than five years	Undated	Total
31 December 2008								
Off-balance sheet credit commitments	500,241	48,640	109,930	144,207	18,167	29,911	—	851,096
31 December 2007								
Off-balance sheet credit commitments	488,618	32,094	68,907	105,994	10	—	—	695,623

(In RMB millions, unless otherwise stated)

(c) Market risk

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

The Group is primarily exposed to structural interest rate risk arising from commercial banking and position risk arising from treasury transactions. Interest rate risk is inherent in many of its businesses and largely arises from mismatches between the repricing dates of interest-generating assets and interest-bearing liabilities.

The Group's foreign exchange exposure mainly comprises exposures from the mismatch of foreign exchange assets and liabilities, and off-balance sheet foreign exchange positions arising from derivative transactions.

The Group considers the market risk arising from commodity or stock prices in respect of its investment portfolios as immaterial.

Sensitivity analysis, interest rate gap analysis and foreign exchange risk concentration analysis are the major market risk management tools used by the Group. The Bank monitors market risk separately in respect of trading and other non-trading portfolios. The Value-at-risk ("VaR") analysis is a major tool used by the Bank since the second quarter of 2008 to measure and monitor the market risk of its trading portfolios at the HO level. The following sections include a VaR analysis by risk type of the Group's trading portfolios at HO level, sensitivity analysis based on the Group's currency risk exposure and interest rate risk exposure (both trading and non-trading portfolios).

(i) VaR of trading portfolios

VaR analysis is a statistical technique which estimates the potential maximum losses that could occur on risk positions taken due to movements in interest rates, foreign exchange rates or prices over a specified time horizon and at a given level of confidence. The Bank adopts a historical simulation model to calculate and monitor trading portfolio VaR with 250 days' historical market data (with a 99% confidence level, and one-day holding period) on a daily basis.

A summary of the VaR by risk type of the Bank's trading portfolios at HO level (including investments held for trading and foreign exchange transactions) is as follows:

	Second quarter to fourth quarter of 2008			
	31 December 2008	**Average**	**Highest**	**Lowest**
Interest rate risk	86	58	102	30
Foreign exchange risk	76	43	83	15
Total portfolio VaR	111	75	123	41

VaR for each risk factor is the derived largest potential loss due to fluctuations solely in that risk factor. As there was diversification effect due to the correlation amongst the risk factors, the individual VaR did not add up to the total portfolio VaR.

Although VaR is an important tool for measuring market risk under normal market environment, the assumptions on which the model is based do give rise to some limitations, including the following:

(1) VaR does not reflect liquidity risk. In the VaR model, a one-day holding period assumes that it is possible to hedge or dispose of positions within that period without restriction, and the price of the financial instruments will fluctuate in the given range, the correlation between these market prices will remain unchanged. This may not fully reflect the market risk arising at times of severe illiquidity, when a one-day holding period may be insufficient to liquidate or hedge all positions fully;

(In RMB millions, unless otherwise stated)

(2) Even though positions may change throughout the day, the VaR only represents the risk of the portfolios at the close of each business day, and it does not account for any losses that may occur beyond the 99% confidence level;

(3) Due to the fact that VaR relies heavily on historical data to provide information and may not clearly predict the future changes and modifications of the risk factors, especially those of an exceptional nature due to significant market moves.

(ii) Currency risk

The Group conducts it businesses mainly in RMB, with certain transactions denominated in US$, HK$ and, to a lesser extent, other currencies. Transactions in foreign currencies mainly arise from the Group's treasury operations, foreign exchange dealing and overseas investments.

The exchange rate of RMB to US$ is managed under a floating exchange rate system. RMB has appreciated over US$ over the years. The HK$ exchange rate has been pegged to the US$ and therefore the exchange rate of RMB to HK$ has fluctuated in line with the changes in the exchange rate of RMB to US$.

The Group manages its currency risk through various means including entering into hedging activities that are available to the Group.

The tables below indicate a sensitivity analysis of exchange rate changes of the currencies to which the Group and the Bank had significant exposure on its monetary assets and liabilities and its forecast cash flows. The analysis calculates the effect of a reasonably possible movement in the currency rate against the RMB, with all other variables held constant, on profit before tax and equity. A negative amount in the table reflects a potential net reduction in profit before tax or equity, while a positive amount reflects a potential net increase. This effect, however, is based on the assumption that the Group's and the Bank's foreign exchange exposures as at the year end are kept unchanged and, therefore, have not incorporated actions that would be taken by the Group or the Bank to mitigate the adverse impact of this foreign exchange risk.

Group

		Effect on profit before tax		Effect on equity	
Currency	Change in currency rate	31 December 2008	31 December 2007	31 December 2008	31 December 2007
US$	-1%	(85)	(999)	(20)	(126)
HK$	-1%	115	151	(199)	24

Bank

		Effect on profit before tax		Effect on equity	
Currency	Change in currency rate	31 December 2008	31 December 2007	31 December 2008	31 December 2007
US$	-1%	(62)	(813)	1	27
HK$	-1%	59	(51)	(47)	(116)

While the tables above indicate the effect on profit before tax and equity of 1% depreciation of US$ and HK$, there will be an opposite effect with the same amount if the currencies appreciate by the same percentage.

(In RMB millions, unless otherwise stated)

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

Group

31 December 2008

	RMB	US$	HK$	Others	Total
Assets:					
Cash and balances with central banks	1,658,951	28,603	2,482	2,988	1,693,024
Due from banks and other financial institutions (i)	186,957	114,093	8,369	22,437	331,856
Financial assets held for trading	25,321	2,764	3,570	527	32,182
Financial assets designated at fair value though profit or loss	—	1,191	265	3	1,459
Derivative financial assets	9,870	4,010	83	1,758	15,721
Loans and advances to customers	4,160,103	154,282	98,545	23,081	4,436,011
Investments	2,888,888	84,997	8,471	60,734	3,043,090
Property and equipment	86,089	289	138	284	86,800
Others	99,679	9,488	6,735	1,101	117,003
Total assets	9,115,858	399,717	128,658	112,913	9,757,146
Liabilities:					
Financial liabilities held for trading	—	4,268	—	—	4,268
Financial liabilities designated at fair value through profit or loss	17	5,740	1,220	589	7,566
Derivative financial liabilities	6,527	5,845	166	1,074	13,612
Due to banks and other financial institutions (ii)	562,264	69,828	6,470	12,340	650,902
Due to customers (iii)	7,913,378	176,924	99,861	34,009	8,224,172
Subordinated bonds	35,000	—	—	—	35,000
Others	200,225	6,781	2,192	5,798	214,996
Total liabilities	8,717,411	269,386	109,909	53,810	9,150,516
Net position	398,447	130,331	18,749	59,103	606,630
Off-balance sheet credit commitments	651,059	186,979	58,800	39,635	936,473

(i) Includes reverse repurchase agreements.

(ii) Includes repurchase agreements.

(iii) Includes certificates of deposit.

(In RMB millions, unless otherwise stated)

31 December 2007

	RMB	US$	HK$	Others	Total
Assets:					
Cash and balances with central banks	1,130,381	7,372	2,557	2,036	1,142,346
Due from banks and other financial institutions (i)	102,442	159,612	4,789	8,795	275,638
Financial assets held for trading	31,415	85	36	—	31,536
Financial assets designated at fair value though profit or loss	—	1,364	437	984	2,785
Derivative financial assets	19,390	1,713	167	1,499	22,769
Loans and advances to customers	3,631,681	208,576	92,172	25,113	3,957,542
Investments	2,862,544	192,208	6,626	11,801	3,073,179
Property and equipment	79,744	315	95	112	80,266
Others	86,706	4,267	3,371	3,307	97,651
Total assets	7,944,303	575,512	110,250	53,647	8,683,712
Liabilities:					
Financial liabilities designated at fair value through profit or loss	17	12,079	3,207	287	15,590
Derivative financial liabilities	1,556	3,857	228	1,486	7,127
Due to banks and other financial institutions (ii)	915,257	64,818	8,364	10,243	998,682
Due to customers (iii)	6,626,810	140,470	105,923	25,772	6,898,975
Subordinated bonds	35,000	—	—	—	35,000
Others	163,996	10,958	3,695	6,013	184,662
Total liabilities	7,742,636	232,182	121,417	43,801	8,140,036
Net position	201,667	343,330	(11,167)	9,846	543,676
Off-balance sheet credit commitments	491,832	171,763	94,051	32,041	789,687

(i) Includes reverse repurchase agreements.

(ii) Includes repurchase agreements.

(iii) Includes certificates of deposit.

(In RMB millions, unless otherwise stated)

Bank

31 December 2008

	RMB	US$	HK$	Others	Total
Assets:					
Cash and balances with central banks	1,658,512	28,534	2,014	2,406	1,691,466
Due from banks and other financial institutions (i)	185,506	110,152	8,178	12,713	316,549
Financial assets held for trading	25,294	68	—	—	25,362
Financial assets designated at fair value though profit or loss	—	144	—	—	144
Derivative financial assets	9,849	2,828	43	1,271	13,991
Loans and advances to customers	4,144,998	112,541	17,056	15,360	4,289,955
Investments	2,890,650	82,149	16,306	66,505	3,055,610
Property and equipment	85,929	196	10	85	86,220
Others	98,128	7,841	109	790	106,868
Total assets	9,098,866	344,453	43,716	99,130	9,586,165
Liabilities:					
Financial liabilities held for trading	—	4,268	—	—	4,268
Financial liabilities designated at fair value through profit or loss	17	1,468	211	589	2,285
Derivative financial liabilities	6,045	3,869	113	976	11,003
Due to banks and other financial institutions (ii)	553,000	65,825	6,991	11,190	637,006
Due to customers	7,909,087	117,864	27,424	23,357	8,077,732
Subordinated bonds	35,000	—	—	—	35,000
Others	199,333	5,996	500	5,559	211,388
Total liabilities	8,702,482	199,290	35,239	41,671	8,978,682
Net position	396,384	145,163	8,477	57,459	607,483
Off-balance sheet credit commitments	647,068	163,786	1,959	38,283	851,096

(i) Includes reverse repurchase agreements.

(ii) Includes repurchase agreements.

(In RMB millions, unless otherwise stated)

31 December 2007

	RMB	US$	HK$	Others	Total
Assets:					
Cash and balances with central banks	1,130,262	7,338	2,363	1,498	1,141,461
Due from banks and other financial institutions (i)	105,056	129,779	8,360	7,682	250,877
Financial assets held for trading	31,414	71	—	—	31,485
Financial assets designated at fair value though profit or loss	—	158	—	984	1,142
Derivative financial assets	19,313	1,511	86	1,448	22,358
Loans and advances to customers	3,628,462	169,217	22,091	19,152	3,838,922
Investments	2,864,324	190,577	10,279	8,695	3,073,875
Property and equipment	79,641	227	11	107	79,986
Others	86,533	3,266	104	2,361	92,264
Total assets	7,945,005	502,144	43,294	41,927	8,532,370
Liabilities:					
Financial liabilities designated at fair value through profit or loss	17	8,477	1,497	287	10,278
Derivative financial liabilities	1,909	3,205	116	1,362	6,592
Due to banks and other financial institutions (ii)	917,672	59,527	7,491	9,888	994,578
Due to customers	6,626,733	93,716	30,430	18,727	6,769,606
Subordinated bonds	35,000	—	—	—	35,000
Others	163,673	10,160	582	5,882	180,297
Total liabilities	7,745,004	175,085	40,116	36,146	7,996,351
Net position	200,001	327,059	3,178	5,781	536,019
Off-balance sheet credit commitments	491,229	158,822	14,856	30,716	695,623

(i) Includes reverse repurchase agreements.

(ii) Includes repurchase agreements.

(iii) Interest rate risk

The Group's interest rate risk arises from the mismatches between the repricing dates of interest-generating assets and interest-bearing liabilities. The Group's interest-generating assets and interest-bearing liabilities are mainly denominated in RMB. The PBOC establishes RMB benchmark interest rates which include a cap for RMB deposit rates and a floor for RMB loan rates.

The Group manages its interest rate risk by:

- regularly monitoring the macroeconomic factors that may have impact on the PBOC benchmark interest rates;
- optimising the differences in timing between contractual maturities and repricing of interest-generating assets and interest-bearing liabilities; and
- managing the deviation of the pricing of interest-generating assets and interest-bearing liabilities from the PBOC benchmark interest rates.

A principal part of the Group's management of interest rate risk is to monitor the sensitivity of projected net interest income under varying interest rate scenarios (simulation modeling). The Group aims to mitigate the impact of prospective interest rate movements which could reduce future net interest income, while balancing the cost of such hedging on the current revenue.

(In RMB millions, unless otherwise stated)

The following tables demonstrate the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Group's and the Bank's net interest income and equity.

The sensitivity of the net interest income is the effect of the assumed changes in interest rates on the net interest income, based on the financial assets and financial liabilities held at year end subject to re-pricing within the coming year, including the effect of hedging instruments. The sensitivity of equity is calculated by revaluing fixed rate available-for-sale financial assets, including the effect of any associated hedges at year end for the effects of the assumed changes in interest rates.

Group

	Sensitivity of net interest income		Sensitivity of equity	
Change in basis points	31 December 2008	31 December 2007	31 December 2008	31 December 2007
+100 basis points	(16,116)	(18,160)	(9,143)	(9,213)
-100 basis points	16,116	18,160	9,536	9,452

Bank

	Sensitivity of net interest income		Sensitivity of equity	
Change in basis points	31 December 2008	31 December 2007	31 December 2008	31 December 2007
+100 basis points	(15,688)	(17,906)	(8,915)	(9,110)
-100 basis points	15,688	17,906	9,308	9,347

The interest rate sensitivities set out in the tables above are for illustration only and are based on simplified scenarios. The figures represent the effect of the pro forma movements in net interest income and equity based on the projected yield curve scenarios and the Group's current interest rate risk profile. This effect, however, does not incorporate actions that would be taken by management to mitigate the impact of this interest rate risk. The projections above also assume that interest rates of all maturities move by the same amount and, therefore, do not reflect the potential impact on net interest income and equity of some rates changing while others remain unchanged.

(In RMB millions, unless otherwise stated)

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

31 December 2008

	Less than three months	Three months to one year	One to five years	More than five years	Non-interest-bearing	Total
Assets:						
Cash and balances with central banks	1,557,854	—	—	—	135,170	1,693,024
Due from banks and other financial institutions (i)	313,776	15,873	1,445	—	762	331,856
Financial assets held for trading	12,100	14,930	3,975	1,158	19	32,182
Financial assets designated at fair value through profit or loss	414	662	144	239	—	1,459
Derivative financial assets	—	—	—	—	15,721	15,721
Loans and advances to customers	1,505,061	2,930,950	—	—	—	4,436,011
Investments	236,136	462,106	1,892,257	415,419	37,172	3,043,090
Property and equipment	—	—	—	—	86,800	86,800
Others	—	—	—	—	117,003	117,003
Total assets	3,625,341	3,424,521	1,897,821	416,816	392,647	9,757,146
Liabilities:						
Financial liabilities held for trading	4,268	—	—	—	—	4,268
Financial liabilities designated at fair value through profit or loss	2,537	5,024	5	—	—	7,566
Derivative financial liabilities	—	—	—	—	13,612	13,612
Due to banks and other financial institutions (ii)	606,258	43,593	453	—	598	650,902
Due to customers (iii)	5,382,269	2,098,647	590,151	6,070	147,035	8,224,172
Subordinated bonds	9,000	—	13,000	13,000	—	35,000
Others	—	—	—	—	214,996	214,996
Total liabilities	6,004,332	2,147,264	603,609	19,070	376,241	9,150,516
Interest rate mismatch	(2,378,991)	1,277,257	1,294,212	397,746	N/A	N/A

(i) Includes reverse repurchase agreements.

(ii) Includes repurchase agreements.

(iii) Includes certificates of deposit.

(In RMB millions, unless otherwise stated)

31 December 2007

	Less than three months	Three months to one year	One to five years	More than five years	Non-interest-bearing	Total
Assets:						
Cash and balances with central banks	1,023,860	—	—	—	118,486	1,142,346
Due from banks and other financial institutions (i)	225,681	42,843	6,164	—	950	275,638
Financial assets held for trading	8,626	19,923	2,862	90	35	31,536
Financial assets designated at fair value through profit or loss	1,014	—	570	1,201	—	2,785
Derivative financial assets	—	—	—	—	22,769	22,769
Loans and advances to customers	1,510,826	2,446,716	—	—	—	3,957,542
Investments	287,056	547,357	1,750,920	481,242	6,604	3,073,179
Property and equipment	—	—	—	—	80,266	80,266
Others	—	—	—	—	97,651	97,651
Total assets	3,057,063	3,056,839	1,760,516	482,533	326,761	8,683,712
Liabilities:						
Financial liabilities designated at fair value through profit or loss	7,108	6,923	970	589	—	15,590
Derivative financial liabilities	—	—	—	—	7,127	7,127
Due to banks and other financial institutions (ii)	989,856	7,839	285	—	702	998,682
Due to customers (iii)	4,776,594	1,506,322	472,861	3,533	139,665	6,898,975
Subordinated bonds	9,000	—	13,000	13,000	—	35,000
Others	—	—	—	—	184,662	184,662
Total liabilities	5,782,558	1,521,084	487,116	17,122	332,156	8,140,036
Interest rate mismatch	(2,725,495)	1,535,755	1,273,400	465,411	N/A	N/A

(i) Includes reverse repurchase agreements.

(ii) Includes repurchase agreements.

(iii) Includes certificates of deposit.

(In RMB millions, unless otherwise stated)

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

31 December 2008

	Less than three months	Three months to one year	One to five years	More than five years	Non-interest-bearing	Total
Assets:						
Cash and balances with central banks	1,556,884	—	—	—	134,582	1,691,466
Due from banks and other financial institutions (i)	299,041	15,936	1,445	—	127	316,549
Financial assets held for trading	5,887	14,363	3,954	1,158	—	25,362
Financial assets designated at fair value through profit or loss	—	—	144	—	—	144
Derivative financial assets	—	—	—	—	13,991	13,991
Loans and advances to customers	1,478,684	2,811,271	—	—	—	4,289,955
Investments	231,831	456,871	1,891,436	414,975	60,497	3,055,610
Property and equipment	—	—	—	—	86,220	86,220
Others	—	—	—	—	106,868	106,868
Total assets	3,572,327	3,298,441	1,896,979	416,133	402,285	9,586,165
Liabilities:						
Financial liabilities held for trading	4,268	—	—	—	—	4,268
Financial liabilities designated at fair value through profit or loss	1,150	1,130	5	—	—	2,285
Derivative financial liabilities	—	—	—	—	11,003	11,003
Due to banks and other financial institutions (ii)	601,506	35,043	453	—	4	637,006
Due to customers	5,246,257	2,088,425	589,975	6,044	147,031	8,077,732
Subordinated bonds	9,000	—	13,000	13,000	—	35,000
Others	—	—	—	—	211,388	211,388
Total liabilities	5,862,181	2,124,598	603,433	19,044	369,426	8,978,682
Interest rate mismatch	(2,289,854)	1,173,843	1,293,546	397,089	N/A	N/A

(i) Includes reverse repurchase agreements.

(ii) Includes repurchase agreements.

(In RMB millions, unless otherwise stated)

31 December 2007

	Less than three months	Three months to one year	One to five years	More than five years	Non-interest-bearing	Total
Assets:						
Cash and balances with central banks	1,023,030	—	—	—	118,431	1,141,461
Due from banks and other financial institutions (i)	199,477	45,213	6,164	—	23	250,877
Financial assets held for trading	8,613	19,923	2,859	90	—	31,485
Financial assets designated at fair value through profit or loss	920	—	222	—	—	1,142
Derivative financial assets	—	—	—	—	22,358	22,358
Loans and advances to customers	1,483,071	2,355,851	—	—	—	3,838,922
Investments	282,662	546,569	1,748,595	479,562	16,487	3,073,875
Property and equipment	—	—	—	—	79,986	79,986
Others	—	—	—	—	92,264	92,264
Total assets	2,997,773	2,967,556	1,757,840	479,652	329,549	8,532,370
Liabilities:						
Financial liabilities designated at fair value through profit or loss	3,624	5,342	723	589	—	10,278
Derivative financial liabilities	—	—	—	—	6,592	6,592
Due to banks and other financial institutions (ii)	987,298	6,993	285	—	2	994,578
Due to customers	4,654,046	1,504,076	472,553	3,522	135,409	6,769,606
Subordinated bonds	9,000	—	13,000	13,000	—	35,000
Others	—	—	—	—	180,297	180,297
Total liabilities	5,653,968	1,516,411	486,561	17,111	322,300	7,996,351
Interest rate mismatch	(2,656,195)	1,451,145	1,271,279	462,541	N/A	N/A

(i) Includes reverse repurchase agreements.

(ii) Includes repurchase agreements.

(d) Capital management

The Group's objectives on capital management, which is a broader concept than the "equity" on the face of the balance sheet, are:

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

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of its activities. In order to maintain or adjust the capital structure, the Group may adjust its profit distribution policy, issue or redeem own shares, long-term subordinated bonds, convertible bonds and hybrid instruments. No changes were made in the objectives, policies and processes for managing capital from the previous years.

Capital adequacy and the use of regulatory capital are monitored regularly by the Group's management based on regulations issued by the CBRC. The required information is filed with the CBRC by the Group and the Bank bi-annually and quarterly.

The CBRC requires each bank to maintain the capital adequacy ratio and core capital adequacy ratio not below the minimum of 8% and 4% respectively. In addition, those individual banking subsidiaries or branches incorporated outside Mainland China are also directly regulated and supervised by their local banking supervisors.

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

The Group computes the capital adequacy ratio and core capital adequacy ratio in accordance with the "Regulations Governing Capital Adequacy of Commercial Banks" and related regulations promulgated by the CBRC. The requirements pursuant to these regulations may have significant differences comparing to those applicable in Hong Kong and other countries.

The capital adequacy ratios and related components of the Group are computed in accordance with the statutory financial statements of the Group prepared under PRC GAAP. During the year, the Group has complied in full with all its externally imposed capital requirements.

(In RMB millions, unless otherwise stated)

	2008	2007
Core capital adequacy ratio	**10.75%**	**10.99%**
Capital adequacy ratio	**13.06%**	**13.09%**
Components of capital base		
Core capital:		
Share capital	334,019	334,019
Reserves	205,668	148,631
Minority interests	3,955	5,305
Total core capital	543,642	487,955
Supplementary capital:		
General provisions for doubtful debts	82,834	47,979
Subordinated bonds	35,000	35,000
Other supplementary capital	4,164	11,669
Total supplementary capital	121,998	94,648
Total capital base before deductions	665,640	582,603
Deductions (i):		
Unconsolidated equity investments	(19,499)	(3,868)
Goodwill	(20,579)	(1,878)
Others (ii)	(5,529)	(116)
Net capital base	**620,033**	**576,741**
Core capital base after deductions (i)	**510,549**	**484,085**
Risk weighted assets and market risk capital adjustment	**4,748,893**	**4,405,345**

(i) Pursuant to the relevant regulations, the core capital base after deductions was derived by applying 50%, 100% and 50% of deductions in the unconsolidated equity investments, goodwill and others, respectively.

(ii) Others represent investments in asset backed securities according to the CBRC regulations.

49. FAIR VALUE OF FINANCIAL INSTRUMENTS

The following table summarises the carrying values and the fair values of receivables, held-to-maturity debt securities and subordinated bonds for which their fair values have not been presented or disclosed above:

	Group		Bank	
	Carrying value	Fair value	Carrying value	Fair value
31 December 2008:				
Receivables	1,162,769	1,169,135	1,162,769	1,169,135
Held-to-maturity debt securities	1,314,320	1,361,027	1,319,106	1,365,809
Subordinated bonds	35,000	35,166	35,000	35,166
31 December 2007:				
Receivables	1,211,767	1,206,033	1,211,767	1,206,033
Held-to-maturity debt securities	1,330,085	1,309,831	1,334,508	1,314,325
Subordinated bonds	35,000	32,505	35,000	32,505

(In RMB millions, unless otherwise stated)

Subject to the existence of an active market, such as an authorised securities exchange, the market value is the best reflection of the fair value of financial instruments. As there is no available market value for certain of the financial assets and liabilities held and issued by the Group, the discounted cash flow method or other valuation methods described below are adopted to determine the fair values of these assets and liabilities:

(a) The receivables are non-transferable. The fair values of those receivables relating to the restructuring of the Bank are estimated on the basis of the stated interest rates and the consideration of the relevant special clauses of the instrument evaluated in the absence of any other relevant observable market data, and the fair values approximate to their carrying amounts. The fair values of receivables other than those relating to the restructuring of the Bank are estimated on the bases of pricing models or discounted cash flows.

(b) The fair values of held-to-maturity debt securities and subordinated bonds are determined with reference to the available market values. If quoted market prices are not available, then fair values are estimated on the bases of pricing models or discounted cash flows.

All of the above-mentioned assumptions and methods provide a consistent basis for the calculation of the fair values of the Group's assets and liabilities. However, other institutions may use different assumptions and methods. Therefore, the fair values disclosed by different financial institutions may not be entirely comparable.

Those financial instruments for which their carrying amounts are the reasonable approximations of their fair values because, for example, they are short term in nature or repriced to current market rates frequently, are as follows:

Assets	Liabilities
Balances with central banks	Due to banks and other financial institutions
Due from banks and other financial institutions	Repurchase agreements
Reverse repurchase agreements	Due to customers
Loans and advances to customers	Other financial liabilities
Other financial assets	

50. POST BALANCE SHEET EVENTS

Profit appropriation

A final dividend of approximately RMB55,113 million, equivalent to RMB0.165 per share, was proposed after the appropriation of statutory surplus reserve and general reserve at the board of directors' meeting held on 25 March 2009, and is subject to the approval of the Bank's shareholders at the forthcoming annual general meeting. The dividend payable was not recognised as a liability as at 31 December 2008.

51. COMPARATIVE AMOUNTS

Certain comparative amounts have been reclassified to conform with the current year's presentation.

52. APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 25 March 2009.

(In RMB millions, unless otherwise stated)

(a) Differences between the financial statements prepared under International Financial Reporting Standards ("IFRSs") and those prepared in accordance with generally accepted accounting principles in the PRC ("PRC GAAP")

A reconciliation of differences between the financial statements prepared under IFRSs and those prepared in accordance with PRC GAAP is set out below.

	2008	2007
Profit for the year attributable to equity holders of the parent company under PRC GAAP	110,766	81,256
Adjustment of revaluation surplus on assets disposed of and impairment loss	75	264
Profit for the year attributable to equity holders of the parent company under IFRSs	110,841	81,520

	2008	2007
Equity attributable to equity holders of the parent company under PRC GAAP	603,183	538,947
Reversal of revaluation surplus	(508)	(576)
Equity attributable to equity holders of the parent company under IFRSs	602,675	538,371

During the Group's restructuring, the Group performed revaluation on certain assets pursuant to relevant requirements, with the revaluation surplus recognised in the capital reserve in the financial statements prepared under PRC GAAP. Under IFRSs, certain assets were carried at cost and the revaluation surplus was reversed. Upon disposal or when such assets are impaired, adjustments on recognition of the revaluation surplus and impairment loss were reversed accordingly. In addition, for the available-for-sale equity investments included in these assets, when they meet the specific conditions to be measured at fair value under IFRSs, the adjustments on reversal of revaluation surplus were made to the investment revaluation reserve.

(b) Liquidity ratios

	2008	2007
RMB current assets to RMB current liabilities	33.30%	26.83%
Foreign currency current assets to foreign currency current liabilities	83.48%	97.88%

The liquidity ratios are calculated in accordance with the formula promulgated by the China Banking Regulatory Commission (the "CBRC") and based on the financial information prepared in accordance with PRC GAAP.

(In RMB millions, unless otherwise stated)

(c) Foreign currency concentrations other than RMB

	US$	HK$	Others	Total
As at 31 December 2008				
Spot assets	399,428	128,357	84,492	612,277
Spot liabilities	(269,386)	(109,909)	(53,810)	(433,105)
Forward purchases	161,629	8,863	29,381	199,873
Forward sales	(281,214)	(13,177)	(59,274)	(353,665)
Net option position	(1)	4	(7)	(4)
Net long position	10,456	14,138	782	25,376
Net structural position	289	301	28,421	29,011
As at 31 December 2007				
Spot assets	575,197	109,983	53,542	738,722
Spot liabilities	(232,182)	(121,417)	(43,801)	(397,400)
Forward purchases	174,088	21,990	59,594	255,672
Forward sales	(319,601)	(28,073)	(26,009)	(373,683)
Net option position	(85,267)	(192)	(853)	(86,312)
Net long position	112,235	(17,709)	42,473	136,999
Net structural position	315	267	105	687

The net option position is calculated using the delta equivalent approach required by the Hong Kong Monetary Authority. The net structural position of the Group includes the structural positions of the Bank's overseas branches, banking subsidiaries and other subsidiaries substantially involved in foreign exchange. Structural assets and liabilities include:

- fixed assets and premises, net of depreciation charges;
- capital and statutory reserves of overseas branches; and
- investments in overseas subsidiaries and related companies.

(In RMB millions, unless otherwise stated)

(d) Cross-border claims

The Group is principally engaged in business operations within Mainland China, and regards all claims on third parties outside Mainland China as cross-border claims.

Cross-border claims include loans and advances to customers, balances with central banks, due from banks and other financial institutions, debt securities held for trading, financial assets designated at fair value through profit or loss, held-to-maturity debt securities and available-for-sale debt securities.

A country or geographical area is reported where it constitutes 10% or more of the aggregate amount of cross-border claims, after taking into account any risk transfers. Risk transfers are only made if the claims are guaranteed by a party in a country which is different from that of the counterparty or if the claims are on an overseas branch of a bank whose head office is located in another country.

	Banks and other financial institutions	Public sector entities	Others	Total
As at 31 December 2008:				
Asia Pacific excluding Mainland China	78,947	4,570	132,305	215,822
— of which attributed to Hong Kong	36,794	1,097	97,946	135,837
Europe	66,368	396	25,443	92,207
North and South America	47,577	19,373	6,989	73,939
	192,892	24,339	164,737	381,968
As at 31 December 2007:				
Asia Pacific excluding Mainland China	74,696	2,011	111,659	188,366
— of which attributed to Hong Kong	15,945	880	85,559	102,384
Europe	144,065	2,457	15,528	162,050
North and South America	75,034	62,873	12,197	150,104
	293,795	67,341	139,384	500,520

(In RMB millions, unless otherwise stated)

(e) Loans and advances to customers

(i) Analysis by industry sector

31 December 2008

	Gross loans and advances to customers	Loans covered by collateral	Overdue loans and advances to customers*	Loans and advances individually assessed to be impaired	Allowance for impairment losses		
					Individually assessed	Collectively assessed	Total
Manufacturing	777,249	327,846	45,869	45,251	29,196	12,959	42,155
Transportation and logistics	707,482	222,993	8,233	9,517	4,497	12,261	16,758
Power generation and supply	516,771	98,357	7,131	7,672	2,877	8,973	11,850
Property development	386,141	282,284	8,892	8,051	3,807	9,645	13,452
Water, environment and public utility management	275,649	74,411	858	1,781	572	4,806	5,378
Retail, wholesale and catering	204,272	109,294	13,655	14,000	8,384	3,180	11,564
Leasing and commercial services	203,977	65,278	1,505	1,887	938	3,360	4,298
Science, education, culture and sanitation	71,036	11,757	1,747	1,965	881	1,225	2,106
Construction	61,843	23,917	1,587	1,575	949	1,545	2,494
Others	192,213	32,371	3,328	3,112	1,958	2,825	4,783
Subtotal for corporate loans	3,396,633	1,248,508	92,805	94,811	54,059	60,779	114,838
Personal mortgage and business loans	729,611	696,671	46,501	—	—	15,133	15,133
Others	119,434	66,687	9,418	—	—	3,317	3,317
Subtotal for personal loans	849,045	763,358	55,919	—	—	18,450	18,450
Discounted bills	326,316	326,316	—	—	—	2,695	2,695
	4,571,994	2,338,182	148,724	94,811	54,059	81,924	135,983
Current market value of collateral held against the covered portion of overdue loans and advances*							149,023
Covered portion of overdue loans and advances*							95,322
Uncovered portion of overdue loans and advances*							53,402

* Loans and advances are classified as overdue when either the principal or interest is overdue. For loans and advances repayable by regular instalments, if part of the instalments is overdue, the whole amount of these loans would be classified as overdue.

(In RMB millions, unless otherwise stated)

31 December 2007

	Gross loans and advances to customers	Loans covered by collateral	Overdue loans and advances to customers*	Loans and advances individually assessed to be impaired	Allowance for impairment losses		
					Individually assessed	Collectively assessed	Total
Manufacturing	758,655	295,368	54,463	55,884	34,241	10,213	44,454
Transportation and logistics	612,849	191,658	8,006	6,320	3,451	8,620	12,071
Power generation and supply	408,220	91,664	6,151	5,344	2,382	5,746	8,128
Property development	329,664	229,481	9,710	8,756	4,207	5,892	10,099
Water, environment and public utility management	231,309	55,145	1,069	1,118	451	3,178	3,629
Retail, wholesale and catering	201,018	97,803	16,792	16,454	9,584	2,603	12,187
Leasing and commercial services	171,511	57,412	1,607	1,374	693	2,303	2,996
Science, education, culture and sanitation	70,132	9,929	1,865	1,876	800	998	1,798
Construction	64,334	25,382	1,410	1,354	621	806	1,427
Others	209,825	28,907	4,004	4,575	2,514	2,340	4,854
Subtotal for corporate loans	3,057,517	1,082,749	105,077	103,055	58,944	42,699	101,643
Personal mortgage and business loans	664,171	627,874	36,941	—	—	10,401	10,401
Others	99,436	77,610	8,313	—	—	2,552	2,552
Subtotal for personal loans	763,607	705,484	45,254	—	—	12,953	12,953
Discounted bills	252,105	252,105	—	—	—	1,091	1,091
	4,073,229	2,040,338	150,331	103,055	58,944	56,743	115,687
Current market value of collateral held against the covered portion of overdue loans and advances*							145,164
Covered portion of overdue loans and advances*							86,067
Uncovered portion of overdue loans and advances*							64,264

* Loans and advances are classified as overdue when either the principal or interest is overdue. For loans and advances repayable by regular instalments, if part of the instalments is overdue, the whole amount of these loans would be classified as overdue.

(In RMB millions, unless otherwise stated)

The amount of new impairment loss charged to the income statement, and the amount of impaired loans and advances written off during the year are set out below:

	2008		2007	
	New impairment loss	Write-offs of impaired loans	New impairment loss	Write-offs of impaired loans
Manufacturing	18,065	7,443	26,654	4,594
Transportation and logistics	10,995	74	8,138	163
Power generation and supply	9,533	400	6,016	749
Property development	10,289	536	9,748	224
Water, environment and public utility management	4,232	51	2,070	—
Retail, wholesale and catering	5,582	2,420	7,862	1,448
Leasing and commercial services	2,921	3	2,764	116
Science, education, culture and sanitation	1,170	20	1,116	89
Construction	2,373	74	757	23
Others	1,868	896	2,270	173
Subtotal for corporate loans	67,028	11,917	67,395	7,579
Personal mortgage and business loans	8,608	273	5,668	243
Others	1,397	183	1,154	349
Subtotal for personal loans	10,005	456	6,822	592
Discounted bills	2,695	—	1,091	—
	79,728	12,373	75,308	8,171

(In RMB millions, unless otherwise stated)

(ii) Overdue assets

Overdue loans and advances to customers

	2008	2007
Gross loans and advances to customers of the Group which have been overdue with respect to either principal or interest for periods of:		
Between 3 and 6 months	9,231	4,631
Between 6 and 12 months	8,487	10,150
Over 12 months	70,162	86,771
Total	87,880	101,552
As a percentage of the total gross loans and advances to customers:		
Between 3 and 6 months	0.2%	0.1%
Between 6 and 12 months	0.2%	0.3%
Over 12 months	1.5%	2.1%
Total	1.9%	2.5%

The definition of overdue loans and advances is set out as follows:

Loans and advances with a specific repayment date are classified as overdue when the principal or interest is overdue.

For loans and advances repayable by regular instalments, if part of the instalments is overdue, the whole amount of these loans would be classified as overdue.

(iii) Overdue and impaired loans and advances to customers by geographical segment

31 December 2008

	Overdue loans and advances to customers			Impaired loans and advances to customers		
	Gross amount	Individually assessed to be impaired	Individually assessed allowance for impairment losses	Individually assessed	Individually assessed allowance for impairment losses	Collectively assessed allowance for impairment losses
Head Office	2,943	319	250	319	250	1,725
Yangtze River Delta	21,030	10,654	5,874	14,057	7,664	20,683
Pearl River Delta	22,941	12,309	7,070	12,797	7,474	12,192
Bohai Rim	28,564	16,179	9,821	16,605	10,482	15,841
Central China	24,656	13,654	7,282	14,581	8,309	11,303
Western China	29,243	18,215	8,328	22,109	10,526	13,958
Northeastern China	17,402	12,694	8,408	13,279	8,922	5,531
Overseas and others	1,945	684	277	1,064	432	691
Total	148,724	84,708	47,310	94,811	54,059	81,924

(In RMB millions, unless otherwise stated)

31 December 2007

	Overdue loans and advances to customers			Impaired loans and advances to customers		
	Gross amount	Individually assessed to be impaired	Individually assessed allowance for impairment losses	Individually assessed	Individually assessed allowance for impairment losses	Collectively assessed allowance for impairment losses
Head Office	2,410	414	284	414	344	1,369
Yangtze River Delta	15,502	8,585	5,406	10,600	6,478	14,338
Pearl River Delta	24,151	15,800	7,810	16,173	8,413	8,395
Bohai Rim	30,383	19,729	10,367	20,789	11,381	10,720
Central China	25,625	15,558	7,947	16,487	8,697	7,867
Western China	27,031	16,749	9,383	18,505	10,882	9,489
Northeastern China	22,886	18,180	11,313	19,230	12,375	4,127
Overseas and others	2,343	857	362	857	374	438
Total	150,331	95,872	52,872	103,055	58,944	56,743

(iv) *Rescheduled loans and advances to customers*

	2008		2007	
		% of total loans and advances		% of total loans and advances
Rescheduled loans and advances	25,246	0.6%	38,381	0.9%
Less: Rescheduled loans and advances overdue for more than three months	(18,984)	(0.4%)	(28,765)	(0.7%)
Rescheduled loans and advances overdue for less than three months	6,262	0.2%	9,616	0.2%

(f) Overdue placements with banks and other financial institutions

	2008	2007
Gross placements with banks and other financial institutions of the Group which have been overdue with respect to either principal or interest for a period of:		
Over 12 months	36	203
As a percentage of total gross placements with banks and other financial institutions:		
Over 12 months	—	0.1%

(In RMB millions, unless otherwise stated)

(g) Non-bank Mainland China Exposures

	2008	2007
On-balance sheet exposure	5,466,374	5,534,299
Off-balance sheet exposure	805,117	669,115
	6,271,491	6,203,414
Individually assessed impairment losses	53,787	58,645

Save as disclosed above, exposures to other non-bank counterparties outside Mainland China where the credit is granted for use in Mainland China are considered insignificant to the Group.

List of Domestic and Overseas Branches and Offices

Domestic Institutions

ANHUI PROVINCIAL BRANCH
Address: No. 189 Wuhu Road, Hefei City, Anhui Province, China
Postcode: 230001
Tel: 0551-2869178/2868110
Fax: 0551-2868077

BEIJING MUNICIPAL BRANCH
Address: Tower B, Tianyin Mansion, No. 2 Fuxingmen South Street, Xicheng District, Beijing City, China
Postcode: 100031
Tel: 010-66410579
Fax: 010-66410579

CHONGQING MUNICIPAL BRANCH
Address: No. 9 Jiangnan Road, Nan'an District, Chongqing City, China
Postcode: 400060
Tel: 023-62918002/62918047
Fax: 023-62918059

DALIAN MUNICIPAL BRANCH
Address: No. 5 Zhongshan Square, Dalian City, Liaoning Province, China
Postcode: 116001
Tel: 0411-82378888/82819593
Fax: 0411-82808377

FUJIAN PROVINCIAL BRANCH
Address: No. 108 Gutian Road, Fuzhou City, Fujian Province, China
Postcode: 350005
Tel: 0591-88087097/88087008
Fax: 0591-83353905

GANSU PROVINCIAL BRANCH
Address: No. 408 Qingyang Road, Chengguan District, Lanzhou City, Gansu Province, China
Postcode: 730030
Tel: 0931-8432498/8435166
Fax: 0931-8435166

GUANGDONG PROVINCIAL BRANCH
Address: No. 123 Yanjiangxi Road, Guangzhou City, Guangdong Province, China
Postcode: 510120
Tel: 020-81308130/81308123
Fax: 020-81308789

GUANGXI ZHUANG NATIONALITY AUTONOMOUS REGION BRANCH
Address: No. 15-1 Jiaoyu Road, Nanning City, Guangxi, China
Postcode: 530022
Tel: 0771-5390162/5316617
Fax: 0771-5313478/2806043

GUIZHOU PROVINCIAL BRANCH
Address: No. 41 Ruijin Middle Road, Guiyang City, Guizhou Province, China
Postcode: 550003
Tel: 0851-8620000/8620018
Fax: 0851-5963911/8620017

HAINAN PROVINCIAL BRANCH
Address: Tower A, No. 3 Heping South Road, Haikou City, Hainan Province, China
Postcode: 570203
Tel: 0898-65355774/65342829
Fax: 0898-65342986

HEBEI PROVINCIAL BRANCH
Address: Tower B, Zhonghua Shangwu Tower, No. 188, Zhongshan West Road, Shijiazhuang City, Hebei Province, China
Postcode: 050051
Tel: 0311-66001888/66000001
Fax: 0311-66001889/66000002

HENAN PROVINCIAL BRANCH
Address: No. 99, Jingsan Road, Zhengzhou City, Henan Province, China
Postcode: 450011
Tel: 0371-65776888
Fax: 0371-65776889

HEILONGJIANG PROVINCIAL BRANCH
Address: No. 218 Zhongyang Road, Daoli District, Harbin City, Heilongjiang Province, China
Postcode: 150010
Tel: 0451-84698074/84698116
Fax: 0451-84698115

HUBEI PROVINCIAL BRANCH
Address: No. 372 Jiefang Road, Wuchang District, Wuhan City, Hubei Province, China
Postcode: 430060
Tel: 027-88726049/88726073
Fax: 027-88726077

HUNAN PROVINCIAL BRANCH
Address: No. 619 Furong Middle Road Yi Duan, Changsha City, Hunan Province, China
Postcode: 410011
Tel: 0731-4428833/4420000
Fax: 0731-4430039

JILIN PROVINCIAL BRANCH
Address: No. 136 Tongzhi Street, Chaoyang District, Changchun City, Jilin Province, China
Postcode: 130061
Tel: 0431-88965747/88965533
Fax: 0431-88923808

JIANGSU PROVINCIAL BRANCH
Address: No. 408 Zhongshan South Road, Nanjing City, Jiangsu Province, China
Postcode: 210006
Tel: 025-52858000/52858999
Fax: 025-52858111

JIANGXI PROVINCIAL BRANCH
Address: No. 233, Fuhe North Road, Nanchang City, Jiangxi Province
Postcode: 330008
Tel: 0791-6695117/6695018
Fax: 0791-6695230

LIAONING PROVINCIAL BRANCH
Address: No. 88 Nanjing North Street, Heping District, Shenyang City, Liaoning Province, China
Postcode: 110001
Tel: 024-23414525/23414313
Fax: 024-23414520

INNER MONGOLIA AUTONOMOUS REGION BRANCH
Address: No. 105 Xilin North Road, Huhehot City, Inner Mongolia, China
Postcode: 010050
Tel: 0471-6940192/6940297
Fax: 0471-6940591/6940048

NINGBO MUNICIPAL BRANCH
Address: No. 218 Zhongshan West Road, Ningbo City, Zhejiang Province, China
Postcode: 315010
Tel: 0574-87361162
Fax: 0574-87361190

NINGXIA HUI NATIONALITY AUTONOMOUS REGION BRANCH
Address: No. 901 Huanghe East Road, Jinfeng District, Yinchuan City, Ningxia, China
Postcode: 750002
Tel: 0951-6073345/5029739
Fax: 0951-5042348

QINGDAO MUNICIPAL BRANCH
Address: No. 25 Shandong Road, Shinan District, Qingdao City, Shandong Province, China
Postcode: 266071
Tel: 0532-85809988-621071
Fax: 0532-85814711

QINGHAI PROVINCIAL BRANCH
Address: No. 2, Shengli Road, Xining City, Qinghai Province, China
Postcode: 810001
Tel: 0971-6146733/6146734
Fax: 0971-6146733

SHANDONG PROVINCIAL BRANCH
Address: No. 310 Jingsi Road, Jinan City, Shandong Province, China
Postcode: 250001
Tel: 0531-66681114/87943363
Fax: 0531-87941749

SHANXI PROVINCIAL BRANCH
Address: No. 145 Yingze Street, Taiyuan City, Shanxi Province, China
Postcode: 030001
Tel: 0351-6248888/6248011
Fax: 0351-6248004

SHAANXI PROVINCIAL BRANCH
Address: No. 395 Dongxin Street, Xi'an City, Shaanxi Province, China
Postcode: 710004
Tel: 029-87602608/87602630
Fax: 029-87602999

SHANGHAI MUNICIPAL BRANCH
Address: No. 9 Pudong Avenue, Pudong New District, Shanghai City, China
Postcode: 200120
Tel: 021-58885888
Fax: 021-58886888

SHENZHEN MUNICIPAL BRANCH
Address: North Block Financial Center, No. 5055 Shennan East Road, Luohu District, Shenzhen City, Guangdong Province, China
Postcode: 518015
Tel: 0755-82246400
Fax: 0755-82062761

SICHUAN PROVINCIAL BRANCH
Address: No. 45 Zongfu Road, Jinjiang District, Chengdu City, Sichuan Province, China
Postcode: 610016
Tel: 028-82866000/82866011
Fax: 028-82866025

TIANJIN MUNICIPAL BRANCH
Address: No. 123 Weidi Road, Hexi District, Tianjin City, China
Postcode: 300074
Tel: 022-28400033/28401380
Fax: 022-28400123

XIAMEN MUNICIPAL BRANCH
Address: No. 17 Hubin North Road, Xiamen City, Fujian Province, China
Postcode: 361012
Tel: 0592-5292000
Fax: 0592-5054663/5057427

XINJIANG UYGHUR NATIONALITY AUTONOMOUS REGION BRANCH
Address: No. 231 Remin Road, Tianshan District, Urumuqi, Xinjiang Uyghur Autonomous Region, China
Postcode: 830002
Tel: 0991-5981888/5981207
Fax: 0991-2337527

TIBET AUTONOMOUS REGION BRANCH
Address: No. 31 Jinzhu Mid-Rd., Lhasa, Tibet Autonomous Region
Postcode: 850000
Tel: 0891-6898019/6898002
Fax: 0891-6898001

YUNNAN PROVINCIAL BRANCH
Address: Bank Mansion, No. 395 Qingnian Road, Kunming City, Yunnan Province, China
Postcode: 650021
Tel: 0871-3136172/3178888
Fax: 0871-3134637

ZHEJIANG PROVINCIAL BRANCH
Address: No. 150 Zhonghe Middle Road, Hangzhou City, Zhejiang Province, China
Postcode: 310009
Tel: 0571-87803888
Fax: 0571-87808207

ICBC Credit Suisse Asset Management Co., Ltd.
Address: Hong An International Commercial Plaza, No. 188, Chaoyangmen Nei Street, Dongcheng District, Beijing
Postcode: 100010
Tel: 010-85159333
Fax: 010-85159158

ICBC Financial Leasing Co., Ltd.
Address: E5AB, Finance Street, No. 20, Plaza East Road, Economic Development Zone, Tianjin
Postcode: 300457
Tel: 022-66283766
Fax: 022-66283766

Overseas Institutions

Industrial and Commercial Bank of China Limited, Singapore Branch

Address: 6 Raffles Quay #12-01
6 Raffles Quay,
Singapore 048580
Email: icbcsg@icbc.com.sg
Tel: +65-65381066
Fax: +65-65381370
SWIFT: ICBKSGSG

Industrial and Commercial Bank of China Limited, Hong Kong Branch

Address: 33/F, ICBC Tower,
3 Garden Road, Central,
Hong Kong
Email: berylchan@icbcasia.com
Tel: +852-35108822
Fax: +852-25213394
SWIFT: ICBKHKHH

Industrial and Commercial Bank of China Limited, Macau Branch

Address: Alm. Dr. Carlos
D'Assumpcao,
No.411–417,18 andar
E,F,G,H, Edf.
Dynasty Plaza, Macau
Email: icbc@icbc.com.mo
Tel: +853-28786338
Fax: +853-28786328
SWIFT: ICBKMOMX

Industrial and Commercial Bank of China Limited, Tokyo Branch

Address: 2-1 Marunouchi 1-Chome,
Chiyoda-Ku Tokyo,
100-0005, Japan
Email: icbctokyo@icbc.co.jp
Tel: +813-52232088
Fax: +813-52198502
SWIFT: ICBKJPJT

Industrial and Commercial Bank of China Limited, Seoul Branch

Address: 16 Floor, Taepeongno
Bldg., #310 Taepeongno2-
ga, Jung-gu, Seoul,
100-767, Korea
Email: icbcseoul@kr.icbc.com.cn
Tel: +822-37886670
Fax: +822-7563127
SWIFT: ICBKKRSE

Industrial and Commercial Bank of China Limited, Busan Branch

Address: 1st Floor, Samsung Fire &
Marine Insurance Bldg.,
#1205-22 Choryang-1
dong, Dong-Gu, Busan,
601-728, Korea
Email: busanadmin@kr.icbc.com.cn
Tel: +8251-4638868
Fax: +8251-4636880
SWIFT: ICBKKRSE

Industrial and Commercial Bank of China Limited, Sydney Branch

Address: Level 1, 220 George
Street, Sydney NSW 2000,
Australia
Email: Info@icbc.com.au
Tel: +612-94755588
Fax: +612-92333982
SWIFT: ICBKAU2S

Industrial and Commercial Bank of China Limited, Frankfurt Branch

Address: Bockenheimer Anlage 15,
60322 Frankfurt am Main,
Germany
Email: icbc@icbc-ffm.de
Tel: +4969-50604700
Fax: +4969-50604708
SWIFT: ICBKDEFF

Industrial and Commercial Bank of China Limited, Luxembourg Branch

Address: 8–10, Avenue
Marie-Thérès,
L-2132 Luxembourg
Postal Address: B.P.278 L-2012
Luxembourg
Email: icbc@icbc.lu
Tel: +352-2686661
Fax: +352-26866666
SWIFT: ICBKLULL

Industrial and Commercial Bank of China Limited, New York Branch

Address: 725 Fifth Avenue,
20th Floor, New York, NY,
10022, USA
Email: info@us.95588.com
Tel: +1-2128387799
Fax: +1-2128386688
SWIFT: ICBKUS33

Industrial and Commercial Bank of China Limited, Doha Branch

Address: Office 1101, 11th Floor, Ministry of Economy and Commerce Building, West Bay, Doha, Qatar
Email: dboffice@dxb.icbc.com.cn, office@doh.icbc.com.cn
Tel: +974-4968069
Fax: +974-4968080
SWIFT: ICBKQAQA

Industrial and Commercial Bank of China (Asia) Limited

Address: 33/F, ICBC Tower, 3 Garden Road, Central, Hong Kong
Email: berylchan@icbcasia.com
Tel: +852-25881188
Fax: +852-25213394
SWIFT: UBHKHKHH

ICEA Finance Holdings Limited

Address: 26/F, ICBC Tower, 3 Garden Road, Central, Hong Kong
Email: enquiry@icea.com.hk
Tel: +852-22318000
Fax: +852-28108683

ICBC International Holdings Limited

Address: 18/F, Fairmont House, 8 Cotton Tree Drive, Central, Hong Kong
Email: icic@icic.com.hk
Tel: +852-25215661
Fax: +852-28100473
SWIFT: ICILHKHH

Seng Heng Bank Limited

Address: 18th Floor, Seng Heng Bank Tower, Macau Landmark, 555 Avenida da Amizade, Macau
Email: shb@shb.icbc.com.cn
Tel: +853-28555222
Fax: +853-28338064
SWIFT: SHBLMOMX

PT. Bank ICBC Indonesia

Address: TCT ICBC Tower, Jl. MH.Thamrin No. 81, Jakarta Pusat, Indonesia
Email: icbc@icbc.co.id
Tel: +62-2131996088
Fax: +62-2131996016
SWIFT: ICBKIDJA

ICBC (London) Limited

Address: 36 King Street, London EC2V 8BB, UK
Email: admin@icbclondon.com
Tel: +4420-73978888
Fax: +4420-73978899
SWIFT: ICBKGB2L

JSC Industrial and Commercial Bank of China Almaty

Address: 110 Furmanov Avenue, Almaty, Kazakhstan, 050000
Email: office@icbcalmaty.kz
Tel: +7727-2596391
Fax: +7727-2596400
SWIFT: ICBKKZKX

Industrial and Commercial Bank of China Luxembourg S.A.

Address: 8–10, Avenue Marie-Thérès, L-2132 Luxembourg B.P.278 L-2012 Luxembourg
Email: icbc@icbc.lu
Tel: +352-2686661
Fax: +352-26866666
SWIFT: ICBKLULU

ZAO Industrial and Commercial Bank of China (Moscow)

Address: Serebryanicheskaya Naberejnaya Street build. 29, First floor, room 46-1, 109028, Moscow, Russia
Email: info@ms.icbc.com.cn
Tel: +7495-2873099
Fax: +7495-2873098
SWIFT: ICBKRUMM

Industrial and Commercial Bank of China (Middle East) Limited

Address: Room 401, 4th Floor, West Wing, the Gate, DIFC, Dubai, U.A.E., P.O.Box 125115
Email: dboffice@dxb.icbc.com.cn
Tel: +971-43700554
Fax: +971-43700554
SWIFT: ICBKAEAD

Definitions

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

SHIBOR	Shanghai Interbank Offered Rate
HIBOR	Hong Kong Interbank Offered Rate
LIBOR	London Interbank Offered Rate
Allianz	Allianz Group
the Bank/the Group/ICBC	Industrial and Commercial Bank of China Limited; or Industrial and Commercial Bank of China Limited and its subsidiaries.
Articles of Association of the Bank	Articles of Association of Industrial and Commercial Bank of China Limited as approved by CBRC on 3 February 2007
Standard Bank	Standard Bank Group Limited
MOF	Ministry of Finance of the People's Republic of China
Seng Heng Bank	Seng Heng Bank Limited
Goldman Sachs	The Goldman Sachs Group, Inc.
ICEA	ICEA Finance Holdings Limited
ICIC	Industrial and Commercial International Capital Limited
ICBC International	ICBC International Holdings Limited
ICBC (Almaty)	JSC Industrial and Commercial Bank of China Almaty
ICBC (Luxembourg)	Industrial and Commercial Bank of China Luxembourg S.A.
ICBC (London)	ICBC (London) Limited
ICBC (Moscow)	ZAO Industrial and Commercial Bank of China (Moscow)
ICBC Credit Suisse Asset Management	ICBC Credit Suisse Asset Management Co., Ltd.
ICBC (Asia)	Industrial and Commercial Bank of China (Asia) Limited
ICBC (Indonesia)	PT. Bank ICBC Indonesia
ICBC (Middle East)	Industrial and Commercial Bank of China (Middle East) Limited
ICBC Leasing	ICBC Financial Leasing Co., Ltd.
IFRSs	The International Financial Reporting Standards promulgated by the International Accounting Standards Board, which comprise the International Accounting Standards
State Council	State Council of the People's Republic of China
Huijin	Central SAFE Investments Limited
American Express	American Express Company
PBOC	The People's Bank of China
SSE	Shanghai Stock Exchange
SSE Listing Rules	Listing Rules of the Shanghai Stock Exchange
SSF	National Council for Social Security Fund
SEHK	The Stock Exchange of Hong Kong Limited
Hong Kong Listing Rules	Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
Securities and Futures Ordinance of Hong Kong	Securities and Futures Ordinance prescribed by the Government of Hong Kong Special Administrative Region
CASs	Accounting Standards for Business Enterprises and the Application Guidance thereof promulgated by the Ministry of Finance in 2006, as well as other relevant regulations
CBRC	China Banking Regulatory Commission
CSRC	China Securities Regulatory Commission

ICBC

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