中国建设银行
China Construction Bank

中國建設銀行股份有限公司
China Construction Bank Corporation

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

ANNOUNCEMENT OF ANNUAL RESULTS 2009

SUMMARY OF RESULTS

The board of directors of China Construction Bank Corporation (the "Bank") is pleased to announce the audited results, which have been prepared in accordance with International Financial Reporting Standards ("IFRS") promulgated by the International Accounting Standards Board, of the Bank and its subsidiaries (collectively the "Group") for the year ended 31 December 2009. The annual results have been reviewed by the audit committee of the Bank's board of directors.

Financial Highlights

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

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

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

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

Consolidated Statement of Comprehensive Income

(Expressed in millions of RMB unless otherwise stated)

	2009	2008	Variance (%)
Interest income	**339,463**	356,500	(4.78)
Interest expense	**(127,578)**	(131,580)	(3.04)
Net interest income	**211,885**	224,920	(5.80)
Fee and commission income	**49,839**	40,056	24.42
Fee and commission expense	**(1,780)**	(1,610)	10.56
Net fee and commission income	**48,059**	38,446	25.00
Net trading gain	**2,233**	3,213	(30.50)
Dividend income	**100**	150	(33.33)
Net gain/(loss) arising from investment securities	**4,471**	(2,252)	(298.53)
Other operating income, net	**2,566**	5,270	(51.31)
Operating income	**269,314**	269,747	(0.16)
Operating expenses	**(105,146)**	(99,193)	6.00
	164,168	170,554	(3.74)
Impairment losses on:			
— Loans and advances to customers	**(24,256)**	(36,246)	(33.08)
— Others	**(1,204)**	(14,583)	(91.74)
Impairment losses	**(25,460)**	(50,829)	(49.91)
Share of profits less losses of associates and jointly controlled entities	**17**	16	6.25
Profit before tax	**138,725**	119,741	15.85
Income tax expense	**(31,889)**	(27,099)	17.68
Net profit	**106,836**	92,642	15.32

Consolidated Statement of Comprehensive Income (continued)

(Expressed in millions of RMB unless otherwise stated)

	2009	2008	**Variance (%)**
Other comprehensive income:			
Gain/(loss) of available-for-sale financial assets arising during the year	**2,174**	(18,998)	(111.44)
Less: Income tax relating to available-for-sale financial assets	**(544)**	4,744	(111.47)
Reclassification adjustments for losses included in profit or loss	**386**	9,000	(95.71)
	2,016	(5,254)	(138.37)
Exchange difference on translating foreign operations	**281**	(1,345)	(120.89)
Others	**25**	—	N/A
Other comprehensive income for the year, net of tax	**2,322**	(6,599)	(135.19)
Total comprehensive income for the year	**109,158**	86,043	26.86
Net profit attributable to:			
Equity shareholders of the Bank	**106,756**	92,599	15.29
Minority interests	**80**	43	86.05
	106,836	92,642	15.32
Total comprehensive income attributable to:			
Equity shareholders of the Bank	**109,069**	86,002	26.82
Minority interests	**89**	41	117.07
	109,158	86,043	26.86
Basic and diluted earnings per share (in RMB)	**0.46**	0.40	15.00

Consolidated Statement of Financial Position

(Expressed in millions of RMB unless otherwise stated)

	2009	2008	**Variance (%)**
Assets:			
Cash and deposits with central banks	**1,458,648**	1,247,450	16.93
Deposits with banks and non-bank financial institutions	**101,163**	33,096	205.67
Precious metals	**9,229**	5,160	78.86
Placements with banks and non-bank financial institutions	**22,217**	16,836	31.96
Financial assets at fair value through profit or loss	**18,871**	50,309	(62.49)
Positive fair value of derivatives	**9,456**	21,299	(55.60)
Financial assets held under resale agreements	**589,606**	208,548	182.72
Interest receivable	**40,345**	38,317	5.29
Loans and advances to customers	**4,692,947**	3,683,575	27.40
Available-for-sale financial assets	**651,480**	550,838	18.27
Held-to-maturity investments	**1,408,873**	1,041,783	35.24
Debt securities classified as receivables	**499,575**	551,818	(9.47)
Interests in associates and jointly controlled entities	**1,791**	1,728	3.65
Fixed assets	**74,693**	63,957	16.79
Land use rights	**17,122**	17,295	(1.00)
Intangible assets	**1,270**	1,253	1.36
Goodwill	**1,590**	1,527	4.13
Deferred tax assets	**10,790**	7,855	37.36
Other assets	**13,689**	12,808	6.88
Total assets	**9,623,355**	7,555,452	27.37

Consolidated Statement of Financial Position (continued)

(Expressed in millions of RMB unless otherwise stated)

	2009	2008	**Variance (%)**
Liabilities:			
Borrowings from central banks	**6**	6	—
Deposits from banks and non-bank financial institutions	**774,785**	447,464	73.15
Placements from banks and non-bank financial institutions	**38,120**	43,108	(11.57)
Financial liabilities at fair value through profit or loss	**7,992**	3,975	101.06
Negative fair value of derivatives	**8,575**	18,565	(53.81)
Financial assets sold under repurchase agreements	**—**	864	(100.00)
Deposits from customers	**8,001,323**	6,375,915	25.49
Accrued staff costs	**27,425**	25,153	9.03
Taxes payable	**25,840**	35,538	(27.29)
Interest payable	**59,487**	59,695	(0.35)
Provisions	**1,344**	1,806	(25.58)
Debt securities issued	**98,644**	53,810	83.32
Deferred tax liabilities	**216**	5	4,220.00
Other liabilities	**20,578**	21,986	(6.40)
Total liabilities	**9,064,335**	7,087,890	27.88
Equity:			
Share capital	**233,689**	233,689	—
Capital reserve	**90,266**	90,241	0.03
Investment revaluation reserve	**13,163**	11,156	17.99
Surplus reserve	**37,421**	26,922	39.00
General reserve	**46,806**	46,628	0.38
Retained earnings	**136,112**	59,593	128.40
Exchange reserve	**(1,982)**	(2,263)	(12.42)
Total equity attributable to equity shareholders of the Bank	**555,475**	465,966	19.21
Minority interests	**3,545**	1,596	122.12
Total equity	**559,020**	467,562	19.56
Total liabilities and equity	**9,623,355**	7,555,452	27.37

Consolidated Statement of Changes in Equity

(Expressed in millions of RMB unless otherwise stated)

	Attributable to equity shareholders of the Bank								
	Share capital	**Capital reserve**	**Investment revaluation reserve**	**Surplus reserve**	**General reserve**	**Retained earnings**	**Exchange reserve**	**Minority interests**	**Total equity**
As at 1 January 2009	**233,689**	**90,241**	**11,156**	**26,922**	**46,628**	**59,593**	**(2,263)**	**1,596**	**467,562**
Movements during the year	**—**	**25**	**2,007**	**10,499**	**178**	**76,519**	**281**	**1,949**	**91,458**
(1) Total comprehensive income for the year	**—**	**25**	**2,007**	**—**	**—**	**106,756**	**281**	**89**	**109,158**
(2) Changes in share capital	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**1,878**	**1,878**
i Disposal of shares of subsidiaries to minority interests	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**100**	**100**
ii Minority interests of new subsidiaries	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**130**	**130**
iii Minority interest of acquisition of a subsidiary	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**1,648**	**1,648**
(3) Profit distribution	**—**	**—**	**—**	**10,499**	**178**	**(30,237)**	**—**	**(18)**	**(19,578)**
i Appropriation to surplus reserve	**—**	**—**	**—**	**10,499**	**—**	**(10,499)**	**—**	**—**	**—**
ii Appropriation to general reserve	**—**	**—**	**—**	**—**	**178**	**(178)**	**—**	**—**	**—**
iii Appropriation to equity shareholders	**—**	**—**	**—**	**—**	**—**	**(19,560)**	**—**	**(18)**	**(19,578)**
As at 31 December 2009	**233,689**	**90,266**	**13,163**	**37,421**	**46,806**	**136,112**	**(1,982)**	**3,545**	**559,020**

Consolidated Statement of Changes in Equity (continued)

(Expressed in millions of RMB unless otherwise stated)

	Attributable to equity shareholders of the Bank								
	Share capital	Capital reserve	Investment revaluation reserve	Surplus reserve	General reserve	Retained earnings	Exchange reserve	Minority interests	Total equity
As at 1 January 2008	233,689	90,241	16,408	17,845	31,548	32,164	(918)	1,304	422,281
Movements during the year	—	—	(5,252)	9,077	15,080	27,429	(1,345)	292	45,281
(1) Total comprehensive income for the year	—	—	(5,252)	—	—	92,599	(1,345)	41	86,043
(2) Changes in share capital	—	—	—	—	—	—	—	274	274
i Capital injection by minority interests	—	—	—	—	—	—	—	212	212
ii Disposal of shares of a subsidiary to minority interests	—	—	—	—	—	—	—	38	38
iii Minority interests of a new subsidiary	—	—	—	—	—	—	—	24	24
(3) Profit distribution	—	—	—	9,077	15,080	(65,170)	—	(23)	(41,036)
i Appropriation to surplus reserve	—	—	—	9,077	—	(9,077)	—	—	—
ii Appropriation to general reserve	—	—	—	—	15,080	(15,080)	—	—	—
iii Appropriation to equity shareholders	—	—	—	—	—	(41,013)	—	(23)	(41,036)
As at 31 December 2008	233,689	90,241	11,156	26,922	46,628	59,593	(2,263)	1,596	467,562

Consolidated Statement of Cash Flows

(Expressed in millions of RMB unless otherwise stated)

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

Consolidated Statement of Cash Flows (continued)

(Expressed in millions of RMB unless otherwise stated)

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

Notes:

1 The IFRS financial statements of the Group for the year ended 31 December 2009 will be available on the website of The Stock Exchange of Hong Kong Limited. These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs") as issued by the International Accounting Standards Board ("IASB") and the disclosure requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the *Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited*.

2 Except for the new IFRS and amendments effective for the year ended 31 December 2009 and adopted by the Group, there are no significant changes in the accounting policies adopted in the preparation of the results announcement compared to the year ended 31 December 2008.

3 Unless otherwise stated, the financial figures are expressed in millions of RMB.

4 For the purpose of this results announcement, Mainland China refers to the PRC excluding the Hong Kong Special Administrative Region of the PRC ("Hong Kong"), the Macau Special Administrative Region of the PRC and Taiwan.

5 Net gain/(loss) arising from investment securities

	2009	2008
Net gain on sale of available-for-sale financial assets	**1,960**	1,898
Net revaluation gain/(loss) reclassified from other comprehensive income on disposal	**925**	(247)
Net gain/(loss) on sale of held-to-maturity investments	**1,575**	(3,905)
Net gain on sale of debt securities classified as receivables	**11**	2
Total	**4,471**	(2,252)

6 Operating expenses

	2009	2008
Staff costs		
— Salaries, bonuses and allowances	**33,545**	32,252
— Defined contribution retirement schemes	**5,941**	4,294
— Other social insurance and welfare	**6,239**	5,813
— Housing funds	**2,941**	2,612
— Union running costs and employee education costs	**1,238**	1,073
— Supplementary retirement benefits	**537**	568
— Early retirement expenses	**679**	—
— Compensation to employees for termination of employment relationship	**18**	45
	51,138	46,657
Premises and equipment expenses		
— Depreciation charges	**9,005**	7,671
— Rent and property management expenses	**4,048**	3,581
— Maintenance	**1,480**	1,627
— Utilities	**1,423**	1,342
— Others	**799**	736
	16,755	14,957
Amortisation expenses	**1,871**	1,680
Business tax and surcharges	**15,972**	15,793
Audit fees	**157**	167
Other general and administrative expenses	**19,253**	19,939
Total	**105,146**	99,193

7 Income tax expense

(1) Income tax expenses

	2009	2008
Current tax	**35,764**	34,226
Adjustments for prior years	**(359)**	(285)
Deferred tax	**(3,516)**	(6,842)
Total	**31,889**	27,099

The provisions of income taxes for Mainland China and Hong Kong are calculated at 25% and 16.5% of the estimated taxable income from Mainland and Hong Kong operations for the period respectively. Taxation for other overseas operations is charged at the appropriate current rates of taxation ruling in the relevant tax jurisdictions.

(2) Reconciliation between income tax expense and accounting profit

	2009	2008
Profit before tax	**138,725**	119,741
Income tax calculated at statutory tax rate	**34,681**	29,935
Non-deductible expenses		
— Staff costs	**376**	684
— Impairment losses and bad debt write-off	**1**	8
— Others	**780**	446
	1,157	1,138
Non-taxable income		
— Interest income from PRC government bonds	**(3,777)**	(3,466)
— Others	**(303)**	(223)
	(4,080)	(3,689)
Total	**31,758**	27,384
Adjustments on income tax for prior years which affect profit or loss	**131**	(285)
Income tax expense	**31,889**	27,099

8 Earnings per share

Basic earnings per share for the year ended 31 December 2009 and 2008 have been computed by dividing the net profit attributable to shareholders of the Bank by the weighted average number of ordinary shares that were in issue during the years. There was no difference between basic and diluted earnings per share as there were no potentially dilutive shares outstanding during the years ended 31 December 2009 and 2008.

	2009	2008
Net profit attributable to shareholders of the Bank	**106,756**	92,599
Weighted average number of shares (in million shares)	**233,689**	233,689
Basic and diluted earnings per share attributable to shareholders of the Bank (in RMB)	**0.46**	0.40

9 Derivatives

(1) Analysed by type of contract

	2009			2008		
	Notional amounts	**Assets**	**Liabilities**	Notional amounts	Assets	Liabilities
Interest rate contracts	**173,170**	**3,826**	**4,015**	183,695	9,016	9,451
Exchange rate contracts	**510,831**	**4,614**	**4,531**	489,431	11,758	9,114
Precious metal contracts	**1,244**	**38**	**—**	510	10	—
Equity instrument contracts	**1,540**	**978**	**29**	806	515	—
Total	**686,785**	**9,456**	**8,575**	674,442	21,299	18,565

(2) Analysed by credit risk-weighted amount

	2009	2008
Interest rate contracts	**4,030**	9,304
Exchange rate contracts	**6,277**	7,070
Precious metal contracts	**31**	1
Equity instrument contracts	**736**	526
Total	**11,074**	16,901

The notional amounts of derivatives only represent the unsettled transaction volume as at the end of the reporting period. They do not represent the amounts at risk. The credit risk-weighted amount was computed under the rules set out by the CBRC and depended on the status of the counterparty and the maturity characteristics, it included customer driven transactions, which were hedged back to back.

10 Deposits from customers

	2009	2008
Demand deposits		
— Corporate customers	**2,968,733**	2,233,187
— Personal customers	**1,445,304**	1,137,114
	4,414,037	3,370,301
Time deposits (including call deposits)		
— Corporate customers	**1,421,678**	1,152,126
— Personal customers	**2,165,608**	1,853,488
	3,587,286	3,005,614
Total	**8,001,323**	6,375,915

Deposits from customers include:

	2009	2008
(1) Pledged deposits		
— Deposits for acceptance	**118,121**	88,833
— Deposits for guarantee	**23,984**	24,141
— Deposits for letter of credit	**19,974**	11,657
— Others	**72,021**	35,322
	234,100	159,953
(2) Outward remittance and remittance payables	**19,073**	21,287

11 Commitments and contingent liabilities

(1) Credit commitments

Credit commitments take the form of approved loans with signed contracts, credit card limits, financial guarantees and letters of credit. The Group assesses and makes allowance for any probable losses accordingly.

The contractual amounts of loans and credit card commitments represent the amounts should the contracts be fully drawn upon. The amounts of guarantees and letters of credit represent the maximum potential loss that would be recognised if counterparties failed completely to perform as contracted. Acceptances comprise undertakings by the Group to pay bills of exchange drawn on customers. The Group expects most acceptances to be settled simultaneously with the reimbursement from the customers.

As the facilities may expire without being drawn upon, the total of the contractual amounts set out in the following table is not representative of expected future cash outflows.

	2009	2008
Loan commitments		
— with an original maturity under one year	**84,261**	47,941
— with an original maturity of one year or over	**443,366**	259,904
Credit card commitments	**260,656**	174,714
	788,283	482,559
Bank acceptances	**339,354**	219,603
Financing guarantees	**149,750**	182,518
Non-financing guarantees	**415,342**	362,668
Sight letters of credit	**47,091**	36,386
Usance letters of credit	**72,373**	35,110
Others	**49,280**	31,636
Total	**1,861,473**	1,350,480

(2) Credit risk-weighted amount

The credit risk-weighted amount refers to the amount as computed in accordance with the rules set out by the CBRC and depends on the status of the counterparty and the maturity characteristics. The risk weights used range from 0% to 100% of contingent liabilities and commitments.

	2009	2008
Credit risk-weighted amount of contingent liabilities and commitments	**898,284**	660,982

(3) Operating lease commitments

The Group lease certain property and equipment under operating leases, which typically run for an initial period of one to five years and may include an option to renew the lease when all terms are renegotiated. None of the leases includes contingent rentals. As at the end of the reporting period, the future minimum lease payments under non-cancellable operating leases for property and equipment were as follows:

	2009	2008
Within one year	**3,012**	2,458
After one year but within two years	**2,293**	2,018
After two years but within three years	**1,822**	1,571
After three years but within five years	**2,319**	2,150
After five years	**1,767**	1,345
Total	**11,213**	9,542

(4) Capital commitments

As at the end of the reporting period, the Group had capital commitments as follows:

	2009	2008
Contracted for	**5,511**	6,333
Authorised but not contracted for	**1,652**	558
Total	**7,163**	6,891

(5) Underwriting obligations

As at 31 December 2009, the unexpired underwriting commitments of the Group were RMB3,890 million (2008: nil).

(6) Redemption obligations

As an underwriting agent of PRC government bonds, the Group has the responsibility to buy back those bonds sold by it should the holders decide to early redeem the bonds held. The redemption price for the bonds at any time before their maturity date is based on the coupon value plus any interest unpaid and accrued up to the redemption date. Accrued interest payables to the bond holders are calculated in accordance with relevant rules of the MOF and the PBOC. The redemption price may be different from the fair value of similar instruments traded at the redemption date.

The redemption obligations, which represent the nominal value of government bonds underwritten and sold by the Group, but not yet matured as at 31 December 2009, were RMB81,424 million (2008: RMB62,677 million).

(7) Outstanding litigation and disputes

As at 31 December 2009, the Group was the defendant in certain pending litigation and disputes with gross claims of RMB2,418 million (2008: RMB2,781 million). Provisions have been made for the estimated losses arising from such litigations based upon the opinions of the Group's internal and external legal counsels. The Group considers that the provisions made are reasonable and adequate.

(8) Provision against commitments and contingent liabilities

The Group assessed and made provisions for any probable outflow of economic benefits in relation to the above commitments and contingent liabilities in accordance with its accounting policies.

12 Operating segments

The Group has presented the operating segments in a manner consistent with the way in which information is reported internally to the Group's chief operating decision maker for the purposes of resource allocation and performance assessment. Measurement of segment assets and liabilities and segment income and results is based on the Group's accounting policies.

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

Segment revenues, results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Segment income, results, assets, and liabilities are determined before intra-group balances and intra-group transactions are eliminated as part of the consolidation process. Segment capital expenditure is the total cost incurred during the period to acquire fixed assets, intangible assets and other long-term assets.

(1) Geographical segments

The Group operates principally in Mainland China with branches covering all provinces, autonomous regions and municipalities directly under the central government, and several subsidiaries located in Mainland China. The Group also has bank branch operations in Hong Kong, Singapore, Frankfurt, Johannesburg, Tokyo, Seoul and New York, and certain subsidiaries operating in Hong Kong and London.

In presenting information on the basis of geographical segments, operating income is allocated based on the location of the branches and subsidiaries that generate the income. Segment assets, liabilities and capital expenditure are allocated based on their geographical location.

Geographical segments of the Group, as defined for management reporting purposes, are defined as follows:

— "Yangtze River Delta" refers to the following areas serviced by the subsidiary and tier-1 branches of the Bank: Shanghai Municipality, Jiangsu Province, Zhejiang Province, City of Ningbo and City of Suzhou;

— "Pearl River Delta" refers to the following areas serviced by the tier-1 branches of the Bank: Guangdong Province, City of Shenzhen, Fujian Province and City of Xiamen;

— "Bohai Rim" refers to the following areas serviced by the subsidiaries and tier-1 branches of the Bank: Beijing Municipality, Shandong Province, Tianjin Municipality, Hebei Province and City of Qingdao;

— the "Central" region refers to the following areas serviced by the subsidiaries and tier-1 branches of the Bank: Shanxi Province, Guangxi Autonomous Region, Hubei Province, Henan Province, Hunan Province, Jiangxi Province, Hainan Province, Anhui Province and the Three Gorges Area;

— the "Western" region refers to the following areas serviced by the tier-1 branches of the Bank: Sichuan Province, Chongqing Municipality, Guizhou Province, Yunnan Province, Tibet Autonomous Region, Inner Mongolia Autonomous Region, Shaanxi Province, Gansu Province, Qinghai Province, Ningxia Autonomous Region and Xinjiang Autonomous Region; and

— the "Northeastern" region refers to the following areas serviced by the tier-1 branches of the Bank: Liaoning Province, Jilin Province, Heilongjiang Province and City of Dalian.

	2009								
	Yangtze River Delta	**Pearl River elta**	**Bohai Rim**	**Central**	**Western**	**North Eastern**	**Head Office**	**Overseas**	**Total**
External net interest income	**31,201**	**15,457**	**17,347**	**20,601**	**25,352**	**5,684**	**93,325**	**2,918**	**211,885**
Internal net interest income/(expense)	**12,109**	**13,386**	**17,594**	**13,764**	**11,003**	**7,391**	**(75,106)**	**(141)**	**—**
Net interest income	**43,310**	**28,843**	**34,941**	**34,365**	**36,355**	**13,075**	**18,219**	**2,777**	**211,885**
Net fee and commission income	**11,848**	**8,506**	**7,770**	**7,496**	**6,638**	**2,679**	**2,625**	**497**	**48,059**
Net trading gain/(loss)	**121**	**238**	**105**	**23**	**92**	**41**	**(290)**	**1,903**	**2,233**
Dividend income	**9**	**—**	**8**	**12**	**13**	**—**	**36**	**22**	**100**
Net gain arising from investment securities	**5**	**—**	**11**	**416**	**348**	**305**	**3,296**	**90**	**4,471**
Other operating income/(loss), net	**478**	**306**	**279**	**307**	**741**	**171**	**(435)**	**719**	**2,566**
Operating income	**55,771**	**37,893**	**43,114**	**42,619**	**44,187**	**16,271**	**23,451**	**6,008**	**269,314**
Operating expenses	**(19,352)**	**(13,947)**	**(16,342)**	**(17,847)**	**(17,587)**	**(7,605)**	**(10,398)**	**(2,068)**	**(105,146)**
Impairment losses	**(7,384)**	**(3,880)**	**(3,867)**	**(4,364)**	**(711)**	**(1,584)**	**(996)**	**(2,674)**	**(25,460)**
Share of profits less losses of associates and jointly controlled entities	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**17**	**17**
Profit before tax	**29,035**	**20,066**	**22,905**	**20,408**	**25,889**	**7,082**	**12,057**	**1,283**	**138,725**
Capital expenditure	**3,229**	**1,794**	**2,990**	**3,361**	**3,138**	**1,636**	**5,447**	**179**	**21,774**
Depreciation and amortisation	**1,846**	**1,331**	**1,590**	**1,900**	**1,659**	**800**	**1,660**	**90**	**10,876**
	2009								
Segment assets	**1,890,649**	**1,462,959**	**1,675,219**	**1,500,338**	**1,508,896**	**642,640**	**4,418,463**	**232,669**	**13,331,833**
Interests in associates and jointly controlled entities	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**1,791**	**1,791**
	1,890,649	**1,462,959**	**1,675,219**	**1,500,338**	**1,508,896**	**642,640**	**4,418,463**	**234,460**	**13,333,624**
Deferred tax assets									**10,790**
Elimination									**(3,721,059)**
Total assets									**9,623,355**
Segment liabilities	**1,888,969**	**1,460,261**	**1,670,431**	**1,497,353**	**1,505,890**	**641,924**	**3,910,613**	**209,737**	**12,785,178**
Deferred tax liabilities									**216**
Elimination									**(3,721,059)**
Total liabilities									**9,064,335**
Off-balance sheet credit commitments	**475,571**	**318,201**	**431,592**	**240,055**	**223,893**	**115,788**	**14,956**	**41,417**	**1,861,473**

	2008								
	Yangtze River Delta	Pearl River Delta	Bohai Rim	Central	Western	North Eastern	Head Office	Overseas	Total
External net interest income	37,756	17,097	19,940	21,850	24,064	5,949	95,727	2,537	224,920
Internal net interest income/(expense)	6,770	11,327	13,847	10,276	7,913	6,285	(56,222)	(196)	—
Net interest income	44,526	28,424	33,787	32,126	31,977	12,234	39,505	2,341	224,920
Net fee and commission income	9,758	6,237	6,405	5,911	5,150	2,299	2,326	360	38,446
Net trading gain	311	360	158	45	128	63	779	1,369	3,213
Dividend income	5	—	35	23	5	—	63	19	150
Net gain/(loss) arising from investment securities	83	22	497	324	117	104	(3,543)	144	(2,252)
Other operating income, net	402	270	461	516	529	203	2,432	457	5,270
Operating income	55,085	35,313	41,343	38,945	37,906	14,903	41,562	4,690	269,747
Operating expenses	(19,083)	(13,324)	(15,729)	(16,776)	(16,519)	(7,116)	(9,223)	(1,423)	(99,193)
Impairment losses	(6,484)	(4,128)	(7,034)	(6,387)	(9,549)	(2,353)	(13,944)	(950)	(50,829)
Share of profits less losses of associates and jointly controlled entities	—	—	—	—	—	—	—	16	16
Profit before tax	29,518	17,861	18,580	15,782	11,838	5,434	18,395	2,333	119,741
Capital expenditure	2,843	1,984	2,421	3,186	2,752	1,376	2,933	376	17,871
Depreciation and amortisation	1,685	1,169	1,429	1,615	1,412	680	1,293	68	9,351

	2008								
Segment assets	1,468,824	1,074,866	1,369,934	1,157,174	1,170,334	507,337	3,523,723	119,865	10,392,057
Interests in associates and jointly controlled entities	—	—	—	—	—	—	—	1,728	1,728
	1,468,824	1,074,866	1,369,934	1,157,174	1,170,334	507,337	3,523,723	121,593	10,393,785
Deferred tax assets									7,855
Elimination									(2,846,188)
Total assets									7,555,452
Segment liabilities	1,466,440	1,074,054	1,367,662	1,158,073	1,173,707	507,936	3,064,993	121,208	9,934,073
Deferred tax liabilities									5
Elimination									(2,846,188)
Total liabilities									7,087,890
Off-balance sheet credit commitments	386,800	193,746	284,558	172,079	186,488	89,428	15,936	21,445	1,350,480

(2) Business segments

Business segments, as defined for management reporting purposes, are as follows:

Corporate banking

This segment represents the provision of a range of financial products and services to corporations, government agencies and financial institutions. The products and services include corporate loans, trade financing, deposit taking activities, agency services, financial consulting and advisory services, cash management services, remittance and settlement services, custody services and guarantee services, etc.

Personal banking

This segment represents the provision of a range of financial products and services to individual customers. The products and services comprise personal loans, deposit taking activities, card business, personal wealth management services, remittance services and securities agency services, etc.

Treasury business

This segment covers the Group's treasury operations. The treasury enters into inter-bank money market transactions, repurchase and resale transactions, and invests in debt securities. It also trades in derivatives and foreign currency for its own account. The treasury carries out customer-driven derivatives, foreign currency and precious metal trading. Its function also includes the management of the Group's overall liquidity position, including the issuance of debt securities.

Others

These represent equity investments and the revenues, results, assets and liabilities of overseas branches and subsidiaries.

	2009				
	Corporate banking	**Personal banking**	**Treasury business**	**Others**	**Total**
External net interest income/(expense)	**142,914**	**(21,796)**	**87,633**	**3,134**	**211,885**
Internal net interest (expense)/income	**(18,525)**	**84,613**	**(65,434)**	**(654)**	**—**
Net interest income	**124,389**	**62,817**	**22,199**	**2,480**	**211,885**
Net fee and commission income	**19,884**	**17,882**	**9,518**	**775**	**48,059**
Net trading (loss)/gain	**(169)**	**36**	**459**	**1,907**	**2,233**
Dividend income	**—**	**—**	**—**	**100**	**100**
Net gain arising from investment securities	**—**	**—**	**3,242**	**1,229**	**4,471**
Other operating income/(loss), net	**558**	**232**	**(378)**	**2,154**	**2,566**
Operating income	**144,662**	**80,967**	**35,040**	**8,645**	**269,314**
Operating expenses	**(43,029)**	**(53,492)**	**(3,802)**	**(4,823)**	**(105,146)**
Impairment losses	**(17,476)**	**(4,164)**	**(944)**	**(2,876)**	**(25,460)**
Share of profits less losses of associates and jointly controlled entities	**—**	**—**	**—**	**17**	**17**
Profit before tax	**84,157**	**23,311**	**30,294**	**963**	**138,725**
Capital expenditure	**6,567**	**13,964**	**987**	**256**	**21,774**
Depreciation and amortisation	**3,280**	**6,975**	**493**	**128**	**10,876**
Segment assets	**3,879,101**	**1,073,608**	**4,449,759**	**256,060**	**9,658,528**
Interests in associates and jointly controlled entities	**—**	**—**	**—**	**1,791**	**1,791**
	3,879,101	**1,073,608**	**4,449,759**	**257,851**	**9,660,319**
Deferred tax assets					**10,790**
Elimination					**(47,754)**
Total assets					**9,623,355**
Segment liabilities	**4,723,263**	**4,002,153**	**101,545**	**284,912**	**9,111,873**
Deferred tax liabilities					**216**
Elimination					**(47,754)**
Total liabilities					**9,064,335**
Off-balance sheet credit commitments	**1,573,849**	**249,504**	**—**	**38,120**	**1,861,473**

	2008				
	Corporate banking	Personal banking	Treasury business	Others	Total
External net interest income/(expense)	148,357	(18,076)	92,651	1,988	224,920
Internal net interest (expense)/income	(22,347)	76,493	(52,023)	(2,123)	—
Net interest income	126,010	58,417	40,628	(135)	224,920
Net fee and commission income	15,350	15,286	7,085	725	38,446
Net trading gain	138	293	1,489	1,293	3,213
Dividend income	—	—	—	150	150
Net (loss)/gain arising from investment securities	—	—	(4,166)	1,914	(2,252)
Other operating income, net	578	577	2,330	1,785	5,270
Operating income	142,076	74,573	47,366	5,732	269,747
Operating expenses	(42,824)	(49,742)	(2,857)	(3,770)	(99,193)
Impairment losses	(31,884)	(4,582)	(12,999)	(1,364)	(50,829)
Share of profits less losses of associates and jointly controlled entities	—	—	—	16	16
Profit before tax	67,368	20,249	31,510	614	119,741
Capital expenditure	5,905	11,038	887	41	17,871
Depreciation and amortisation	3,061	5,723	460	107	9,351
Segment assets	3,214,610	863,351	3,358,278	142,347	7,578,586
Interests in associates and jointly controlled entities	—	—	—	1,728	1,728
	3,214,610	863,351	3,358,278	144,075	7,580,314
Deferred tax assets					7,855
Elimination					(32,717)
Total assets					7,555,452
Segment liabilities	3,431,049	3,426,013	70,789	192,751	7,120,602
Deferred tax liabilities					5
Elimination					(32,717)
Total liabilities					7,087,890
Off-balance sheet credit commitments	1,168,055	182,425	—	—	1,350,480

Unaudited supplementary financial information

(A) Liquidity ratios

	As at 31 December 2009	Average for the year ended 31 December 2009	As at 31 December 2008	Average for the year ended 31 December 2008
RMB current assets to RMB current liabilities	**49.63%**	**48.20%**	52.74%	47.45%
Foreign currency current assets to foreign currency current liabilities	**61.86%**	**95.18%**	109.84%	111.27%

The above liquidity ratios are calculated in accordance with the formula promulgated by the China Banking Regulatory Commission.

The Hong Kong Banking (Disclosure) Rules (the "Rules") took effect on 1 January 2007. It requires the disclosure of average liquidity ratio, which being the arithmetic mean of each calendar month liquidity ratio. The Group prepared liquidity ratio on a semi-annual basis and the disclosed average liquidity ratio is the arithmetic mean of two consecutive liquidity ratios as at 30 June and 31 December.

(b) Currency concentrations

	2009			
	USD (RMB equivalent)	**HKD (RMB equivalent)**	**Others (RMB equivalent)**	**Total**
Spot assets	**261,575**	**136,801**	**35,768**	**434,144**
Spot liabilities	**(206,074)**	**(116,857)**	**(38,038)**	**(360,969)**
Forward purchases	**216,426**	**22,873**	**35,663**	**274,962**
Forward sales	**(270,310)**	**(15,499)**	**(43,191)**	**(329,000)**
Net long/(short) position	**1,617**	**27,318**	**(9,798)**	**19,137**
Net structural position	**67**	**127**	**157**	**351**

	2008			
	USD (RMB equivalent)	HKD (RMB equivalent)	Others (RMB equivalent)	Total
Spot assets	267,877	82,948	43,113	393,938
Spot liabilities	(172,382)	(72,158)	(35,691)	(280,231)
Forward purchases	160,471	12,764	76,185	249,420
Forward sales	(259,483)	(5,877)	(82,006)	(347,366)
Net (short)/long position	(3,517)	17,677	1,601	15,761
Net structural position	—	169	136	305

The net option position is calculated using the delta equivalent approach required by the Hong Kong Monetary Authority (the "HKMA"). The net structural position of the Group includes the structural positions of the Bank's overseas branches, banking subsidiaries and other subsidiaries substantially involved in foreign exchange. Structural assets and liabilities include:

— investments in property and equipment, net of accumulated depreciation;

— capital and statutory reserves of overseas branches; and

— investments in overseas subsidiaries and related companies.

(c) Cross-border claims

The Group is principally engaged in business operations within Mainland China, and regards all claims on overseas third parties as cross-border claims.

For the purpose of this unaudited supplementary financial information, Mainland China excludes the Hong Kong Special Administrative Region of the PRC ("Hong Kong"), the Macau Special Administrative Region of the PRC ("Macau") and Taiwan.

Cross-border claims include loans and advances to customers, deposits and placements with banks and non-bank financial institutions, holdings of trade bills and certificates of deposit and investment securities.

Cross-border claims have been disclosed by country or geographical area. A country or geographical area is reported where it constitutes 10% or more of the aggregate amount of cross-border claims, after taking into account any risk transfers. Risk transfers are only made if the claims are guaranteed by a party in a country which is different from that of the counterparty or if the claims are on an overseas branch of a bank whose head office is located in another country.

	2009			
	Banks and non-bank financial institutions	**Public sector entities**	**Others**	**Total**
Asia Pacific excluding Mainland China	**15,236**	**1,360**	**72,457**	**89,053**
— of which attributed to Hong Kong	**6,263**	**685**	**47,916**	**54,864**
Europe	**10,160**	**156**	**4,829**	**15,145**
North and South America	**47,246**	**2,288**	**23,462**	**72,996**
	72,642	**3,804**	**100,748**	**177,194**

	2008			
	Banks and non-bank financial institutions	Public sector entities	Others	Total
Asia Pacific excluding Mainland China	16,029	2,665	59,694	78,388
— of which attributed to Hong Kong	11,459	1,358	37,296	50,113
Europe	17,859	59	8,997	26,915
North and South America	61,840	10,092	31,840	103,772
	95,728	12,816	100,531	209,075

The above cross-border claims are disclosed in accordance with the requirements of the Rules. According to these requirements, "others" includes the transactions with sovereign counterparties.

(d) Overdue loans and advances to customers by geographical sector

	2009	2008
Bohai Rim	**12,816**	15,063
Yangtze River Delta	**12,184**	7,353
Central	**9,555**	11,192
Pearl River Delta	**6,979**	7,604
Western	**6,949**	10,495
Northeastern	**5,241**	5,390
Head office	**1,587**	1,569
Overseas	**385**	374
Total	**55,696**	59,040

The above analysis represents the gross amount of loans and advances overdue for more than 90 days as required by the Rules.

Loans and advances with a specific repayment date are classified as overdue when the principal or interest is overdue.

Loans and advances repayable on demand are classified as overdue when a demand for repayment has been served on the borrower but repayment has not been made in accordance with the instructions. If the loans and advances repayable on demand are outside the approved limit that was advised to the borrower, they are also considered as overdue.

As at 31 December 2009, the amounts of RMB47,075 million (2008: RMB48,922 million) and RMB8,621 million (2008: RMB10,118 million) of the above overdue loans and advances were subject to individual assessment and collective assessment for impairment respectively. The covered portion and uncovered portion of these individually assessed loans and advances were RMB6,459 million and RMB40,616 million respectively (2008: RMB8,863 million and RMB40,059 million respectively). The fair value of collateral held against these individually assessed loans and advances was RMB6,763 million (2008: RMB9,377 million). The fair value of collateral was estimated by management based on the latest available external valuations adjusted by taking into account the current realisation experience as well as market situation. The impairment allowances made against these individually assessed loans and advances were RMB39,358 million (2008: RMB39,617 million).

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Review

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

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

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

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

Income Statement Analysis

In 2009, the Group recorded profit before tax of RMB138,725 million, up 15.85% over the previous year. Net profit was RMB106,836 million, 15.32% higher than that of the previous year. The double-digit increases of profit before tax and net profit were brought about mainly by the following: First, we were actively engaged in service and product innovation. Net fee and commission income continued to surge by RMB9,613 million, or 25.00%, over 2008. Second, we reinforced risk management and improved asset quality. Impairment losses on assets dropped by

RMB25,369 million, or 49.91%, over 2008. Third, we moderately increased credit supply. The average balance of interest-earning assets significantly rose by 26.86% over 2008, which, to some extent, offset negative effects of the PBC's drastic interest rate cuts at the end of 2008.

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

NET INTEREST INCOME

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

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

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

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

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

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

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

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

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

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

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

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

Interest income

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

Interest income from loans and advances to customers

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

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

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

Interest income from investments in debt securities

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

Interest income from deposits with central banks

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

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

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

Interest income from financial assets held under resale agreements

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

Interest expense

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

Interest expense on deposits from customers

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

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

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

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

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

Interest expense on financial assets sold under repurchase agreements

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

Net Fee and Commission Income

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

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

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

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

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

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

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

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

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

Net Gain on Investment Securities

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

Other Net Operating Income

In 2009, the Group recorded other net operating income of RMB2,567 million, in which there was a net foreign exchange loss of RMB250 million, a net gain of RMB110 million on disposals of fixed assets, a net gain of RMB356 million on disposals of repossessed assets, and other income of RMB2,351 million.

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

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

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

2. Financial derivatives represent currency derivatives.

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

Foreign currency assets and proprietary financial derivatives

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

Other net exchange gains

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

Operating Expenses

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

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

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

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

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

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

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

Provisions for Impairment Losses

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

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

Provisions for impairment losses on loans and advances to customers

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

Provisions for impairment losses on investments

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

Income Tax Expense

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

Balance Sheet Analysis

Assets

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

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

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

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

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

Loans and advances to customers

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

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

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

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

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

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

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

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

Distribution of loans by type of collateral

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

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

Provisions for impairment losses on loans and advances

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

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

Investments

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

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

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

Debt securities investments

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

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

Debt securities investments in foreign currency

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

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

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

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

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

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

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

Interest receivable

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

Liabilities

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

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

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

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

Deposits from customers

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

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

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

Shareholders' Equity

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

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

CAPITAL ADEQUACY RATIO

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

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

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

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

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

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

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

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

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

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

Loan Quality Analysis

Distribution of Loans by the Five-Category Classification

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

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

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

DISTRIBUTION OF LOANS AND NPLS BY PRODUCT TYPE

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

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

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

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

DISTRIBUTION OF LOANS AND NPLS BY INDUSTRY

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

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

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

Business Review

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

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

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

Corporate Banking

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

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

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

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

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

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

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

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

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

Personal Banking

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

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

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

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

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

Treasury Business

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

Financial market business

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

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

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

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

Investment banking

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

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

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

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

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

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

Overseas Business and Subsidiaries

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

Overseas Business

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

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

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

Major Subsidiaries

CCB Asia

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

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

CCB London

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

CCB International

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

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

Sino-German Bausparkasse Corporation Limited

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

CCB Principal Asset Management Co., Limited

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

CCB Financial Leasing Corporation Limited

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

Jianxin Trust Co., Limited

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

Hunan Taojiang Jianxin Rural Bank Limited

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

Zhejiang Cangnan Jianxin Rural Bank Co., Limited

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

Analysed by Geographical Segment

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

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

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

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

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

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

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

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

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

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

Prospects

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

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

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

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

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

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

Changes in Share Capital and Particulars of Shareholders

Changes in Shares

Unit: share

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

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

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

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

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

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

Changes in Shares Subject to Selling Restrictions

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

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

Details of Securities Issuance and Initial Public Offering

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

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

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

Number of Shareholders and Particulars of Shareholdings

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

Unit: share

Total number of shareholders 1,150,524 (Total number of registered holders of A-shares and H-shares as at 31 December 2009)

Particulars of shareholdings of the top ten shareholders

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

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

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

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

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

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

Substantial Shareholders of the Bank

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

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

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

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

Other Information

Purchase, Sale and Redemption of Shares

There is no purchase, sale or redemption by the Bank or any of its subsidiaries of the listed securities of the Bank during the reporting period.

Corporate Governance

The Bank is committed to maintaining high-level corporate governance. We make great efforts to follow the best practice standards of the international public shareholding banks, and put the decision-making role of the board of directors and the supervisory role of the board of supervisors at full play. We also continue to improve our operation and management standards in order to ensure increased information transparency and full protection of shareholders' equity. We have complied with the code provisions of the *Code on Corporate Governance Practices* as set out in Appendix 14 of the Listing Rules of Hong Kong Stock Exchange throughout the year ended 31 December 2009.

Securities Transactions by Directors

In relation to securities transactions by directors and supervisors, the Bank has adopted the *Model Code for Securities Transactions by Directors of Listed Issuers* in Appendix 10 of the Listing Rules of Hong Kong Stock Exchange. All directors and supervisors have complied with the code above during the year ended 31 December 2009.

Profit and Dividends

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

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

The Board recommends a cash dividend of RMB0.202 per share (including tax), subject to the approval of the annual general meeting 2009. In order to determine the holders of H-shares who are entitled to receive such cash dividend, the Bank's register of members will be closed from 3 July 2010 to 7 July 2010, both days inclusive, during which period no transfer of H-shares will be effected. Holders of H-shares who wish to receive such cash dividend must deposit the transfer documents together with the relevant share certificates at the H-Share registrar of the Bank, Computershare Hong Kong Investor Services Limited, at or before 4:30 p.m. on 2 July 2010. The address is Rooms 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong. The last trading day of H-shares of the Bank before the ex-dividend date will be 29 June 2010, and the dividend will be excluded from 30 June 2010. This proposal will be submitted for approval at the forthcoming annual general meeting 2009. If approved, such dividend is expected to be paid to the shareholders around 21 July 2010.

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

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

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

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

Annual General Meeting and Closure of Register of Members

The 2009 annual general meeting will be held on 24 June 2010. In order to determine the holders of H-shares who are entitled to attend the annual general meeting, the Bank's register of members will be closed from 25 May 2010 to 24 June 2010, both days inclusive, during which period no transfer of shares will be effected. In order to attend the 2009 annual general meeting, holders of H-shares must deposit the transfer documents together with the relevant share certificates at the H-Share registrar of the Bank, Computershare Hong Kong Investor Services Limited, at or before 4:30 p.m. on 24 May 2010. The address is Rooms 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong.

Annual Report and Announcement

This results announcement is available on the websites of The Stock Exchange of Hong Kong Limited at www.hkex.com.hk, Shanghai Stock Exchange at www.sse.com.cn and the Bank at www.ccb.com. The annual report prepared in accordance with IFRS and PRC GAAP will both be published on the websites of The Stock Exchange of Hong Kong Limited at www.hkex.com.hk, Shanghai Stock Exchange at www.sse.com.cn and the Bank at www.ccb.com in due course.

Review of Annual Results

The audit committee has reviewed the Annual Report 2009 of the Bank. KPMG Huazhen and KPMG, the Bank's external auditors, have audited the financial statements of the Bank prepared in accordance with PRC GAAP and those prepared in accordance with IFRS respectively, and have issued unqualified audit reports.

By Order of the board of directors
CHINA CONSTRUCTION BANK CORPORATION
Zhang Jianguo
Vice chairman, executive director and president

26 March 2010

As of the date of this announcement, the Bank's executive directors are Mr. Guo Shuqing, Mr. Zhang Jianguo, Ms. Xin Shusen and Mr. Chen Zuofu; non-executive directors are Mr. Wang Yonggang, Mr. Wang Yong, Ms. Wang Shumin, Mr. Liu Xianghui, Mr. Zhang Xiangdong, Ms. Li Xiaoling and Mr. Gregory L. Curl; and independent non-executive directors are Lord Peter Levene, Mr. Song Fengming, Ms. Jenny Shipley, Ms. Elaine La Roche, Mr. Wong Kai-Man and Mr. Tse Hau Yin, Aloysius.