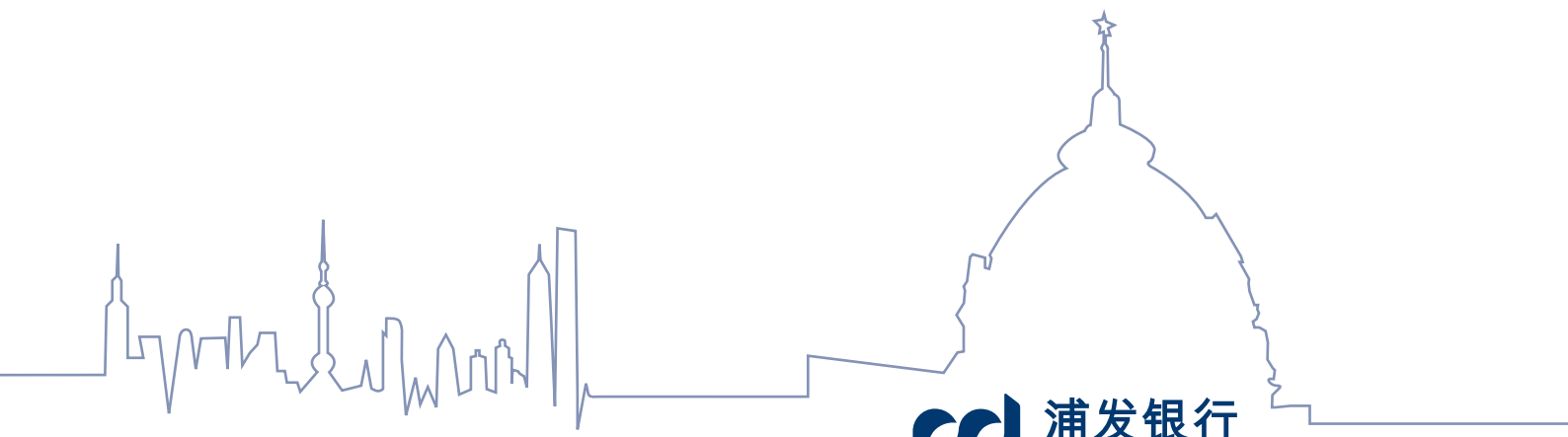




浦发银行
SPD BANK

—— 新思维·心服务 ——

2009 Annual Report



 浦发银行
SPD BANK

— 新思维 · 心服务 —



Important Notice

1. The Board of Directors of the company guarantees that the information presented in this report is free from any false record, misleading statement or material omission, and accepts, individually and collectively, liability for its truthfulness, accuracy and completeness.

2. Director of the board Mr. Stephen Bird didn't attend the board meeting, and he entrusted in writing Chairman JI Xiaohui to vote on his behalf. Director Mr. Wei Pengcheng and Ma Xinsheng didn't attend the board meeting, and they entrusted in writing director Mr. Shen Si to vote on their behalf. Independent Directors of the board Mr. Li Yang and Li Xiaojia didn't attend the board meeting. And they entrusted in writing Independent Director Mr. Sun Zheng to vote on their behalf. All the other board members of the company have attended the board meeting and exercised their voting rights.

3. The financial statements of the Company for the year ended on 31 December 2009 were audited by Ernst & Young Hua Ming Accounting Firm in accordance with PRC generally accepted accounting principles (GAAP), and have obtained standard auditor's report without any reserved opinions.

4. None of the funds of the company has been used by its controlling shareholder or its related legal entities for non-operating purposes.

5. The company has made no guarantee to any third party illegally.

Mr. JI Xiaohui, Chairman of the Board of Directors, Mr. Fu Jianhua, President of the bank, Mr. LIU Xinyi, Chief Financial Officer of the company and Mr. FU Neng, Financial Controller of the company guarantee the completeness and truthfulness of the information disclosed in the financial report.



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*Holding on to the motto of “sticking to integrity
and striving for excellence”,*

the bank has continuously developed its various businesses and enhanced its overall competence. By December 31, 2009, its total assets stood at RMB 1.62 trillion yuan, outstanding balance of loans being RMB 9289 billion yuan and outstanding balance of deposits being RMB1.29 trillion yuan, making an after-tax profit of RMB 13.2 billion yuan. A national network was in place with 33 branches and direct sub-branches and 565 outlets plus a representative office in Hong Kong and a total of 21877 employees.



A Brief Introduction to Shanghai Pudong Development Bank

A joint-stock commercial bank founded on August 28, 1992, Shanghai Pudong Development Bank (known as SPD Bank for short) officially opened on January 9, 1993 and went listed in Shanghai Stock Exchange in 1999 (stock code: 600000). At present, SPD Bank's registered capital stands at RMB 8.83 billion yuan. SPD Bank has earned respect and good fame in the domestic stock market on account of its outstanding performance and trustworthiness.

Holding on to the motto of "sticking to integrity and striving for excellence", the bank has continuously developed its various businesses and enhanced its overall competence. By December 31, 2009, its total assets stood at RMB 1.62 trillion yuan, outstanding balance of loans being RMB 9289 billion yuan and outstanding balance of deposits being RMB1.29 trillion yuan, making an after-tax profit of RMB 13.2 billion yuan. A national network was in place with 33 branches and direct sub-branches and 565 outlets plus a representative office in Hong Kong and a total of 21877 employees.

Since its public listing at the stock market, SPD Bank has been rated among Top 100 Listed Companies in China for a number of times. In June 2009, SPD Bank was ranked the No.137th in terms of Tier 1 capital and No. 91st in terms of total assets by the *British Banker* magazine among the top 1000 World banks. In September 2009, the bank was cited as one of the Top 10 cases of branding. And its board was cited as one of the best-performing boards of listed companies in 2009. And the SPD Bank brand was ranked the 76th among Top 500 World Financial Brands whose brand value increased the fastest among the various Chinese banking brands. In March 2009, the bank was cited by *Asian Banker* magazine as one of the best listed banks 2005-2009 and in April 2009, the bank was cited by the magazine as the strongest bank in China.

A dedicated financial service provider, SPD Bank is also a committed and active corporate citizen. In June 2008, the bank was shortlisted by Reputex among the Ten Most Sustainable Chinese Enterprises as the only candidate from financial sector. In October 2008, the bank was awarded by the American Chamber of Commerce in Shanghai A Special Recognition for Exceptional and Longstanding CSR Achievements from 2006-2008 after winning two consecutive awards in 2006 and 2007 for Best CSR Practice. In November 2009, the bank won the award for best CSR report for financial industry and won the title as Best Corporate Citizen for China.

SPD Bank is committed to continuous innovation and improvement in financial service. Setting out on a new journey, the bank will hold on to the faith of "new thinking and hearty services" and maneuver through the rising and falling financial tides, growing itself into a modernized financial service provider with distinct core competence.





Chairman's Message

In the year 2010, the year of World Expo, as a shanghai-based national commercial bank, SPD Bank will adjust its resource allocation and provide quality service to contribute its utmost for a magnificent World Expo. And 2010 is also the crucial year for the sustainable development and transformation of domestic economy, the bank will make further innovation in an ultimate aim to build the bank into a modern financial service provider.



Chairman's Message

With the challenge of the severe impact of global financial crisis, the central government of China implemented proactive fiscal policy and loosened monetary policy, thus successfully stopping the downside trend of economic growth and maintaining sound development. Adhering to the macro policy of sustaining growth, restructuring and enhancing the livelihood, the domestic banking industry provided more credit to national economy and helped to build up confidence and promote economic resurgence. The board of directors and top management of SPD Bank actively kept to national policy and took a decisive and leading role in promoting the balanced development of scale, quality, profit and restructuring. On behalf of the board, I would like to extend my sincere gratitude to all the investors, clients and personalities of various circles who have been showing great concern and demonstrating profound understanding and the staff members of our company who have been making great contributions to the development of our company.

In year 2009, adhering to the philosophy of scientific growth to confront the financial crisis, grasping the opportunity brought by the national policy for sustainable growth and building Shanghai into a world financial and transportation center, the company further enhanced management skill, expanded client base, improved corporate governance and sped up strategic transformation, risk and internal control, and resulted in improved profitability, thus successfully surviving the fluctuation of economic cycle with further reinforcement in competitiveness, social influence and corporate cohesion. By the year end, the Company's total assets rose to over RMB 1.6 trillion, up 23.93% on a year-on-year basis. The company's total outstanding balance of RMB and foreign currency loans stood at RMB 928.9 billion, an increase of 33.16% on a year-on-year basis. The total outstanding deposits at year-end stood at RMB1.2953 trillion, up by 36.74%. After-tax profits stood at RMB13.2 billion. The proportion of non-performing loans further decreased to 0.80% and the provision coverage ratio rose to 245.93%, outperforming the rest of domestic counterparts in these two index.

In the year 2010, the year of World Expo, as a Shanghai-based national commercial bank, SPD Bank will adjust its resource allocation and provide quality service to contribute its utmost for a magnificent World Expo. And 2010 is also the crucial year for the sustainable development and transformation of domestic economy, the bank will make further innovation in an ultimate aim to build the bank into a modern financial service provider.

Ji Xiaohui

Chairman of the Board of Directors

Shanghai Pudong Development Bank Co., Ltd.





President's Message

The year 2010 will be a time full of uncertainty, with complex economic conditions at home and abroad, flexible change of policy and fast transformation, and it is also a year full of challenges and opportunities. Guided by the profit-oriented policy, the bank will emphasize on the transformation of structure, prevention of risks to maintain a sustainable growth through more scientific and economic methods. The bank will adhere to the philosophy of grasping the opportunity, promoting restructuring and striving for high efficiency, and speed up the business transformation, further enhance profitability, promote innovation to build the bank into a modern financial service provider.



President's Message

The year 2009 had been a crucial year full of various uncertainties among the global crisis and downslide trend of national economy. Guided by the government policy of maintaining growth, extension of domestic demand and restructuring and responding to regulators requests with a guideline to maintain a sound balance between development, risk and profitability, the bank enhanced credit loans, management skill and the capability of sustainable development, and gained sound achievements.

The year 2009 witnessed the rapid and continuous growth in treasury business and optimized portfolio of SPD Bank. By the end of 2009, the total loan outstanding to corporate clients reached RMB 771.1 billion, an increase of 30.75%, ranking the second among domestic peers. And the total outstanding loan to private clients stood at RMB 157.7 billion, a growth of 46%, or RMB 49.9 billion up. The loan portfolio was further optimized with more credit extended to infrastructure and livelihood projects, emphasis on syndication loans and restrictions on real estate and over-capacity industry. The bank expanded more channels to enhance the liability business with the year end outstanding deposit of RMB 1.2953 trillion, ranking the second among domestic counterparts. In 2009, the bank improved the income structure and promoted the steady development of fee-based business. The total income reached RMB 63.989 billion, an increase of 7.93%, and income from fee-based service amounted to RMB 3.373 billion, a growth of 8.49%. The bank further strengthened its innovation competitiveness with fruitful achievements. The bank perfected the innovation management procedures, promulgated regulation to clarify responsibilities for business and service innovation, and thus enhanced the planning and capability of innovation. The bank further sped up and provided support for strategic transformation, and enhanced internal control and compliance management.

The year 2010 will be a time full of uncertainty, with complex economic conditions at home and abroad, flexible change of policy and fast transformation, and it is also a year full of challenges and opportunities. Guided by the profit-oriented policy, the bank will emphasize on the transformation of structure, prevention of risks to maintain a sustainable growth through more scientific and economic methods. The bank will adhere to the philosophy of grasping the opportunity, promoting restructuring and striving for high efficiency, and speed up the business transformation, further enhance profitability, promote innovation to build the bank into a modern financial service provider.

Fu Jianhua

Vice Chairman of the Board & President
Shanghai Pudong Development Bank Co., Ltd.



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Brief Introduction to the Company



Shanghai Branch

Brief Introduction to the Company

1. Brief Introduction to the Company

(1) Registered Company Name in English: SHANGHAI PUDONG DEVELOPMENT BANK CO., LTD.

Abbreviation: SPD Bank

Legal Representative: Mr. Ji Xiaohui

(2) Corporate Secretary

Corporate Secretary: Mr. SHEN Si

Address: No. 12, Zhongshan Dong Yi Road, Shanghai, China 200002

Telephone: 021-63611226

Fax: 021-63230807

Email: Shens2@spdb.com.cn

(3) Representatives for Securities Affairs

Names: Mr. YANG Guoping, Ms. WU Rong

Address: No. 12, Zhongshan Dong Yi Road, Shanghai, China

Telephone: 021-61618888-extension to office to the board

Fax: 021-63230807

Email: Yanggp@spdb.com.cn; wur2@spdb.com.cn

Registered Address: No. 500 Pudong Nan Road, Pudong New Area, Shanghai, China

Office Address: No 12, Zhongshan Dong Yi Road, Shanghai, China

Post Code of Office Address: 200002

Website Address: <http://www.spdb.com.cn>

E-mail Address: bdo@spdb.com.cn

Designated newspaper for information disclosure: "China Securities Daily", "Shanghai Securities News", "Securities Times"

Internet website designated by CSRC for the publication of the Company's annual report: <http://www.sse.com.cn>

Copies of the Annual Report available: General Office to the Board, SPDB

(4) Stock

Type	Place of Stock Listing:	Stock Abbreviation	Stock Code	Stock Abbreviation before change
A share	Shanghai Stock Exchange	Pu Fa Bank	600000	-

(5) Other Relevant Information

Date of Initial Registration: October 19th, 1992

Address of Initial Registration: No. 500 Pudong Nan Road, Pudong New Area, Shanghai, China

Date of Registration Change: -

Address of Registration Change: -

Registered Number of Business License of the Corporate Legal Entity: 3100001001236

Registered Number for Taxation: Guo Shui Hu Zi: 31004413221158X

Di Shui Hu Zi: 31004413221158X

Code for Corporate Legal Entity: 13221158-X

(6) Accounting Firm

Domestic Accounting Firm appointed: Ernst & Young Hua Ming

Office Address: Oriental Square, No. 1 Chang An Street (East), Beijing

Name of the Trustee for the non-marketable Stock: China Securities Depository and Clearing Co., Ltd. Shanghai Branch

Other Relevant Information: The report is prepared in both Chinese and English. Should there exist any inconsistency between the two versions, the Chinese version shall prevail.



Brief Introduction to the Company

2. The principal operating activities of the company are as following:

As approved by the People's Bank of China and the Chinese Banking Regulatory Commission, the company is engaged in the following principal operating activities: absorbing deposits from the public, issuing short-term, mid-term and long-term loans, providing settlement, discounting commercial papers, issuing financial bonds, working as agent for issuing, discounting and underwriting government bonds, dealing with government bonds, inter-bank lending and borrowing, providing L/C services and guarantee services, working as agent for payment and insurance services, providing deposit boxes, dealing in foreign currency deposits, loans, remittance, exchange, international settlement, inter-bank lending and borrowing in foreign currency, accepting and discounting commercial papers in foreign currency, dealing in purchase and sale of foreign currency, providing guarantee in foreign currency, dealing in foreign currency trading either on the company's account or for clients, investigating the credit standing, consultancy and witness, off-shore banking, custody services for securities funds, custody services for national social pension funds, other services approved by the People's Bank of China and CBRC.



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Summary of Key Financial and Performance Indicators



Hangzhou-The Moon Reflected in Three Pools
Hangzhou Branch

Summary of Key Financial and Performance Indicators

1. Key Profit Indicators for the Year

Items	Unit: RMB '000 yuan
	Domestic Audit (PRC GAAP)
Total profit	17,178,374
Net profit	17,296,025
Net profit belonging to the shareholders	13,216,581
Net profit belonging to the shareholders excluding extraordinary items	13,125,995
Net cash flow from operating activities	103,103,572

2. Extraordinary items that shall be excluded

Extraordinary Items	Unit: RMB '000 yuan
	Amount
Change in outstanding balance of deferred taxes caused by change in tax rate	-
Gains/losses as result from disposal of non-current assets	-127,896
Contigent tax rebate	
Rebate of receivable depreciation reserve	
Collection of written-off loans that haven't paid taxes	-3,131
Net gains/losses of non-operation activities	10,246
Change in income taxes of extraordinary items	30,195
Sub-total	-90,586

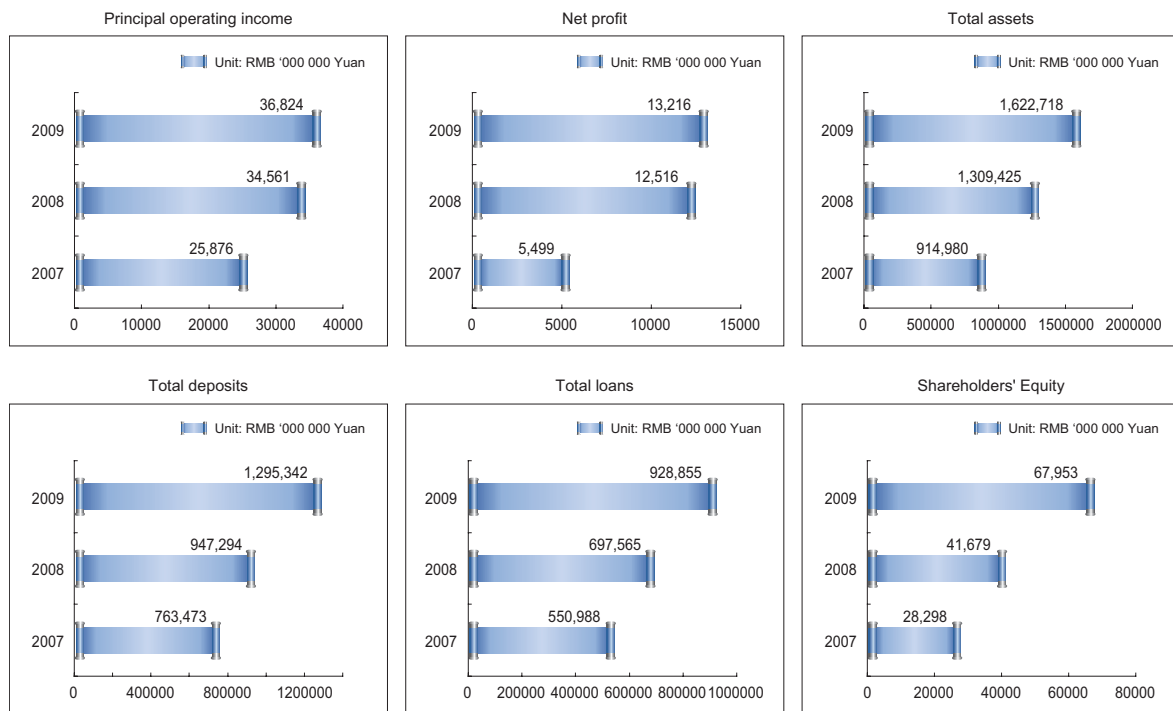
Summary of Key Financial and Performance Indicators

3. 3-year Key Financial and Performance Indicator Comparison

1. Key accounting data

Items	Unit: RMB '000 yuan			
	2009	2008	y-o-y +/- (%)	2007
Principal operating income	36,823,932	34,560,567	6.55	25,876,434
Total profit	17,296,025	15,303,455	13.02	10,758,301
Net profit belonging to shareholders	13,216,581	12,515,968	5.60	5,498,775
Net profit excl. extraordinary items that belongs to shareholders	13,125,995	12,136,003	8.16	6,550,795
Net cash flow from operating activities (yuan)	103,103,572	105,504,002	-2.28	55,426,777

Items	Unit: RMB '000 Yuan			
	2009	2008	y-o-y +/- (%)	2007
Total assets	1,622,717,960	1,309,425,442	23.93	914,980,346
Shareholders' Equity	67,953,026	41,679,436	63.04	28,297,868



Summary of Key Financial and Performance Indicators

Key accounting data	2009	2008		Y-o-y +/- (%)	2007	
	Domestic Audit (PRC GAAP)	Before adjustment	After adjustment		Before adjustment	After adjustment
EPS (yuan)	1.621	1.579	2.211	2.66	0.694	0.971
Diluted EPS (yuan)	1.621	1.579	2.211	2.66	0.694	0.971
EPS excl. extraordinary items (yuan)	1.610	1.531	2.144	5.16	0.827	1.157
Weighted average ROE (%)	25.85	36.71	36.71	-10.86 bps	20.10	20.10
ROE (weighted and excl. extraordinary items) (%)	25.67	35.60	35.60	-9.93 bps	23.94	23.94
Net cash flow per share from operating activities (yuan)	11.719	18.636	18.636	-37.35	12.728	12.728

Key accounting data	2009	2008		Y-o-y +/- (%)	2007	
	Domestic Audit (PRC GAAP)	Before adjustment	After adjustment		Before adjustment	After adjustment
Net book value per share that belongs to shareholders (yuan)	7.696	7.362	7.362	4.54	6.498	6.498

Note: (1) The above indicators are calculated according to Rule No. 9 for Publicly-listed Companies to Disclose Information: the calculation and disclosure of ROE and EPS (revised version 2010). Since the company executed the 2008 profit distribution program in 2009, the company's total share capital increased to 7,925,886,508 and the EPS is calculated on the basis of this total share capital. In addition, since the company fulfilled a private placement in September 2009 and issued 904,159,132 new shares. The company's total share capital increased to 8,830,045,640. Therefore, the EPS is calculated on the weighted value of common floating shares.

(2) The net cash flow per share from operating activities and the net book value per share that belongs to shareholders are diluted on the basis of a total share capital of 8,830,045,640.

Supplementary financial indicators

financial indicators (%)	2009 year-end	2008 year-end	Y-o-y +/- (%)	2007 year-end
Profitability Index				
Average returns on assets	0.90	1.13	-0.23 bps	0.69
Fully-diluted ROE	19.45	30.03	-10.58 bps	19.43
Fully-diluted ROE excl. extraordinary items	19.32	29.12	-9.80 bps	23.15
Spread	2.10	2.91	-0.81 bps	3.02
Net interest margin	2.19	3.05	-0.86 bps	3.12
Fee-based income to total operating income	5.99	5.19	+0.80 bps	4.36
Cost/Income Ratio	35.99	36.69	-0.70 bps	36.86
Cash dividend Ratio	10.02	10.40	-0.38 bps	12.67
Structure of income				
Net interest income to total	91.08	91.24	-0.16 bps	93.44
Non-interest income to total	8.92	8.76	+0.16 bps	6.56
Asset quality index				
NPL ratio	0.80	1.21	-0.41 bps	1.46
Provision / NPL ratio	245.93	192.49	+53.44 bps	191.08
Provision/ Total loan ratio	1.98	2.34	-0.36 bps	2.78

Note: (1) Spread = the difference between average return ratio of total interest bearing asset and average cost ratio of total interest bearing liability.

(2) Net Interest Income ratio = net interest income/ outstanding average balance of total interest bearing liability.

(3) Cost/Income Ratio = business and management cost/ operation income.

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Information on the Banking Businesses



Nanjing-Xuanwu Gate
Nanjing Branch

Information on the Banking Businesses

1. 3-year Financial Indicator Comparison

Items	Unit: RMB '000 yuan		
	2009	2008	2007
Total assets	1,622,717,960	1,309,425,442	914,980,346
Total liabilities	1,554,630,515	1,267,723,643	886,682,478
Total deposits	1,295,342,342	947,293,582	763,472,893
Incl: corporate demand deposit	522,911,068	350,196,732	324,180,911
Corporate time deposit	420,268,506	303,113,552	233,006,321
Savings demand deposit	62,140,148	46,351,149	44,055,415
Savings time deposit	154,596,942	105,133,721	66,355,058
Total loans	928,854,750	697,564,670	550,988,378
Incl: Normal loans	921,394,697	689,097,513	542,965,342
NPLs	7,460,053	8,467,157	8,023,036
Inter-bank borrowing	3,774,450	10,532,859	5,065,530
Loan loss reserves	18,346,725	16,298,102	15,330,732

Note: (1) Total deposits include short-term deposits, short-term savings, short-term guarantee deposits, remittance payable, temporary deposits, long-term deposits, long-term savings, long-term guarantee deposits and entrusted deposits.

(2) Total loans include short-term loans, import & export advancement, discounting, mid and long-term loans, overdue loans, bad loans and loan losses, draught and factoring.

Items	Unit: RMB '000,000 yuan		
	2009	2008	2007
Net share capital	97,580	68,213	50,374
Incl: Tier I share capital	65,184	37,845	27,621
Tier II share capital	33,112	30,981	23,088
Decrease	1,434	1,226	671
Net risk-weighted assets	943,705	751,821	550,777

Information on the Banking Businesses

2. 3-year Supplementary Financial Indicator Comparison

Items	Standard	2009		2008		2007		
		Year-end	Average	Year-end	Average	Year-end	Average	
Returns on total assets %		0.81	0.90	0.96	1.13	0.60	0.69	
Capital Adequacy Ratio %	≥8	10.34	9.28	9.06	8.88	9.15	8.96	
Tier I Capital Adequacy Ratio %		6.90	5.64	5.03	5.06	5.01	5.16	
NPL Ratio %		0.80	0.39	1.21	1.29	1.46	1.67	
Liquidity ratio %	RMB	≥25	48.71	47.95	55.24	44.20	39.60	40.97
	FX	≥60	55.32	80.90	91.22	64.78	58.29	83.69
Loans to deposits %	RMB	≤75	71.60	74.42	72.85	71.06	70.24	72.55
	FX	≤85	56.27	43.89	40.36	53.90	54.22	45.59
Inter-bank lending and borrowing ratio %	borrowing	≤4	0.29	0.63	1.12	0.59	0.40	0.43
	lending	≤8	1.85	1.43	1.36	1.73	1.27	0.92
Single largest customer lending to total loans %		≤10	3.35	3.49	2.96	4.42	4.21	3.82
Top 10 customers' loans to total		≤50	25.04	26.00	24.30	27.01	28.93	30.47
Provision coverage ratio			245.93	217.12	192.49	203.32	191.08	167.41

Note: (1) All the above indicators have been calculated according to method required by regulators.

(2) NPL ratio is calculated according to the 5-category classification of loans. $NPL\ ratio = (Substandard\ loans + Suspicious\ loans + Loan\ losses) / total\ loans.$

(3) Provision coverage ratio = outstanding balance of loan loss preserves / the outstanding balance of NPLs

Retrieval of loan

items (%)	2009		2008		2007	
	Year-end	Average	Year-end	Average	Year-end	Average
Retrieval ratio of normal loan	1.93	3.00	4.07	3.66	3.25	3.10
Retrieval ratio of specially-mentioned loans	20.41	21.32	22.23	21.15	20.07	21.19
Retrieval ratio of Sub-standard loans	20.24	25.75	31.26	37.72	44.19	50.51
Retrieval ratio of Doubtful loan	24.32	28.09	31.87	25.51	19.15	29.77



Information on the Banking Businesses

3. An overview of the branch network

The company is a one-layer legal entity and has one head-office and multiple branches. The company implements the strategy of being based in Shanghai and serving the whole nation. By the end of the reporting period, the company has set up 33 branches, with 565 banking offices. Following is an overview of the branch network:

No.	Unit	Address	Staff	Assets (RMB '000 yuan)	Subordinate
1	Head-office	No. 12, Zhongshan Dong Yi Road, Shanghai	1634	554,662,359	564
2	Shanghai Branch	No. 588, Pudong Nan Road, Shanghai	3202	270,682,889	119
3	Hangzhou Branch	No. 129, Yanan Road, Hangzhou	1326	93,752,524	33
4	Ningbo Branch	No. 21, Jiangxia Street, Ningbo	987	77,485,199	23
5	Nanjing Branch	No. 90, Zhongshan Dong Road, Nanjing	1717	108,369,548	41
6	Beijing Branch	No.68, Dong Si Shi Tiao, Dong Cheng District, Beijing	1210	118,799,279	33
7	Wenzhou Branch	Floors 1-3, Gaolian Building, Chezhan Street, Wenzhou	626	36,767,654	15
8	Suzhou Branch	No. 1478, Renmin Road, Suzhou	452	36,400,089	11
9	Chongqing Branch	No. 78, Xingguang Street, Hi-tech Park, Beibu New District, Chongqing	505	30,511,951	16
10	Guangzhou Branch	No. 189, Tiyu Xi Road, Guangzhou	925	67,750,259	22
11	Shenzhen Branch	International Commerce Centre, Fuhua Road No.3, Shenzhen	851	80,288,475	20
12	Kunming Branch	No. 145-1, Dongfeng Xi Road, Kunming	307	25,640,233	10
13	Wuhu Branch	No. 203, Renmin Road, Wuhu	224	8,192,993	7
14	Tianjin Branch	Suite D, 9 Binshui Avenue, Hexi District, Tianjin	637	59,782,743	15
15	Zhengzhou Branch	No. 299, Jinshui Road, Zhengzhou	898	85,506,976	18
16	Dalian Branch	No. 3 Zhongshan Square, Zhongshan District, Dalian	652	64,093,990	13
17	Jinan Branch	No. 139, Heihu Spring Road West, Ji'nan	611	36,730,674	13
18	Chengdu Branch	No.98-1, Shuanglin Road, Chengdu	416	54,389,592	12
19	Xi'an Branch	No. 29, Bei Da Jie, Xi'an	426	46,983,963	9
20	Shenyang Branch	No.158 Qingnian Road, Shenhu district, Shenyang	493	55,334,034	12
21	Wuhan Branch	No. 218, Xinhua Road, Jiangnan District, Wuhan	516	26,771,665	14
22	Qingdao Branch	No. 53, Hong Kong Xi Road, Qingdao	312	14,873,837	10
23	Taiyuan Branch	No. 333, Yingze Street, Taiyuan	382	40,610,218	9
24	Changsha Branch	No. 559, Wuyi Street, Changsha	441	25,265,846	11
25	Harbin Branch	No. 200, Hanshui Road, Haerbin	326	25,004,361	9
26	Nanchang Branch	No. 15, Yongquan Road, Nanchang	259	14,068,868	6
27	Nanning Branch	No. 22, Jinpu Road, Nanning	312	18,141,463	6
28	Urumchi branch	No.40 Mingzhu Road, Urumchi	202	11,117,991	5
29	Changchun branch	NO. 1277, Xi'An road	187	18,093,340	4
30	Hohhot Branch	No. 28, Dahue Street, Hohhot	177	13,450,283	5
31	Hefei Branch	No. 3, Changjiang Xi Road, Hefei	247	20,082,620	7
32	Lanzhou Branch	No. 101, Guangchang road(south)	132	11,901,291	2
33	Shijiazhuang Branch	No.35 Ziqiang road, Shijiazhuang	128	11,436,337	1
34	Fuzhou Branch	No. 222, Hudong Road, Fuzhou	94	6,979,487	0
	Adjustment		64	-548,200,806	34
	Total		21877	1,621,722,225	565

Information on the Banking Businesses

4. Assets quality during the reporting period

(1) 5-category classification of loans

5-category classification of loans	Amount	Percentage	Unit: RMB '000 yuan
			Up or down on a year-on-year basis (%)
Normal	914,092,268	98.41	34.65
Specially Mentioned	7,302,429	0.79	-28.78
Sub-standard	4,192,115	0.45	-14.83
Doubtful	1,962,286	0.21	-13.51
Losses	1,305,652	0.14	2.29
Total	928,854,750	100	33.16

Classification	As of Jan. 1, 2009	As of Dec. 31, 2009	Percentage %
Restructured loans	399,274	209,188	0.02
Loans overdue	6,098,021	6,039,799	0.65

(2) Classification based on products

	Unit: RMB '000 yuan					
	As of Dec. 31, 2009			As of Dec. 31, 2008		
	Total loan	NPL	NPL ratio (%)	Total loan	NPL	NPL ratio (%)
Corporate loan	730,839,811	6,647,151	0.91	563,691,887	7,895,546	1.40
Bill	40,267,159	-	-	26,051,639	220	0.00
Retail loans	157,747,780	812,902	0.52	107,821,144	571,391	0.53
Total loans	928,854,750	7,460,053	0.80	697,564,670	8,467,157	1.21



Information on the Banking Businesses

(3) Classification based on industry

	Unit: RMB '000 yuan					
	As of Dec. 31, 2009			As of Dec. 31, 2008		
	Outstanding loans	Percentage to total (%)	NPL ratio	Outstanding loans	Percentage to total (%)	NPL ratio
Corporate loan	771,106,970	83.02	0.86	589,743,526	84.54	1.34
Agriculture, forestry, farming and fishery	3,689,480	0.40	0.77	2,687,475	0.39	1.81
Mining	20,364,955	2.19	0.22	17,045,222	2.44	0.38
Manufacturing	202,455,266	21.80	1.98	174,664,004	25.04	2.57
Electricity, gas and water supply	48,228,710	5.19	0.42	48,263,787	6.92	0.47
Construction	48,253,345	5.19	0.39	37,965,782	5.44	0.18
Geological survey, irrigation	106,028,023	11.41	0.00	51,050,352	7.32	0.00
Transportation, warehouse and postal service	69,334,300	7.46	0.12	50,608,676	7.26	0.37
Wholesale and retail, catering	88,315,983	9.51	1.78	69,121,358	9.91	2.87
Real estate	80,904,211	8.71	0.29	63,952,620	9.17	0.62
Social services	64,659,539	6.96	0.40	46,677,950	6.69	0.88
Sanitation, social welfare	5,837,902	0.63	0.00	3,254,900	0.47	0.00
Education, culture, broadcasting	16,665,918	1.79	0.19	11,365,885	1.63	0.09
Scientific research	1,451,141	0.16	0.00	600,518	0.09	2.35
Other (including government) welfare	14,918,197	1.61	0.00	12,484,997	1.79	0.01
Retail loans	157,747,780	16.98	0.52	107,821,144	15.46	0.53
Total	928,854,750	100.00	0.80	697,564,670	100	1.21

Note: Corporate loans include bill discounting.

(4) NPLs and measures taken

According to the 5-category loan classification method, by the end of the reporting period, the NPLs accounted for 0.8% of the company's total loans, down by 0.41 base point on a year-on-year basis. The Company has taken the following measures to manage NPLs, firstly, to actively implement the national macro-economic control measures and implemented different policies to strive for efficient growth of credit, while maintaining the continuous growth of credit scale, the company continues to optimize the structure of credit portfolio. Secondly, to strengthen the management of credit assessment and set up credit assessment by regions, implement the online credit assessment system which further upgrades the overall efficiency and quality of credit assessment. Thirdly, to continuously enhance after-loan inspections and monitoring and implement pre-warning system, upgrade the pre-warning system, set up the media information monitoring system and conduct focused inspections and set up full-round risk monitoring and reporting system so as to identify potential risks on a timely basis and effectively control the growth of new NPLs. Fourthly, to make active efforts to collect bad loans through various market means. A large sum of old NPLs was collected back, thus greatly improving the asset quality.

Information on the Banking Businesses

5. An overview of provisions for NPLs

	Unit: RMB '000 yuan
	Amount
Loan provisions as of Jan. 1, 2009	16,298,102
Loan provisions charged during the reporting period	3,052,663
Loan provisions brought forwarded or withdrawn	-5,247
Loan provisions written-off during the reporting period	-813,738
Converted back to loan provisions due to repayment of written-off loans	69,136
Converted back to loan provisions for loan interests impaired	-254,191
Loan provisions as of Dec. 31, 2009	18,346,725

Note on the withdrawal of loan depreciation preserves: the par value of the balance sheet is evaluated. In case there is evidence that any loan has depreciated and the event will exert calculatable impact on the future cash flow, the par value shall be decreased to the estimated future cash flow. The present value of the estimated future cash flow shall be determined according to the actual interest rate of the financial assets and the value of the collateral shall be taken into consideration. Once the depreciation value is determined, if there is evidence that the value of the financial asset has been restored, the original depreciated value shall be converted into losses and gains for the current reporting period.

6. An overview of interests receivable

	Unit: RMB '000 yuan			
Items	As of Jan. 1, 2009	Increase	Decrease	As of Dec. 31, 2009
Interests receivable for balance sheet items	5,055,230	49,371,293	48,990,603	5,435,920
Interests receivable for off-balance sheet items	1,346,595	919,829	720,006	1,546,418

Note: The bank's loans expanded and bonds investment increased. Consequently, the interests receivable calculated in the principle of accrual system increased greatly compared with the beginning of the accounting period.

7. Operating income

	Unit: RMB '000 yuan		
Items	Amount	Percentage (%)	+/- on a year-on-year basis (%)
Loans	46,696,266	72.98	4.97
Inter-bank lending and borrowing	481,730	0.75	-41.14
Placement with the central bank and other banks	4,210,048	6.58	64.00
Bonds investment	6,173,147	9.65	20.86
Financial assets sold for repurchase	1,944,801	3.04	-22.44
Fees and commissions	2,720,419	4.25	16.51
Other items	1,762,630	2.75	20.28
Total	63,989,041	100	7.93



Information on the Banking Businesses

8. An overview of the company's lending businesses

(1) Top 10 industries/sectors the company supported most with lending and their percentages

Industry	Unit: RMB '000 yuan			
	As of Dec. 31, 2009		As of Jan. 1, 2009	
	Outstanding balance	Percentage (%)	Outstanding balance	Percentage (%)
Manufacturing	202,455,266	21.80	174,664,004	25.04
Geological survey, irrigation	106,028,023	11.41	51,050,352	7.32
Wholesale, retail, catering	88,315,983	9.51	69,121,358	9.91
Real estate	80,904,211	8.71	63,952,620	9.17
Transportation, warehouse and postal service	69,334,300	7.46	50,608,676	7.26
Social service	64,659,539	6.96	46,677,950	6.69
Electricity, gas and water supply	48,228,710	5.19	48,263,787	6.92
Construction	48,253,345	5.19	37,965,782	5.44
Mining	20,364,955	2.19	17,045,222	2.44
Education, culture, broadcasting	16,665,918	1.79	11,365,885	1.63

(2) Lending analyses by region

Region	Unit: RMB '000 yuan			
	As of Dec. 31, 2009		As of Jan. 1, 2009	
	Outstanding balance	Percentage (%)	Outstanding balance	Percentage (%)
Shanghai	128,080,037	13.79	115,632,997	16.58
Zhejiang Province	155,426,138	16.73	116,582,601	16.72
Jiangsu Province	101,759,926	10.96	73,114,654	10.48
Guangdong Province	57,084,642	6.15	43,973,116	6.30
Beijing	46,954,159	5.06	40,436,711	5.80
Off-shore banking	5,456,313	0.59	2,535,558	0.36
Other regions	434,093,535	46.72	305,289,033	43.76

Information on the Banking Businesses

(3) Top 10 borrowers

Borrower	Unit: RMB '000 yuan	
	Outstanding balance of loans	% in total loans
Tianjin Binhai New District Construction & Investment Group Co., Ltd	3,270,000	0.35
Shaanxi Transportation Bureau	2,802,000	0.30
Chongqing Real Estate Group	2,650,000	0.29
Changchun Urban Development (Group) Co., Ltd	2,571,500	0.28
Zhangjiakou High-standard Highway Asset Management Center	2,500,000	0.27
China Datang Group Co.	2,300,000	0.25
Jinan West District Construction & Investment Corp.	2,250,000	0.24
Tianjin Urban Infrastructure Construction & Investment Group Co.	2,100,000	0.23
Tianjin Economic & Technology Development District State-owned Assets Operation Corp.	2,000,000	0.22
Shanghai Land Reserve Center	2,000,000	0.22
Total	24,443,500	2.63

(4) Method of guarantee

Method of guarantee	Unit: RMB '000 yuan	
	Outstanding balance of loan	% in total loans
Clean loan	208,198,978	22.42
Secured loan	261,019,592	28.10
Collateral loan	353,658,796	38.07
Pledged loan	105,977,384	11.41
Total	928,854,750	100

(5) Risk management for holding group corporate clients:

The company has developed internal rules on how to manage credit granted to holding group corporate clients and implemented the principle of unified credit principle, control of total credit line, pre-warning and risk-based management. Firstly, the company made full use of existing risk management tools and enhance the risk management capability and expand the scope of risk monitoring; secondly, the focus has been placed on the system of risk management ownership, that is, for any case of credit granting to a holding group corporate client, one branch shall be specified as the owner of the responsibility, while other relevant branches working as supporting branches and more emphases have been placed on the execution of various risk management systems and pre-warning systems. Thirdly, more restricted market entry policy has been impeneted for holding group corporate client and enhanced control of credit limit for holding group corporate client so as to prevent risks therein.



Information on the Banking Businesses

9. Debt assets

Types	Unit: RMB '000 yuan			
	As of Dec. 31, 2009		As of Jan. 1, 2009	
	Amount	Impairment reserve charged	Amount	Impairment reserve charged
Real estate	1,146,266	652,346	1,328,686	760,041
Shares owned by legal entity	19,297	8,704	18,402	8,008
Others	13,527	13,304	15,208	9,897
Total	1,179,090	674,354	1,362,296	777,946

10. An Overview of the Company's Deposit Structure and Loan Structure

(1) Major deposit structure

Type	Unit: RMB '000 yuan	
	Average outstanding balance	Average interest rate (%)
Demand deposit by corporate client	409,881,510	0.53
Time deposit by corporate client	369,229,077	2.70
Demand deposit by individual client	49,130,220	0.37
Time deposit by individual client	133,838,260	2.35

(2) Major loan structure

Type	Unit: RMB '000 yuan	
	Average outstanding balance	Average interest rate (%)
Short-term loan	498,359,076	5.12
Medium and long-term loan	375,995,136	5.63

11. Financial bonds held by the company

Type	Unit: RMB '000 yuan	
	Amount	
Sellable financial assets	11,479,228	
Investment classified as loans and receivables	29,287,249	
Investment held to maturity	1,344,469	

Information on the Banking Businesses

In particular, major financial bonds held by the company include:

Type of bond	Par value	Annualized interest rate	Unit: RMB '000 yuan	
			Date of maturity	Provision for impairment
China Import & Export Bank 2008 No. 13 financial bonds	2,360,000	1.65	2010-01-15	-
State Development Bank 2008 No. 21 financial bonds	2,090,000	2.21	2011-12-05	-
State Development Bank 2008 No. 28 financial bonds	2,030,000	2.86	2013-02-19	-
China Import & Export Bank 2008 No. 6 financial bonds	1,900,000	4.70	2011-08-19	-
State Development Bank 2008 No. 22 financial bonds	1,620,000	2.15	2011-12-12	-

12. Entrusted wealth management, asset securitization, agent and custody business

(1) Entrusted wealth management

The company sped up the issuance of various wealth management products and launched a total of 316 products, with the income exceeding RMB 61.01 million, total sale RMB 40 billion.

(2) Asset securitization

The total amount of asset securitization reached RMB 514 million. And investment on the ABS subordinate security product amounted to RMB153 million, with an income of RMB12.01 million.

(3) Agent business

The average daily deposit of third party deposit and management stood at RMB 11.4 billion, with a fee income of RMB 10 million; fee income of agent loan for treasury businesses and precious metal businesses reached RMB 1.06 million, and fee income of insurance agent business exceeded RMB 14.5 million.

(4) Custody business

The total custody scale amounted to RMB 145.574 billion, up by 60% on a year-on-year basis with an income of RMB157 million. The company witnessed further improvements in custody business portfolio with various products including stock investment fund, annuity, direct equity investment fund, asset entrust fund, QDII fund, insurance products, entrusted assets, transaction fund etc.

(5) Entrusted wealth management business

243 wealth management products were launched in 2009 with a total amount of RMB 60.2 billion, among which RMB 41.2 billion for corporate clients, with an income of RMB 107 million.

(6) Underwriting bonds and the related gains and losses

The company issued an accumulated amount of RMB 33.5 billion bond instruments among which, the company worked as the principal underwriter for a total of RMB 22.8 billion, up by 50% and the fee-income for underwriting bonds totaled RMB 104.11 million yuan, up by 43% on a year-on-year basis.



Information on the Banking Businesses

13. Major Off-balance Sheet Items

Items	Unit: RMB '000 yuan	
	As of Dec. 31, 2009	As of Jan. 1, 2009
Credit commitment	300,827,772	271,983,881
Incl.: irrevocable credit commitment	15,000	20,000
Banker's acceptance bills	228,097,040	204,069,015
Accepted bills payable	2,561,475	3,877,599
L/G issued	42,767,812	38,765,376
L/C issued	13,670,055	9,388,058
Unused credit line of credit cards	13,716,390	15,863,833
Lease and rental commitment	3,613,084	2,788,529
Capital investment commitment	739,556	314,791

Note: the above off-balance sheet items may exert certain impacts on the company's financial strength and results, which depends on the occurrence or non-occurrence of certain events in the future. Under certain conditions, based on relevant principles, such potential liabilities may convert to real liabilities of the company.

Derivatives held by the company

Type	Contract/Nominal value	Unit: RMB '000 yuan	
		Fair value	
		Assets	Liabilities
Interest rate swap	20,056,168	412,010	549,561
FX futures	7,438,115	28,228	21,065
Currency swap	17,246,334	167,102	34,878
Futures	-	-	-
Future interest rates	-	-	-
Precious metal futures	461,637	-	-
Total	45,202,254	607,340	605,504

14. The various risks that the company has to face up to and relevant risk management

As a special corporate dealing with money and credit, the company mainly has to face up to the following risks, credit risk, liquidity risk, market risk (including interest rate risk and foreign exchange rate risk), operation risk (including settlement risk, technology risk, system risk etc.), legal risk and strategy risk.



Information on the Banking Businesses

(1) Credit risk management

The company implemented the macro-economic control measures of the central government, focused on business structure adjustment, improvement of various infrastructure and systems and innovation and achieved remarkable improvement in terms of risk management. The company's total credit assets grew at a reasonable speed and the asset quality was continuously improved and various risks were effectively controlled.

Pursuant to the government's macro-economic policy, the company developed and implemented its 2009 Credit Guideline which highlighted a credit policy featuring overall volume control, structure adjustment, and differentiated treatment so as to avoid the negative impact from fluctuation of economic cycles on loan businesses. In the credit assessment process, the company opened green-path for "green" corporations. For enterprises with high pollution and high resource consumption, the company adopted more strict control on overall credit limit. As a result, the structure of the company's loan businesses was further optimized.

The company gave a priority to the construction of the risk pre-warning system and combined it with after-loan examination, continuous monitoring, risk classification, authorization control and so on and put into place a risk pre-warning procedure with such steps as risk identification, reporting and handling. By putting into place such mechanisms as risk pre-warning, speedy reaction and strict after-loan examination, the company may take timely measures to control risks and mediate risks.

The company accomplished the Basel II Accord Planning Project and planned to implement the new accord accordingly. The company promoted the internal rating system and so far has finished the bidding process for internal rating for corporate banking, the report on how to implement the module construction and gap analyses report. In terms of consumer banking, the internal rating project has also started. Various preparation work has started. The company continued to upgrade and optimize the existing risk management system, accumulate bank-wide credit data and further improve the foundation of credit management.

In terms of special assets management, the company made intensified efforts to collect the stock NPLs and new NPLs. Meanwhile, the company took active measures to deal with NPLs by market-oriented means and accomplished the packet disposal of NPLs. Consequently, the company's NPL ratio continued to drop.

(2) Liquidity risk management

Pursuant to regulators' monetary policy and the bank's own increase of loan and deposit, the company strengthened asset liability management in order to maintain stable liquidity.

In 2009, the company's liquidity management department set up the aggregated management module for funds. As a result, the outstanding balance of bank-wide accounts can be managed at the head-office level. In terms of the management tools, the company used the cash flow management tool to strength the management of the large-sum cash position and conduct real time monitoring of the balance sheet and enhance the efficiency and effectiveness of the liquidity.

By the end of 2009, the liquidity ratio for RMB stood at 48.71%, down by 6.53 bps on year-on-year base and liquidity ratio of FX stood at 55.32%, down by 35.9 bps. The company's deposit/loan ratio in RMB is 71.60%, down by 1.25 bps from the previous year. And the deposit/loan ratio in FX is 56.27%, up by 15.91 bps from the year-end of 2008.

The company's mid-and-long-term RMB deposit/loan ratio is 50.69%, up by 10.67 bps on a year-on-year basis. The company's mid and long-term FX deposit/loan ratio is 19.53%, down by 9.76 bps from the year-end of 2008. The company maintained a liquidity ratio at the People's Bank of China of 4.65%, thus enjoying a sound liquidity base.

In terms of liability businesses, the company made active efforts to keep sustainable growth and steady of deposits. While actively expanding basic deposits, the company also tried to absorb more deposits from other financial institutions. While adjusting the structure of liabilities, the company tried hard to control the average cost of them.



Information on the Banking Businesses

In terms of assets, in 2009, the company allocated more funds in terms of credit products and treasury products so as to improve the overall efficiency of funds. The company also tried to adjust the structure of assets. Noticing that the sharp increase in mid and long-term loans resulting decrease in liquidity, the company added more fixed-income assets so as to improve the liquidity of assets so as to reach a balance in liquidity, safety and efficiency of funds.

(3) Market risk management

The main market risks facing the company lied in the interest rate and FX rate risks. In the trading book, the company strictly followed the various exposure limits set as FX market maker tradings and mainly held market risk exposures of futures (SWAP) FX derivatives. Since back to back hedge arrangement was introduced in deals regarding these complex products, there was no market risk involved. And in bank's own account, the company mainly held RMB bonds and FX bonds. The interest rate risks, sensitivity analyses and bank-wide FX risk exposure and other relevant risk indicators were all reported in the Market Risk Report which was developed on a regular basis.

The company has put into place a market risk management system and continuously enhanced its market risk management standard and the capability to identify, measure, calculate and control market risks. The company mainly adopted such tools as limit management, interest rate sensitivity analyses, pressure test etc. to measure and monitor market risk. The company used such instruments as interest rate swap, futures and other derivatives and combination of financial derivatives to transfer and hedge market risks. Meanwhile, the company strengthened bank-wide market risk analyses, and prepared regular reports on market risk management.

In 2009, in order to effectively control the market risks encountered by the company, the company adopted the following measures to strength market risk: firstly, to formulate such important rules and regulations as Guidelines for Treasury Business Risk Management, Management Procedures for Treasury Businesses and so on; secondly, to expand the depth and breadth of mark-to-market and improve market analyses etc, thirdly, to enhance monitoring on new treasury products, key products and other important products so as to upgrade the standards of identifying, measuring and controlling market risks.

(4) Operational risk

During the reporting period, there occurred no material risk events that brought damage to the reputation of the company.

Based on the best practice of international leading banks, the bank implemented an overall internal control project in an aim to identify various risks, determine the control measures through clarifying business and operational procedures in order to build a systematic, transparent internal control mechanism. Project of promotion of Internal Ratings-Based Approach was well under way in all the branches, and some branches already had entered into the evaluation phase. The achievements in the promotion of Internal Ratings Based Approach and initiation of evaluation had helped to lay a solid foundation for the long term improvement of internal control mechanism of the company.

Meanwhile, the company actively engaged in the work of establishing operational risk management system. Based on the requirements of overall risk control and advanced international experience, the company put forward a systematic risk control policy in an aim to clarify the framework of operational risk management, operational structure, quantitative evaluation method, reporting route and pre-warning system. The company also organized research on theory of risk management and put forward on trial base the risk identifying, evaluation and monitoring procedures throughout the whole bank. Based on the data collected, the company built up a data base for risk management, thus laid a sound foundation for risk analysis of various operation procedures, date and IT oriented management of operational risks, which would ultimately establish a long term effective risk management system.



Information on the Banking Businesses

(5) Other risks

The company established a comprehensive legal risk management framework with basic internal legal affairs operation platform and procedure control system backed up by an adequate team of professional, thus providing effective control of legal risks in various businesses. With enhanced consciousness of legal risks, legal professionals of the legal supervision department fully engaged in innovation procedure of new and traditional products, including the drafting of regulations, evaluation of operational procedure backed up by sound research and examination systems. Besides daily business, the company also provided legal assistance with regard to the bank's involvement in other social activities.

With regard to strategic risk, the company fit itself to the overall strategic environment and thus positioned itself as a modern financial service provider with full consideration of the long term financial development trend. Catering for the economic development and based on the bank's own development requirements, the company had built up a solid client base, an advantageous finance holding platform and rational service network with sound financial condition and human resources base. The company's strategy well suited to the domestic economic environment with sound benefits. The executive power and competitiveness of the company had also won recognition among counterparts both at home and abroad with strategy risk maintained at a rather lower level.

15. Completeness, reasonability and effectiveness of the Company's internal control

During the reporting period, the company followed the stipulations of the Provisionary Rules on Developing Rules and Regulations and led the various departments at the head-office to clear up all the rules and regulations that have been formulated since the founding of the bank. The effectiveness of rules and regulations was recognized and non-valid rules and regulations were canceled. On the basis of this clean-up, the company required all departments to make new rules, or modify rules and regulations, thus optimizing the structure and framework of internal rules and regulations.

The company has developed relatively complete set of internal control rules and regulations, which can be executed effectively and the internal control standard has been improved and the internal control system has been improved.

16. Business innovation

The company further improved the innovation management system, formulated the procedures for developing new products and services, clarified the responsibilities for product innovation and further enhanced the capability for product and service innovation.

Firstly, the company led the PE fund services. The company occupied 50% of the market share and developed an investment information platform for PE and became the first commercial bank that owns its own PE project database. Secondly, the company made breakthrough in cross-border RMB settlement and launched the first cross-border RMB L/C settlement. All the year-round, the settlement amount amounted to more than RMB 100 million. Thirdly, the company became a pioneer in low-carbon finance in the Chinese banking industry. Fourthly, the company launched financial service programs for M & A and issued the first loan for M & A. Fifthly, the company developed a complete service system for treasury management for holding companies. Sixthly, the company launched new wealth management products for individual clients. Seventhly, new products for personal loans were launched. Eighthly, more card products and service channels were launched. Ninthly, the bill-based wealth management product was launched. Tenthly, the company launched international gold OTC services in the bank's own book and developed a management information system for gold businesses on the bank's own book.



Information on the Banking Businesses

17. Changes in interest rate, foreign exchange rate, taxation rate and whether such new policies exert material impact on commercial bank business operation and profitability

(1) In 2009, the central government of China took enhanced macro-economic adjustment measures to counter the serious impact of international financial crisis. The basic deposit interest rate and the provision rate of deposit maintained at the same level after several down-ward adjustments. The company adjusted its credit policy on a timely basis so as to ensure the steady growth in operating income and profitability.

(2) Since 2009, RMB exchange rate was quite steady. Near the year-end of 2009, RMB to USD appreciation ratio reached 0.09%. And RMB depreciated to EUR by 1.41% and appreciated to JPY by 2.53%. The steady exchange rate of RMB made the exchange rate risk encountered by the company stay at a manageable level.

(3) The regulators enhanced supervision of commercial banks in terms of capital adequacy in 2009 and made major adjustment in the CAR level required and the method to re-enhance it. CBRC issued Guidelines on CAR Inspections of Commercial Banks. All these exerted certain pressure on the company's capital management. The company raised another 15 billion as capital through private placement in Sept. 2009.

(4) The CBRC issued three new rules and one guideline, namely, the Provisionary Rules on Fixed-asset Loan Management, the Provisionary Rules on Working Capital Loan Management, the Provisionary Rules on Personal Loans and Guidelines on Project Financing. These new rules and regulations strictly standardize the each and every points of asset management and operation of commercial banks. Of which, the Provisionary Rules on Fixed-asset Loan Management and the Guidelines on Project Financing were put into effect in 2009, which exert certain impact on risk management, operation control and customer relationship of commercial banks.



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Changes in Shares and Shareholders



Beijing-Temple of Heaven
Beijing Branch

Changes in Shares and Shareholders

1. Share Capital Change

1) Share transfer

	Unit: shares						
	Current Before		Change (+, -)			Current After	
	Total shares	% Non-marketable shares(May 12)	Gift shares (June 9)	Private placement (Sept 21)	Total shares	%	
Shares with lock-up terms	649,173,239	11.47	-649,173,239	-	-	-	-
1. State-owned	-	-	-	-	-	-	-
2. Legal entity held	649,173,239	11.47	-649,173,239	-	+211,247,136	211,247,136	2.39
3. Other domestic legal entities	-	-	-	-	-	-	-
Incl: domestic legal entities	-	-	-	-	+601,192,286	601,192,286	6.81
Domestic natural persons	-	-	-	-	+91,719,710	91,719,710	1.04
4. Foreign stock-holders	-	-	-	-	-	-	-
Incl: Foreign legalentities	-	-	-	-	-	-	-
Foreign natural persons	-	-	-	-	-	-	-
Shares without lock-up terms	5,012,174,267	88.53	+649,173,239	+2,264,539,002	-	7,925,886,508	89.76
1. RMB common shares	5,012,174,267	88.53	+649,173,239	+2,264,539,002	-	7,925,886,508	89.76
2. Domestically-listed foreign companies	-	-	-	-	-	-	-
3. Oversea-listed foreign companies	-	-	-	-	-	-	-
4. Others	-	-	-	-	-	-	-
Total shares	5,661,347,506	100	-	-	-	8,830,045,640	100

2) Transfer of locked-up shares

Shareholder	Unit: shares					
	Locked-up shares as of Jan. 1, 2009	Shares became floating in 2009	Locked-up shares as of +/- Dec. 31, 2009	Reasons	Floating date	
Shanghai International Group	649173239	649173239	-	State-owned share reform	09-5-12	
Haitong Securities Corp	-	-	12,010,265	120,101,265	Private placement	10-9-29
Youngor Group	-	-	106,027,727	106,027,727	Private placement	10-9-29
Ching Pingan Life-traditional insurance-general insurance Products	-	-	103,013,863	103,013,863	Private placement	10-9-29
Yiqian Liu	-	-	91,719,710	91,719,710	Private placement	10-9-29
China National Offshore Oil Corporation	-	-	91,145,871	91,145,871	Private placement	10-9-29
Nice Group	-	-	90,665,461	90,665,461	Private placement	10-9-29
China Pacific Life Insurance Co., Ltd.-traditional insurance-general insurance products	-	-	59,880,100	59,880,100	Private placement	10-9-29

Changes in Shares and Shareholders

Shareholder	Unit: shares					
	Locked-up shares as of Jan. 1, 2009	Shares became floating in 2009	Locked-up shares as of Dec. 31, 2009	+/-	Reasons	Floating date
China Pacific Life Insurance Co., Ltd.-dividend distribution-individual dividend distribution	-	-	59,880,000	59,880,000	Private placement	10-9-29
Industrial Bank Co., Ltd.-Industrial Trend Investment Hybrid Securities Investment Fund	-	-	52,182,640	52,182,640	Private placement	10-9-29
Taikanglife Insurance Co.,Ltd-unit-linked products-unit-lined products of individual business	-	-	25,144,665	25,144,665	Private placement	10-9-29
Taikanglife Insurance Co.,Ltd-dividend distribution-individual dividend distribution-019L-FH002 Shanghai	-	-	23,601,411	23,601,411	Private placement	10-9-29
Taikanglife Insurance Co.,Ltd-universal life insurance- universal life insurance of individual business	-	-	20,341,880	20,341,880	Private placement	10-9-29
Industrial Bank Co., Ltd.-Industrial Global View Securities Investment Fund	-	-	18,000,000	18,000,000	Private placement	10-9-29
China Construction Bank-Industrial Social Responsibility Securities Investment Fund	-	-	12,000,000	12,000,000	Private placement	10-9-29
Taikanglife Insurance Co.,Ltd-traditional insurance-general insurance products-019L-CT001 Shanghai	-	-	8,299,729	8,299,729	Private placement	10-9-29
Industrial and Commercial Bank of China-Industrial Convertible Bond Hybrid Securities Investment Funds	-	-	5,000,000	5,000,000	Private placement	10-9-29
Taikanglife Insurance Co.,Ltd-dividend distribution-group dividend distribution-019L-FH001 Shanghai	-	-	4,346,040	4,346,040	Private placement	10-9-29
Sunshine Insurance Group Co.,Ltd-dividend distribution insurance products	-	-	4,030,139	4,030,139	Private placement	10-9-29
Industrial and Commercial Bank of China-Industrial Organic Growth Securities Investment Fund	-	-	4,000,000	4,000,000	Private placement	10-9-29
Sunshine Insurance Group Co.,Ltd-universal life insurance	-	-	2,012,055	2,012,055	Private placement	10-9-29
Taikanglife Insurance Co.,Ltd-Kaitai-stable growth investment product	-	-	1,408,439	1,408,439	Private placement	10-9-29



Changes in Shares and Shareholders

Shareholder	Locked-up		Shares became floating in 2009	Locked-up		Reasons	Floating date
	shares as of Jan. 1, 2009			shares as of Dec. 31, 2009	+/-		
Taikanglife Insurance Co.,Ltd- universal life insurance-universal life insurance of group business	-	-	362,170	362,170	Private placement	10-9-29	
Taikanglife Insurance Co.,Ltd- unit-linked-progress-019L-TL002 Shanghai	-	-	301,808	301,808	Private placement	10-9-29	
China Construction Bank Pension Plan-ICBC	-	-	211,266	211,266	Private placement	10-9-29	
Guangxi Zhuang Autonomous Region of China Pension Plan-Bank of China	-	-	152,916	152,916	Private placement	10-9-29	
Lu'an Group Pension Plan-ICBC	-	-	77,464	77,464	Private placement	10-9-29	
China Chengda Engineering Co.,Ltd.-Bank of China	-	-	72,434	72,434	Private placement	10-9-29	
Guangzhou Rural Credit Union Pension Plan-Citic	-	-	69,416	69,416	Private placement	10-9-29	
Shanxi Coking Coal Group Co.,Ltd. Pension Plan-ICBC	-	-	30,181	30,181	Private placement	10-9-29	
Guodian Nanjing Automation Co., Ltd. Pension Plan-Bank of Communications	-	-	23,139	23,139	Private placement	10-9-29	
China Aeronautical Project and Design Institute Pension Plan-ICBC	-	-	21,127	21,127	Private placement	10-9-29	
Nanjing Port Group Co. Pension Plan-ABC	-	-	8,048	8,048	Private placement	10-9-29	
Beijing Construction Engineering Group Co., Ltd. Pension Plan- SPDB	-	-	7,042	7,042	Private placement	10-9-29	
Shanxi Rural Credit Union Pension Plan-CMB	-	-	6,036	6,036	Private placement	10-9-29	
China Energy Conservation Investment Corporation Pension Plan-China Everbright Bank	-	-	6,036	6,036	Private placement	10-9-29	
Hydrochina Kunming Engineering Corporation Pension Plan-China Minsheng Banking Co., Ltd.	-	-	3,018	3,018	Private placement	10-9-29	
Duzhe Publishing Group Pension Plan-CMB	-	-	3,018	3,018	Private placement	10-9-29	
Yuanhua Group Pension Plan- China Everbright Bank	-	-	3,018	3,018	Private placement	10-9-29	

Unit: shares

Changes in Shares and Shareholders

2. New share issuance

(1) An overview of new issuance during the past 3 years

New issuance on Nov. 6, 2006: according to CSRC [2006] No. 118 Document, the company was approved to issue no more than 700 million new shares and the company actually issued 439,882,697 new shares at an offer price of RMB 13.64 yuan per share. A total number of 5.91 billion funds were raised and the company's share capital rosed to 4,354,882,697 shares.

The company issued new shares through private placement in 2009 with approval from CSRC encoded [2009] No. 950 at an offering price of RMB 16.59 yuan per share and the allotment of shares totaling to 904,159,132. The net amount of the actual private issuing was 14,826,659,583.97 subsequent to deducting issuing and other expenses, and the grand capital stock totals to 8,830,045,640.

(2) Shares owned by staff

There are no staff-owned shares during the reporting period.

3. Shareholders

1. The number and share holdings of shareholders

Total number of shareholders							477125
Top 10 shareholders							
Shareholder name	Nature Shareholder nature	Shareholding position (% of the total)	Total shares held	Increase or decrease	Number of locked-up shares held	Shares pledged or frozen	
Shanghai International Group	Government -owned	21.159	1,868,351,430	533,814,694			
Shanghai International Trust Co.,Ltd.	Government -owned	6.540	577,469,701	164,991,343			
Citibank Overseas Investment Corporation	Overseas-investment	3.392	299,505,448	85,572,985			
Shanghai Guoxin Investment & Development Corp	Government -owned	2.527	223,137,278	63,753,508			
Xingya Group Co.,Ltd	Non-Government owned	1.417	125,106,450			89910000	
Haitong Securities Co., Ltd.	Government -owned	1.360	120,102,665		120102665		
Brilliance Group	Government -owned	1.274	112,475,454	32,135,844			
Youngor Group Co.,Ltd.	Non-Government owned	1.201	106,027,727		106027727		
Ping An Life Insurance Company of China-traditional insurance-general insurance products	Non-Government owned	1.167	103,013,863		103013863		
China Tobacco & Cigarette Group Jiangsu Branch(Jiangsu Provincial Tobacco & Cigarette Corp.)	Government -owned	1.078	95,195,507	27,198,716			

Note: (1) The company implemented the 2008 profit distribution plan of "4 bonus shares for every 10 shares" during the period and the movement should be absolute number.

(2) Xingya Group Co.,Ltd, Haitong Securities Co., Ltd., Youngor Group Co.,Ltd. and Ping An Life Insurance Company of China-traditional insurance-general insurance products were not ranked top 100 shareholders by the end of 31 December 200, therefore, the movement in the period cannot be counted.



Changes in Shares and Shareholders

An Overview of the Top 10 Shareholders of Non-lock-up shares

Shareholder name	Non-locked-up shares held	Share type
Shanghai International Group	1868351430	RMB general stock
Shanghai International Trust Co.,Ltd.	577469701	RMB general stock
Citibank Overseas Investment Corporation	299505448	RMB general stock
Shanghai Guoxin Investment & Development Corp	223137278	RMB general stock
Xingya Group Co.,Ltd	125106450	RMB general stock
Bailiang Group Co.,Ltd.	112475454	RMB general stock
China Tobacco & Cigarette Group Jiangsu Branch	95195507	RMB general stock
Bank of Communications – Efund 50 Index Securities Investment Fund	92419859	RMB general stock
Shanghai Postal Corp.	66947546	RMB general stock
CCB – Great Wall Selected Equity Investment Funds	64334040	RMB general stock
Note on the correlation between the shareholders mentioned above and the possibility of taking joint activities	Shanghai International Group is the holding company of Shanghai International Investment & Trust Corp. and Shanghai Guoxin Investment & Development Corp.	

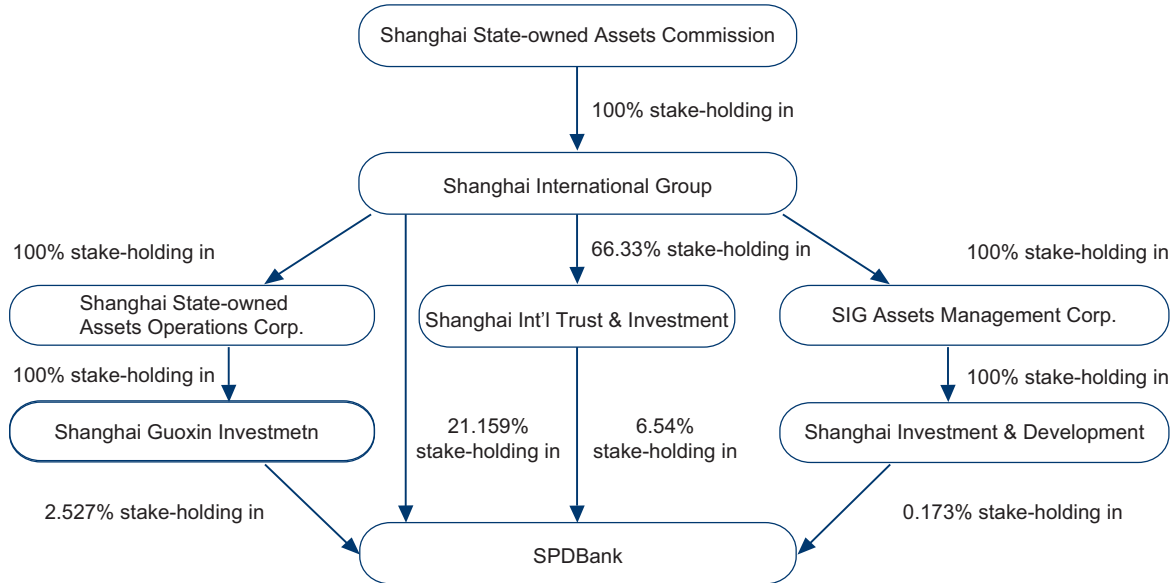
2. Information on the No. 1 shareholder

- (1) There is no change in the No. 1 shareholder of the company during the reporting period.
- (2) A diagram to illustrate the equity and control relationship between the company and the No. 1 shareholder



Changes in Shares and Shareholders

The company's No. 1 shareholder is Shanghai International Group, founded on April 20, 2000. With a registered capital of RMB 10.55884 billion yuan, Shanghai International Group has a registered address at No. 111, Jiujiang Road, Shanghai. The legal representative is Mr. Ji Xiaohui. Its business operation scope is: state-owned assets and equity operation, investment, M&A, assets management and consultancy and international tendering and bidding. Shanghai Int'l Trust & Investment Co.Ltd. The equity relation between the company and its largest shareholder and its affiliated companies may be illustrated as following:



3. As of Dec. 31, 2009, there is no other legal entity shareholder who holds more than 10% equity in the company.



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Overview of Board Members, Top Management and Staff



Guangzhou-Zhongtian Square
Guangzhou Branch

Overview of Board Members, Top Management and Staff

1. Information about the Company's Directors, Supervisors and Senior Management

Title	Name	Sex	Date of birth	Tenure	Shares held	Compensation paid by the company for 2009(Unit: RMB '000,000 yuan, before tax)	Whether on the payroll of other companies
Chairman of the board	JI Xiaohui	Male	1955	2008.11.20-2011.11.19	-	1.7	-
Vice Chairman ,President	FU Jianhua	Male	1951	2008.11.20-2011.11.19	-	1.7	-
Vice Chairman	CHEN Xin	Male	1955	2008.11.20-2011.11.19	-	1.7	-
Director	YANG Dehong	Male	1966	2008.11.20-2011.11.19	-	-	Yes
Director	PAN Weidong	Male	1966	2008.11.20-2011.11.19	-	-	Yes
Director	Stephen Bird	Male	1967	2008.11.20-2011.11.19	-	-	Yes
Director	DENG Weili	Male	1964	2008.11.20-2011.11.19	-	-	Yes
Director	MA Xinsheng	Male	1954	2008.11.20-2011.11.19	-	-	Yes
Director	WEI Pengcheng	Male	1953	2008.11.20-2011.11.19	-	-	Yes
Director	WANG Guanchang	Male	1949	2008.11.20-2011.11.19	-	-	Yes
Director & Corporate Secretary	SHEN Si	Male	1953	2008.11.20-2011.11.19	-	1.9	-
Staff Director	HUANG Jianping	Male	1950	2008.11.20-2011.11.19	-	1.9	-
Independent Director	SUN Zheng	Male	1957	2008.11.20-2011.11.19	-	0.2	-
Independent Director	LI Yang	Male	1951	2008.11.20-2011.11.19	-	0.2	-
Independent Director	LIU Tinghuan	Male	1942	2008.11.20-2011.11.19	-	0.2	-
Independent Director	CHEN Xuebin	Male	1953	2008.11.20-2011.11.19	-	0.2	-
Independent Director	XU Qiang	Male	1951	2008.11.20-2011.11.19	-	-	-
Independent Director	LI Xiaojia	Male	1961	2008.11.20-2011.11.19	-	0.2	-
Independent Director	ZHAO Jiusu	Male	1954	2009.05.05-2011.11.19	-	0.1	-
Chairman of the Supervisory Board	LIU Haibin	Male	1952	2008.11.20-2011.11.19	-	1.7	-
Supervisor	CHEN Zhenping	Male	1966	2008.11.20-2011.11.19	-	-	Yes
Supervisor	ZHANG Linde	Male	1950	2008.11.20-2011.11.19	-	-	Yes
Supervisor	ZHANG Baohua	Male	1951	2008.11.20-2011.11.19	-	-	Yes
External Supervisor	Fred HU	Male	1963	2008.11.20-2011.11.19	-	-	-
External Supervisor	XIA Dawei	Male	1953	2008.11.20-2011.11.19	-	-	-
Staff Supervisor	FENG Shurong	Male	1952	2008.11.20-2011.11.19	-	1.7	-
Staff Supervisor	YANG Shaohong	Male	1950	2008.11.20-2011.11.19	-	2.5	-
Staff Supervisor	LI Wanjun	Male	1951	2008.11.20-2011.11.19	-	2.5	-
EVP	SHANG Hongbo	Male	1959	2008.11.20-2011.11.19	-	2.4	-
EVP & CFO	LIU Xinyi	Male	1965	2008.11.20-2011.11.19	-	2.5	-
EVP	JIANG Mingsheng	Male	1960	2008.11.20-2011.11.19	-	2.5	-
EVP	JI Guangheng	Male	1968	2009.04.28-2011.11.19	-	1.4	-
EVP	MU Shi	Male	1961	2009.04.28-2011.11.19	-	2.529	-
EVP	XU Haiyan	Female	1960	2009.04.28-2011.11.19	-	2.436	-

Note: EVP JI Guangheng, only came into position this year and has not received full compensation.



Overview of Board Members, Top Management and Staff

2. Summary of the working experiences of active directors, supervisors and senior management:

(1) Directors:

JI Xiaohui, male, born in 1955, MBA with senior economist title. Once worked as General Manager and CPC Committee Secretary of ICBC Shanghai Pudong Branch; Deputy GM of ICBC Shanghai Branch and Deputy CPC Committee Secretary; GM and CPC Committee Secretary of ICBC Shanghai Branch; Deputy Director General of Shanghai Municipal Government, Deputy CPC Committee Secretary of Shanghai Financial Committee, Director General Of Shanghai Financial Service Office. Currently, Chairman of the board of directors, CPC Committee Secretary of Shanghai Pudong Development Bank and Chairman of the board of directors, CPC Committee of Shanghai International Group. Mr. JI is also a member of the 10th and 11th National Committee of CPPCC and candidate member of 9th Communist Party of China's Shanghai Committee

FU Jianhua, male, born in 1951, master's degree with a senior economist professional title. Once worked as Deputy GM of China Construction Bank Jiangxi Branch, Director General of the General Office, CCB Shanghai Branch; Deputy GM of CCB Shanghai Branch, GM of Credit Management, CCB Head-office, CPC Party Committee Secretary, President, Vice Chairman and Chairman of Bank of Shanghai. Currently, Mr. FU works as the Vice Chairman, President and Deputy CPC Committee Secretary of SPDB.

CHEN Xin, male, born in 1955, master's degree with a senior economic professional title. Once worked as Deputy GM of ICBC Shanghai Branch Jing'an Sub-branch, GM of SPDB Credit Department, Board Member and EVP of SPDB; Chairman, CPC Party Committee Secretary and President of Bank of Shanghai. Currently, Deputy Chairman of Shanghai International Group, Deputy Chairman and Deputy CPC Party Committee Secretary of SPDB.

YANG Dehong, male, born in 1966, master's degree with a professional title of economist. Once worked as GM of Investment Banking Dept., Shanghai International Trust & Investment Co., GM of Shanghai Investment Consultancy Co., GM of SIG Assets Operations Corp., Director General of the Administrative Office, Board Office and IT Center of SIG, Deputy GM of Shanghai International Trust & Investment Co., Assistant GM of SIG. Currently, he works as Deputy GM of Shanghai International Group and GM of Shanghai Aijiang Corporation.

PAN Weidong, male, born in October 1966, master's degree with a professional title of senior economist. Once worked as GM of Treasury Dept. SPDB Ningbo Branch, GM of SPDB Ningbo Beilun Sub-branch, Deputy GM of SDPB Ningbo Branch, GM of Product Innovation & Development Dept., SPDB Head-office, GM of SDPB Kunming Branch. From June 2005 to March 2008, worked as Director General of Financial Institutions Dept., Shanghai Financial Service Office. Currently, he works as Assistant GM of Shanghai International Group, CPC Party Committee Secretary and Chairman of Shanghai International Trust & Investment Co., Ltd.

Stephen Bird, Male, British, MBA, born in 1967. Once worked as President of Operation Dept of GE; Principal of Operation and IT Dept of Citi Asia; Principal of Operation and IT Dept of Citi Latin America; CEO for Credit Card and Consumer Banking of Citi Japan; currently the CEO for Citi North Asia, President of Global Consumer Banking and credit card business for Citi Asia Pacific as well as member of the management committee.

DENG Weili, male, born in 1964, doctorate degree, Associate Professor. Once worked as Associate Professor in Management Science College and Deputy Director of MBA Project, Fudan University; Deputy Director General of Human Resources, Fudan University. Deputy GM, Shanghai Tiancheng Enterprise Investment Corp., Deputy GM of Shanghai Guoxin Investment & Development Co., Ltd. Currently, he works as GM of Shanghai Guoxin Investment & Development Corp. as well as a special expert for Management Science College, Fudan University and visiting professor of Shanghai Foreign Trade University. He also works as independent director of Shanghai No. 2 Textile Machinery Co., Ltd and a member of the supervisory board of Industrial Bank.



Overview of Board Members, Top Management and Staff

MA Xinsheng, male, born in March 1954, master's degree with a professional title of senior economist. Once worked as CPC Party Committee and GM of Shanghai Converter Plant, Deputy GM of Electronics, CPC Party Committee Secretary and GM of Shanghai Electronics & Machinery Trading Building, Deputy CPC Party Committee Secretary and Deputy Chairman and President of Electronics & Machinery Group, Deputy CPC Party Committee Secretary of Shanghai State-owned Assets Commission. Currently he works as CPC Party Committee Secretary and Chairman of Brilliance Group.

WEI Pengcheng, male, born in 1953, a postgraduate with a senior economist's title. Once worked as the General Manager of Xuzhou Cigarettes Plant, Director of Xuzhou Cigarette Bureau, Deputy General Manager of Jiangsu Cigarette Bureau, Deputy Director of Jiangsu Cigarette Bureau. At present, he is the Director of Jiangsu Cigarette Bureau, General Manager and Party Secretary.

WANG Guanchang, male, born in 1949, bachelor's degree with a professional title of senior economist. Once worked as Director General of the Postal Transportation Bureau of Shanghai, Assistant Director General of Shanghai Postal Management Bureau and Director General and CPC Party Committee Secretary of Shanghai Postal Service Bureau. Currently, he works as CPC Party Committee and GM of Shanghai Postal Service Corp. Committee of the People's Congress of China, Delegate of 8th and 9th CPC Party Committee and 12th and 13th Committee of the People's Congress of Shanghai.

SHEN Si, male, born in 1953, master's degree, EMBA, senior economist. Once worked as deputy director general and section chief of Investigation and Statistics Bureau in People's Bank of China Zhejiang Branch, deputy manager of Investigation and Statistics Bureau in People's Bank of China Head Office, deputy president and commissary of Party Committee Hangzhou branch SPDB. He's currently Director of the Board, Corporate Secretary of SPDB and director of the Board Office.

HUANG Jianping, male, born in 1950, master's degree, senior economist. Posts once held are as follows: office manager of Industrial and Commercial Bank of China Shanghai Branch Hongkou Sub branch, general manager of planning and finance department in SPDB, general manager of Dazhong Insurance Company, assistant president, EVP and CFO in SPDB. Currently, he's the Director of SPDB.

SUN Zheng, male, born in 1957, Doctor, Professor, Doctor mentor, CPA, ASCPA. Once worked as Vice Dean, Dean and Assistant President of Shanghai Finance and Economics University. He is currently Vice President of Shanghai Finance and Economics University, Vice President of China Accounting Academy, committeeman of China Accounting Rule Committee under Ministry of Finance, member of Committee of Experts for listing company in Shanghai Stock Exchange, member of Financial Budget Management Committee of Shanghai state owned assets as well as independent Chairman of Shanghai Wangye Corporation.

LI Yang, male, born in 1951, doctor's degree, professor, tutor for doctoral degree candidates. He is currently the Director of Finance Research Institute, China Social Science Institute, as well as Deputy Chairman of China Finance Institute, a member of Chinese Financial Market Development Committee under PECC, committee member of China Urban Finance Association, China International Finance Association. Once worked as part-time professor for Tsinghua University, Peking University, China People's University, Fudan University, Nanjing University and China Science & Technology University. Awarded "National outstanding experts", "Special allowance" by state department and "SUN Zhifang Economics Science" four times.

LIU Tinghuan, male, born in 1942, bachelor's degree with a professional title of researcher. Once worked as GM and CPC Party Committee Secretary of PBOC Dalian Branch, Deputy GM, GM and CPC Party Committee Secretary of ICBC, Deputy CPC Party Committee Secretary and EVP of PBOC. Currently, he works as Chairman of China Union Pay Co., Ltd., committee member of 10th National Political Consultative Conference, Vice Dean of economic committee, candidate committee member of 15th CPC committee and delegate of 16th CPC congress.



Overview of Board Members, Top Management and Staff

CHEN Xuebin, male, born in 1953, doctorate degree and professor and tutor of doctorate degree candidates. Once worked as Director General of Financial Research Center, Shanghai University of Finance and Economics, Deputy Chancellor of Financial Research Institute, Fudan University. Currently, he works as Acting Deputy Chancellor of Financial Research Center, Fudan University. He is also a member of the Chinese Financial Institution and a member of the China International Financial Institution.

XU Qiang, male, born in 1951, master's degree with a professional title of researcher. Once worked as Deputy Section Director and Deputy Director General of Research Center, Director General of Legal System Construction Office, Shanghai Municipal Government. Currently, he works as Director General of Shanghai Arbitration Committee.

LI Xiaojia, male, born in 1961, doctorate degree. Once worked with Davis Polk Law Firm, USA, President of Merrylinch China. Currently, works as Chairman of JP Morgan China. He is also an administration president of HK Trade and Settlement Corporation.

ZHAO Jiusu, male, born in November, 1954, doctor of law from Duke University, USA. Once worked as a lawyer in Coudert, USA, partner in Clifford Chance, UK. He is currently partner in Jones Day Shanghai Representative Office.

(2) Supervisors

LIU Haibin, male, born in 1952, master's degree, MBA. Once worked as journalist of Anhui Daily, dean of national audit press no.2 editing department, the special commissioner of the State Audit Bureau to Nanjing, the special commissioner to Shanghai from the State Audit Bureau etc. Currently, he works as the Chairman of the Supervisory Board of SPDB, party construction supervisor of SPDB and a board member of Shanghai International Group.

CHEN Zhenping, male, born in 1966, master's degree. Once worked as Deputy Director General, Research & Development Center, Shanghai Commercial Trading Institution, Assistant GM and Deputy GM of Shanghai Jiu Lian Group. Currently, he works as GM of Shanghai Jiulian Group.

ZHANG Linde, male, born in 1950, MBA. Once worked as Deputy GM of Shanghai Guomai Telecommunications Corp., GM and deputy secretary of Shanghai Photo Image Data Corp., Director General of Administrative Office, Shanghai Postal Management Bureau, GM of Shanghai Information Industry Co., Ltd, Deputy Director General, Shanghai Postal Management Bureau. Currently, he works as Deputy GM of Shanghai Telecommunications Corp.

ZHANG Baohua, male, born in 1951, master's degree & MBA. Once worked as Director General, Administrative Office of New Asia Group, GM of New Asia (Rotterdam), Deputy GM and Vice Chairman of Shanghai New Asia Co., Ltd. Currently, he works as Assistant GM of Jinjiang International (Group) Co., Ltd and Chairman of the Financial Division.

Fred Hu, male, born in 1963, doctor's degree. Once worked as an advisor for World Bank, an official in IMF, Chief Economist and Managing Director of Research Department in Geneva-Davos World Economy Forum. He's currently the Managing Director and Chief Economist in Goldman & Sachs (Asia) Co., Ltd., Professor in Tsinghua University, committee member of hongkong government strategy committee and counselor of hongkong CSRC.

XIA Dawei, male, born in 1953, professor, tutor for doctoral degree. Once worked as Section Chief, Assistant President and Executive Vice President in Shanghai Finance and Economics University. He is currently President of Shanghai National Accounting Institute, commissary of expert committee for listing company in Shanghai Stock Exchange, Chairman of Chinese Industry Research and Development Promotion Committee, director of industrial expert committee in Shanghai Economics Institute.

FENG Shurong, male, born in 1952, college graduate, senior economist. Once worked as senior secretary of Shanghai Municipal Agency, deputy director of Trade Bureau of Pudong New Area, general secretary and party secretary of Economic and Finance Committee of Chinese Communist Party Shanghai Committee Agency, member of discipline committee of Chinese Communist Party Shanghai Committee. He is currently the Deputy Party Secretary of SPDB, secretary of Party discipline committee of SPDB and president of labor union of SPDB.



Overview of Board Members, Top Management and Staff

YANG Shaohong, male, born in 1950, master's graduate, senior economist. Once worked as Section Chief of People's Bank of China Zhejiang Branch, Team Leader of Department of Discipline Inspection in Zhejiang Financial Community, Supervisor of Supervisory Agency, vice-president of People's Bank of China Zhejiang Branch. He's currently GM and Secretary of Party Committee of SPDB Hangzhou Branch.

LI Wanjun, male, born in 1951, master's degree with a professional title of senior economist. Once worked with PBOC Yichuan Sub-branch, then, PBOC Henan Provincial Branch as Deputy Section Chief, Section Chief and then, Assisant President and Vice President. Currently, he works as GM and CPC Party Committee Secretary of SPDB Zhengzhou Branch.

(3) Other senior management

SHANG Hongbo, male, born in 1959, master's degree, economist. Once worked as Deputy Director of Administrative Office, Executive Deputy Director of Treasury Department and Deputy President in People's Bank of China Ningbo Branch, General Manager of Shanghai Pudong Development Bank Ningbo Branch. He's currently Executive Vice President of SPDB.

Liu Xinyi, male, born in 1965, master's degree with a senior economist title. Once worked as Deputy GM of SPDB Airport Sub-branch, Deputy GM of SPDB Shanghai Branch and member of the CPC Party Committee. From Oct. 2002, worked in Shanghai Financial Service Office as Director of Financial Institutions Department, Assistant Director General of the Financial Office. Currently, Mr. LIU is Executive Vice President and CFO of SPDB.

JIANG Mingsheng, male, born in 1960, bachelor's degree. Once worked as Deputy GM of China Merchants Bank Guangzhou Branch, GM of Corporate Banking, CMB Head-office, CPC Party Committee Secretary and Deputy GM of CMB Shanghai Branch, and later on, GM of CMB Shanghai Branch. Currently, Mr. JIANG works as Executive Vice President of SPDB, GM and CPC Party Committee Secretary of SPDB Shanghai Branch.

Ji Guangheng, male, born in 1968, master's degree with senior economist title. Once worked as Chairman of the board of directors and GM of Shanghai Yingong Real-estate Development Corporation, Vice section chief of housing credit department market developing section and vice president secretary of ICBC Head-office, Director of general office and Party office, committee member of CPP committee and vice president of ICBC Beijing Branch and President of ICBC Chang'an sub-branch.

MU Shi, Male, born in 1961, master's degree with senior economist title. Once worked as Vice dean of Financial and Economic Committee of Tianjin People's Congress and assistant to President of Tianjin Trust Co., President, Vice President and CPC Party Committee Secretary of SPDB Tianjin Branch and CCO of Risk Management Department of SPDB Head Office. He currently is Vice President of SPDB.

XU Haiyan, Female, born in 1960, EMBA with senior economist title. Once worked as China Investment Bank Ningbo Branch Construction Principal and Chief of Planning Office of CCB Ningbo Branch. Started working at SPDB since 1994, held vice president of SPDB Ningbo branch, GM of Finance Department and Investment Bank of SPDB Head Office. She is currently vice president of SPDB.



Overview of Board Members, Top Management and Staff

2. Posts held by directors, supervisors and senior management in shareholder companies

Name	Shareholder company	Post held
JI Xiaohui	Shanghai International Group	Chairman, CPC Party Committee Secretary
CHEN Xin	Shanghai International Group	Vice Chairman
YANG Dehong	Shanghai International Group	Deputy GM
PAN Weidong	Shanghai International Group	Deputy GM
Stephen Bird	Shanghai International Trust & Investment Corp.	Chairman, CPC Party Committee Secretary
	Citi Group	CEO of North Asia, President of Consumer Banking & Cards Asia Pacific
DENG Weili	Shanghai Guoxin Investment & Development Corp.	GM
MA Xinsheng	Brilliance Group	Chairman, CPC Party Committee Secretary
WEI Pengcheng	China Tobacco & Cigarette Group Jiangsu Branch	GM & CPC Party Committee Secretary
WANG Guanchang	Shanghai Postal Service Co.	GM & CPC Party Committee Secretary
CHEN Zhenping	Shanghai Jiulian Group	GM
ZHANG Linde	Shanghai Telecommunications Co	Deputy GM
ZHANG Baohua	Jinjiang International Group	Assistant GM & Chairman of Financial Division

3. Compensation package for directors, supervisors and senior management

(1) Decision-making procedure to decide the compensation package of directors, supervisors and senior management:

For directors, supervisors and senior management members on the payroll of the company, their compensation package shall be reported to the Compensation & Performance Assessment Committee under the Board for check and approval and once approved, shall be submitted to the board meeting for approval.

(2) Principles to decide the compensation package for directors, supervisors and senior management:

The compensation package policy of the company applies to all staff. The actual compensation package is reported to the Compensation & Performance Assessment Committee under the Board. The compensation package for directors, supervisors and senior management is also decided according to the above procedure.

4. Change in directors, supervisors, senior management

1. The board passed the resignation application of Independent Director WANG Jun since his busy business schedule on Feb. 17th, 2009. The 4th second board and shareholders meeting of year 2008 passed the election of ZHAO Jiusu as Independent Director independently and ZHAO Jiusu had been on the duty of Independent Director of 4th board since May 5th, 2009.

2. During reporting period, the 4th board 3rd meeting had discussed and passed "the plan of engaging Vice GM" and engaged JI Guangheng, MU Shi and XU Haiyan as Vice GM of SPDB.

Overview of Board Members, Top Management and Staff

3. On Jan 16, 2010, independent director, Mr. LI Xiaojia started to serve as administration president of HK Trade and Settlement Corporation, and handed in the written resignation. The board accepted his resignation on Jan.15, 2010 and disclosed to public. The board will elect new independent director as soon as possible. Pursuant to articles of association and related regulations, before new independent director is elected, Mr. LI Xiaojia still performed his role as independent director.

5. An Overview of the company's staff

Total population of current stuffs	21877	Total population of resigned stuffs paid severance by the company	222
Structure of the staffs			
Managerial staffs			264
Banking business staffs			18922
Technology staffs			508
Education background			
College diploma or graduate from secondary			6471
Bachelor's degree			11361
Master's degree and above			1862



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Corporate Governance Structure



Shenzhen- Diwang Tower
Shenzhen Branch

Corporate Governance Structure

1. Corporate Governance

During the reporting period, pursuant to the stipulations of the Company Law, the Securities Law and relevant rules and regulations of CSRC as well as the Guidelines on Corporate Governance for Listed Companies, Guidelines on Corporate Governance for Joint-stock Commercial Banks and Guidelines on How the Board of Directors in a Joint-stock Commercial Bank to Perform Its Duties and so forth, SPDB made great efforts to further improve corporate governance structure and standardize business operation. It used the experience and requirement of international mature banks' corporate governance structure for reference, fully utilized every interest related role especially board and supervision, made efforts to construct governance structure and board of an international superior listed bank, ensured the company to develop legally, stably, constantly and speedily, made the equalization and maximization among every interest related party, protect the interest of depositors, earned benefits for shareholders, build value for the society and made efforts to become the reliable listed bank.

During the reporting period, the company drew up and modified correlated rules timely according to the relevant laws from supervisory department and company's practical situation, constructed sound and mature management system. The board passed "SPDB Strategy of Business Management Preference Version 2009", "Provisional Measure of regulation management", "management of subsidiary company of majority shareholders", "guidance of treasury business management", "special rule of medium and small corporations and cancellation after verification of non-performing loan involving agriculture" and so forth.

(1) Shareholders and General Meeting of Shareholders

The company was able to strictly follow the stipulations of "Articles of Association", and "Rules of Procedures for Shareholders' Meeting" and convene shareholders' meetings accordingly. In 2009, the company has convened one general shareholders' meetings and passed 12 resolutions so as to ensure all shareholders the right to know, to participate and to vote and were given equal and fair treatment and that all shareholders may fully exert their rights.

(2) Directors and Board of Directors

At present, the board of directors is made up of 19 members, among whom 5 are senior executives from the company (including 1 staff director), 7 are representatives from shareholders, 7 are independent directors. All independent directors are experts or professionals in finance, legal service or strategy management. All board members are able to fulfill their duties earnestly and safeguard the interests of the company and shareholders, thus contributing to the build-up of a corporate that values integrity and prudence. During the reporting period, the company convened 6 board sessions and passed 53 resolutions. Under the board, there are 6 committees, namely, the Strategy Committee, the Nomination Committee, the Risk Control & Related Transaction Committee, the Compensation & Performance Assessment Committee, the Audit Committee and the Capital & Operation Management Committee. During the reporting period, the committees totally convened 16 sessions and passed 51 resolutions. Board members tapped their knowledge, wisdom, experiences to ensure the company made the correct decision on major issues such as the development strategy, the recruitment of senior management, the development of annual budget, precept of final accounting and profit distribution, risk management improvement, internal control, capital adequacy ratio management, resumption of senior supervisory management system and supervised the completeness and accuracy of financial report, ensured SPDB to abide laws, rules and regulations and protect the legal rights of shareholders and benefit of related parties, fulfilling assigned responsibility.

(3) Supervisors and the Supervisory Board

The 4th supervisory board was made up of 9 supervisors, among whom 3 are staff representatives, 2 are outside the company, 3 are representatives from legal entity shareholders and 1 is other supervisor. Under the supervisory board, there is a Nomination Committee. The supervisors supervised on the compliance, risk, internal regulation construction and authenticity of business operations. During the reporting period, the supervisory board convened 4 sessions and passed 45 resolutions. Being responsible for shareholders, the supervisors fulfilled their duties staidly and supervised on the compliance and performance of the company's financial accounting practice and the directors, the president and other senior management.



Corporate Governance Structure

(4) Senior management

Among the senior management of the bank, there is one President, 6 Executive Vice Presidents, 1 Corporate Secretary and 1 CFO. Under the board of directors, senior management implemented the scientific concept of development; cope with financial crisis actively, seized the significant development opportunity brought by "sustain economic growth" national strategy and "Two Centers" construction in Shanghai, strived to broaden business and clients, strengthened and improved corporate governance, speeded up innovation and strategic transformation, reinforced risk management and internal control work and improved asset effects and investment reward. The quality of the asset worked through the initial trial of the economic fluctuations, therefore, market competitiveness, society influence and corporation solidarity had been intensified and the business operation target released by the board had been over accomplished. Under the senior management, there are asset and liability management committee, marketing improvement committee, risk management committee and information construction committee and so forth.

(5) Information Disclosure and Transparency

The company has been able to strictly comply with the relevant stipulations of laws, regulations, Articles of Association, and the information disclosure regulations and the company has disclosed the relevant information truthfully, accurately, completely and in a timely manner, and has ensured equal access to information for all shareholders. In 2009, the company had issued 4 regular reports and 21 provisional notices, including the resolutions of "Three meetings", additional offering of A shares and profit distribution. In particular, in Jan. 6th, 2009, the company practiced Performance Express and was the first to release its performance in the stock market, On Jan. 3, 2009, the company was once again the first to release its 2009 Performance Express in the stock markets. During the additional offering period, the company released long-term capital planning, first of its kind in banking business and welcomed by the investors; awarded "annual Information disclosure reward in 2009" by Shanghai Exchange.

(6) Improvement of issues referred to corporate governance special program

In order to improve corporate governance, solidify the result of corporate governance special program in 2007, the company strengthened regulation management and construction, put the corporate governance special program into effect. At the end of the reporting period, the issues had been solved.

2. Independent directors

According to "Guidelines on Independent Directors for Listed Companies" by CSRC and "Guidelines on Independent Directors and outside supervisors for Joint-stock Commercial Banks" by PBOC and so forth, the company passed "work regulation of independent directors" on first board of directors 14th meeting in 2002, cleared and definite further issues in later articles of association.

There are 7 independent directors in the 4th board of directors, taking 1/3 of board members and satisfying the rules that independent directors participating should be more than 1/3 of the total population of board. The independent directors take charge of board risk management and related party transaction control committee, nomination committee, salary and assessment committee, audit committee. All independent directors are experts or professionals in accounting, finance and legal service with international reputation and protected the whole profit of SPDB and small to medium shareholders.



Corporate Governance Structure

(1) Attendance of board meetings by independent directors

Name	Total number of board meetings during the reporting period	Attendance in person deputy(times)	Attendance by authorized (times)	Absence (times)	Note
SUN Zheng	6	6	-	-	
LI Yang	6	3	3	-	
LIU Tinghuan	6	5	1	-	
CHEN Xuebing	6	6	-	-	
XU Qiang	6	5	1	-	
LI Xiaojia	6	3	3	-	
ZHAO Jiusu	4	2	2	-	

(2) Independent directors' objection to motions submitted by the company

During the reporting period, the independent directors had not submitted any objection to any motion submitted by the board meeting or non-board meeting.

3. Independence from the controlling shareholder in terms of business, personnel, assets, organization and finance

The company doesn't have any controlling shareholder. The company's No. 1 shareholder is Shanghai International Group with a share of 21.159% of the total share of the company. The company's businesses are independent from those of the No. 1 shareholder in terms of business, personnel, assets, organization and financial control and made sole decision of its own. The No. 1 shareholder had not in any means possessed the company's asset and asked the company to provide guarantee for the third party.

	Completeness or not	Description	Influence	Improvement
In terms of business	Yes	the company's businesses are independent from those of the No. 1 shareholder.	-	-
In terms of personnel	Yes	the company is independent in terms of personnel management, human resources and compensation. The President, the EVPs, the Corporate Secretary, the CFO and other senior management are all on the payroll of the company, but not on the payroll of the No. 1 shareholder.	-	-
In terms of assets	Yes	the company has its own business offices and infrastructure.	-	-
In terms of organization	Yes	the company has set up a complete set of organization and the board of directors, the supervisory board and the various functions of the company work on their own. There is no affiliation between them and the functions of the No. 1 shareholder.	-	-
In terms of financial control	Yes	the company has its own financial control department and has set up a complete and independent set of accounting system and financial control system.	-	-



Corporate Governance Structure

4. Responsibility of Report Information Disclosure of Significant Mistake

The company enhanced management of regular report disclosure, strictly guaranteed the truth, accuracy and completeness of information released, add more content and improve the quality. According to "Information Disclosure Management Regulation": department and staffs directly responsible for the significant mistake of information disclosure(including annual report, semi-annual report, quarterly report and other provisional announcement) should be criticized, warned, deposed or even released with proper compensation, treated by legal institutes if necessary. Directors, supervisors, senior management should be responsible for the authenticity, accuracy, completeness and timeliness, except they had fulfilled their duties. Directors, GM, CFO should be responsible for the authenticity, accuracy, completeness and timeliness of the financial report. The company should record and keep the paper work regarding to the responsibility of the principals releasing information. The company should improve the regulation of Responsibility of Report Information Disclosure of Significant Mistake following the latest supervision requirement and practice experience, make sure the quality of annual report information disclose.

In the reporting period, there was no significant mistake of information disclosure.

5. Disclosure by the company regarding the board meeting comment on the self-assessment report by the company on internal control and the auditor's comment

The Company has set up the internal control system. The Audit Department, Risk Management Department and Compliance Department have been set up and work as the function department for monitoring and inspecting internal control and report to the board meeting on a periodic basis on internal control test and work.

(1) The board of directors believes that the company has set up complete, reasonable and effective internal control system, which is able to cater for the business management and development, guarantee the accounting document of the company free from any false, illegal, imcomplete or misleading information and guarantee the company's assets being secure and complete. Meanwhile, the company is able to report and disclose information truthfully, completely, accurately and timely as required by relevant rules and regulations and in the format required. Ever since the formation of the various internal control systems, they have been effectively executed. With the further development of the company, these internal control systmes will be continuously improved and effectively executed.

For the detailed report on internal control by the board, please refer to the appendix.

(2) The auditor's comment

As entrusted, we have reviewed and audited SPDB's Self-assessment Report on Internal Control related with the Financial Report as of Dec. 31, 2009. Your fine company has conducted self-assessment of your internal control system pursuant to the Provisionary Standards by the Ministry of Treasury on Internal Control for Accounting. It's your senior management's responsibility to set up a reasonable and complete internal control system and ensure its effectiveness, while our responsibility is to give comment on the implementation of your company according to your presentation in the above-mentioned report.

We have conducted our audit according to the stipulations of China Certified Public Accountants' Association on Auditing Internal Control. During the audit process, we have conducted such procedures as understanding, testing and reviewing the implementation of internal control and other necessary procedures. We believe our audit has provided reasonable basis for us to make comments.



Corporate Governance Structure

As all internal control systems have limits and cannot be free from the possibility of hidden mistake or fraud, meanwhile, it is risky to predict the effectiveness of the internal control based on internal self-assessment report, the internal control system which is effective within the current reporting period shall not be deemed as effective in future.

We believe your company's presentation in the above-mentioned report as of Dec. 31, 2009 is consistent to the requirement to the Provisionary Standards by the Ministry of Treasury on Internal Control for Accounting.

Auditor: Ernst & Young Hua Ming Certified Public Accountants Co., Ltd. CPA's names YAN Shengwei, ZHOU Mingjun



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Brief Introduction to the Shareholders' Meeting



Kunming-Jin ma-fang and Biji-fang
Kunming Branch

Brief Introduction to the Shareholders' Meeting

On May 5th, 2009, the company held the 2008 Annual General Shareholders Meeting in Shanghai Worldfield Convention Hotel. The meeting adopted open ballot either on-the-spot or through internet. 740 shareholders or their agents voted on the spot, which represented 3,367,211,669 shares, constituting 59.4772% of total shares. 626 shareholders or their agents voted through internet, which represented 764,851,771 shares, constituting 13.5101% of total shares. The meeting was in compliance with "Company Law of the People's Republic of China", "Articles of Association" and other relevant regulations of Corporate Law and Articles of Association. Several directors, supervisors and senior management presented in this meeting. The shareholders' meeting reviewed and approved the following motions.

- (1) 2008 Working Report of the Board of Directors
- (2) 2008 Working Report of the Board of Supervisors
- (3) Report on 2008 profit distribution
- (4) Report on 2008 Final Financial Accounting and 2009 Financial Budget
- (5) Motion on the Appointment Renewal of Certified Public Accounting Firm,
- (6) Motion on Nominating Independent Directors
- (7) Motion on Issuance of Subordinated Bond 2009
- (8) Motion on Meeting the Criteria of Private Issuance of Shares
- (9) Motion on Private Issuance of Shares
- (10) Motion on the Feasibility of Utilization of Fund Raised by Private Issuance
- (11) Motion on the Utilization Report of Fund Previously Raised,
- (12) Motion of shareholder's meeting and board's authorization of designated persons to handle the details of private placement
- (13) working report of independent directors

The company published the resolutions in China Securities Journal, Shanghai Securities News and Securities Times on May 6th, 2009.



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Report by the Board of Directors



Zhengzhou-Memory Tower for Feb, 7th
Zhengzhou Branch

Report by the Board of Directors

1. Management Discussion and Analysis

(1) An overview of the company's business operation

During the reporting period, in face of difficult and complicated external environment, the company steadily executed state macro-economic control policies, various financial regulations, as well as business development plans and measures required by the board meeting. Thanks to the great efforts of the board, the management and the staff, all targets set for 2009 have been fulfilled. Market share are expanded and the Company's image are further enhanced.

--During the reporting period, the company's yearly operating revenue of RMB 36.824 billion, up by RMB 2.263 billion or 6.55% on a year-on-year basis. The company's after-tax profit reached RMB 17.296 billion, up RMB 1.993 billion, or 13.02% from the after-tax profit of the year 2008. Shareholders' after-tax profit reached to RMB 13.217 billion, up RMB 0.701 billion, or 5.60% on a year-on-year basis. During the reporting period, in face of adverse influence of slash of deposit rate and reduction of spread, the company suffered a decrease on Return on Assets (ROA) and Return on Equity (ROE). In terms of profitability indicator of the company, the company's ROA is 0.90%, 1.23 down from the previous year, the weighted ROE is 25.85%, down by 10.86%. During the reporting period, in terms of efficiency indicators, the income cost ratio of the company for 2009 is 35.99%, 0.70% down from the previous year.

In the end of the reporting period, the company's total assets stood at RMB 1,622.718 billion, up by RMB 313.293 billion or 23.93%. The outstanding balance of general loans (both RMB and foreign exchange) stood at RMB 928.855 billion, up by RMB 231.29 billion or 33.16%. The total debt stood at RMB 1,554.631 billion, among which, the outstanding balance of general deposits (both RMB and foreign exchange) stood at RMB 1,295.342 billion, up by RMB 348.049 billion or 35.74%. The outstanding balance of deposit stands in the middle and upper level among joint-stock commercial banks. The whole year ratio of deposit and loans of RMB and foreign exchange is 71.60% and 56.27% respectively, which is controlled strictly at the regulation.

The company's credit businesses maintained steady development and the assets quality maintained good standards. Property preservation made great progress. Both the outstanding balance of NPL and NPL ratio dropped. As of Dec. 31, 2009, the NPL loans of the company (based on the 5-category classification of loans) stood at RMB 7.46 billion, down by RMB 1.007 billion and the NPL ratio was 0.80%, down by 0.41% from 2008. The provision coverage ratio of NPL registered 245.93%, 53.44% up. The company led the Chinese banking industry both in terms of NPL ratio and provision coverage ratio of NPL.

By the year-end of 2009, the company's shareholders' equity registered RMB 67.953 billion, 63.04% up from the previous year. Weighted risk assets totaled RMB 943.705 billion, up by RMB 191.884 billion or 25.52%. Though the company issued RMB subordinated debts to enhance capital strength, the CAR ratio increased from 9.06% to 10.34% and the Tier I CAR ratio increased from 5.03% to 6.90%.

Further enhancement of the Company's image: In 2009, the company was also cited by British Financial Times as No. 269 among the Top 500 Companies based on market value, 153 ranking higher than last year, and the company becomes one of those which made most improvement companies. The company was cited by British Banker Magazine as No. 137 among the Top 1,000 World Banks based on core capital, No. 91 based on total assets; firstly enter into Top 100 banks in the world. The bank was also cited as No. 23 among top 300 Asian banks. The bank was also awarded the prize for disclosure by Shanghai Stock House, best board of listed companies by financial weekly and CCTV, 2008 Best Corporate Listed Company by CCGINK and Top 10 with Best Market Value Management of Chinese Listed Company 2009 on the Third Summit On Market Value Management of Chinese Listed Companies.



Report by the Board of Directors

(2) An overview of the company's financial statement and operating income

(1) Increase in principal operating income, principal operating profit, net profit, cash and cash equivalent:

Items	As at Dec. 31, 2009	As at Dec. 31, 2008	Unit: RMB '000 yuan	
			Up or down (%)	
Principal operating income	36,823,932	34,560,567	6.55	
Principal operating profit	17,178,374	15,332,009	12.04	
Net profit	13,216,581	12,515,967	5.60	
Increase in cash and cash Equivalent	38,184,682	25,078,488	52.26	

Main causes for the change:

I. The increase in principal operating income is mainly due to the increase in assets scale, loan interest income, commission and fee income, investment income and reasonable reconstructing.

II. The increase in principal operating profits is mainly due to the growth in principal operating income, improvement of credit quality and decrease of cost of provision for credit.

III. The increase in net profit is mainly due to the sustained year-on-year raise in principal operating profit.

IV. The increase in cash and cash equivalent is mainly due to the successful issuance of private shares during reporting period and the cash increase from financing activities.

(2) Principle operating income

The company registered operating income as RMB 36.824 billion, up by 6.55%, mainly due to the growth in assets scale, loan interest income, reasonable reconstructing and rapid increase in commission and fee and investment income. Among which, loan interest income accounts for 91.08% of the operating income, down by 0.16% from 2008, commission and fee income accounts for 5.99% of the operating income, up by 0.8% from 2008.

Items	Unit: RMB '000 yuan	
	2009	2008
Loan interest income	33,538,388	31,534,335
Commission and fee income	2,206,966	1,794,548
Investment Income	413,116	159,741
Other Income	665,462	1,071,943
Principle operating Income	36,832,932	34,560,567

Report by the Board of Directors

Operating revenues by region:

Region	Unit: RMB '000 yuan	
	Operating Revenues	Operating Profits
Shanghai	6,634,046	603,209
Beijing	1,855,881	850,398
Zhejiang	6,024,129	3,201,840
Jiangsu	4,044,966	2,312,713
Guangdong	2,236,957	1,138,262
Other regions in China	15,970,701	9,028,765
Offshore banking	57,252	43,186
Total	36,823,932	17,178,373

(3) Shareholders' equity

In the end of the reporting period, the listed company shareholder's equity stood at RMB 67.953 billion, up by 26.274 billion or 63.04% from the end of 2008. During the reporting period, capital stock was increased by 904,159,132 through directional add-issuance and net profits accumulation. The company supplied the bank capital on time and the Capital Supplement Condition was improved.

	Unit: RMB '000 yuan		
	2009	2008	+-%
Shareholder's equity	8,830,046	5,661,348	55.97
Capital Reserve	24,318,331	10,863,371	123.86
Surplus Reserve	10,688,576	6,863,514	55.73
General Risk Provision	6,900,000	6,400,000	7.81
Undivided Profit	17,216,074	11,891,204	44.78
Parent Company's Shareholders Total Equity	67,953,026	41,679,436	63.04
Minority Shareholder's Equity	134,419	22,363	501.08
Shareholder's Total Equity	68,087,446	41,701,799	63.27

(4) Internal control for items related with fair value

For the financial instruments which have active market, the company has given priority to the active market quote to determine its fair value or the financial instruments which do not have active market, the company uses mark-to-market model or third party quote to determine its fair value. Valuation technique includes reference to prices recently done by the voluntary institutions in most recent days, reference to current mark-to-market of other financial instruments that are virtually the same, and cash flow discounts, etc. the valuation technique will use market parameters as much as possible. However, for lack of market parameters, estimations have to be made in terms of credit spread of counterparty, market volatility and correlation, etc. These estimations will have impact on the fair value of financial instruments.



Report by the Board of Directors

Items and methods of fair value are as follows:

1. As to those classified as financial assets measured at fair value and whose alterations charged to the profits and losses in the current period, including assets held for trading, derivative financial instruments, and other instruments held for trading, they shall be measured at their fair value by reference to market prices. For those where market prices are not available, fair value should be estimated according to pricing models or discounted cash flow. Fair value of these items shall equal its book value.

2. As to those classified as held-to-maturity investments, they shall be measured at fair value by reference to market prices. For those where market prices are not available, fair value should be estimated according to pricing models or discounted cash flow.

3. As to those classified as loans and receivables, they shall be measured at fair value according to pricing models or discounted cash flow.

4. As to those classified as derivative financial instruments, they shall be measured at their fair value on the initial date of implementation, and continuously measured at their fair value later on. derivative financial instruments with positive fair value should be deemed as assets while derivative financial instruments with negative fair value should be deemed as liabilities.

5. As to those embedded financial instruments not closely related to main contracts' economic features and risks and where the mixed instruments do not adopt fair value and is not included in the profit and loss in the current period, they shall be separated from the main contracts and treated as separate derivative financial instruments. The separated embedded financial instruments shall be measured at their fair value and the alterations shall be charged to the profits and losses in the current period.

Items related with fair value:

Items	As at Dec 31, 2008	Fair value change in the reporting period	Accumulated fair value change in equity	Unit: RMB '000 yuan	
				Loss provision in the reporting period	As at Dec. 31, 2009
Financial assets					
1. Noble metal	-	(359)	-	-	213,212
2. Financial assets calculated by fair value and whose change is included in equity (derivative financial asset not included)	-	(462)	-	-	-
3. derivative financial asset	2,287,774	(1,680,434)	-	-	607,340
4. financial asset available for sale	57,365,149	-	138,630	(463)	89,214,803
Subtotal of financial assets	59,652,923	(1,681,255)	138,630	(463)	90,035,355
Financial debts calculated by fair value and whose change is included in equity					
Derivative financial liabilities	2,378,205	1,711,471	-	-	605,504
Subtotal of financial liabilities	2,378,205	1,693,671	-	-	842,830

Report by the Board of Directors

Foreign Financial assets and liabilities held by the company

Items	Unit: RMB '000 yuan				
	As at Dec 31, 2008	Fair value change in the reporting period	Accumulated fair value change in equity	Loss provision in the reporting period	As at Dec. 31, 2009
Financial assets					
1. financial assets calculated by fair value and whose change is included in equity (derivative financial asset not included)	-	-	-	-	-
2. derivative financial asset	2,283,955	(1,676,615)	-	-	607,340
3. Investment classified as loans and receivables	-	-	-	-	-
4. Financial assets available for sale	494,919	-	(2,609)	(463)	373,972
5. Investment held to maturity	-	-	-	-	29,169
Subtotal of financial asset	2,778,874	(1,676,615)	(2,609)	(463)	1,010,481
Derivative financial liabilities	2,374,386	1,768,882	-	-	605,504
Subtotal of financial liabilities	2,374,386	1,786,882	-	-	605,504

(3) Performance of various business lines

1. Corporate Banking Businesses: In 2009, the company strengthened financial innovation with the clients foremost in its mind, advanced financial institution business transformation, promoted the rapid and coordinate development of various businesses. It strengthened the joint development of business with providing customers comprehensive financial service such as financing, finance management, investment banking, cash management, electronic banking, etc. Profit capability of corporate finance business maintained steady development, customer structure became more reasonable and structure of business and revenue has been further optimized.

As the end of 2009, the company had about 520,000 customers, 80,000 up from last year, and customer base expanded continuously. The outstanding of general deposits and loans of SPD Bank ranked firstly and secondly respectively among 9 similar Joint-equity banks.

For Company/Enterprises deposits: by the end of 2009, various deposits for company/enterprises stood at RMB 1,078.6 billion, up by 35.54%, various loans for company/enterprises stood at RMB 771.1 billion, up by RMB 181.4 billion or 30.75%, NPL for company/enterprises is 0.86%, down by 0.48% from the beginning of 2009.

Small & Medium Enterprises business: With providing efficient, high-quality and all-round service, the company made great efforts to support the development of small and medium enterprises business, which is considered as not only a strategic emphasis, but also an important aspect for exercising social responsibility of SPD Bank. According to guideline of establishment of financial service institutions for SME and the requirements for "Six Mechanisms" made by China Banking Regulatory Commission, considering the practical situation, SPD Bank improved the specialized system development, built a specialized department——Small & Medium Enterprises Department. Headquarter was officially established on September 11th, 2009, and 33 branch offices have been basically built. With the progressive completion of system establishment and continuous fulfillments of positions, a unified system through the whole SPD Bank for small and medium enterprises was basically established and came into operation. By the end of 2009, line of credit (both in and out of the balance sheet) for small and medium enterprises through the whole bank totaled to RMB 565.382 billion and 21,391 clients Credit business for small and medium enterprises are raised by 25.59% and customers are raised by 15.56% compared by the situation at the end of 2008.



Report by the Board of Directors

Financial institution business: Competitiveness of financial institution business maintained continuous improved. 9 new security traders were added to the third-party depository business, number of corporate signing clients was over 5,000; 31 new financial institution were added and 98 public equity funds were sold through agency; developed banking financing products depository business with 15 banks; have signed full cooperation agreements with China Life Property and Casualty Insurance Company Limited, China Reinsurance Corporation, AEGON-CNOOC Life Insurance Co., Ltd, Aeon Life, number of cooperative organization reached to 23; 9 new trust partners were added, and developed a new strategy cooperation with ZhongHai Trust CO.,LTD, Shanghai International Trust CO.,LTD, China HuaRong Asset Management Corporation.

Investment Banking Business: The company strengthened the investment banking products system and brand building. Deeply develop mature investment banking business such as project financing, syndicated loan, debt-underwriting, financial consulting, etc; actively promote new investment banking services such as mergers and acquisitions, equity financing, green-financing, etc; proposed a series comprehensive customer financing service, focused on providing support for the development of regional economic and financial innovation through investment banking business; major investment banking business developed rapidly.

Asset Custody Business: The company adjust strategy of asset custody, strengthened products innovation, consolidate securities investment funds and the enterprise annuity funds custody, actively promote new custody services such as custody service for fund companies specific clients; the scale of custody services are increasing greatly.

Payment and settlement business: The company strengthened the way and platform of payment and settlement business, including optimization and enrichment of online banking functions, establishment of special way to “offshore online banking”, deepening the laying of the direct way to UnionPay, proposal to new generation cash management platform and specific cash pooling business, proposal to agency disbursement platform for public, gold exchange platform for agency of juridical person; actively created new products and services of payment and settlement including cash management for multiple-banking group, overdraft business, etc. The company achieved settlement of international trade up to 88.2 billion dollars under an unfavorable international trade environment.

Enterprise Annuity Business: SPD Bank focused on the content and quality of enterprise annuity management. The company established customer service platform of “Enterprise Annuity Expert” by successfully proposing to innovation services such as “Enterprise Annuity Card”, “Direct Way to Enterprise Annuity Information”, etc. Accumulating number of signing accounts for Enterprise Annuity business is over 330,000, and the company provides enterprise annuity services to about 7,000 clients. Smoothly completed transformation work according to Shanghai Enterprise Annuity Transition Plan and become the custody bank of the first joint enterprise annuity plan in China— Chang Jiang Golden Xiao Qing Plan.

2. Personal Banking Businesses: Focused on the customers, guided by the market, SPD Bank accelerated the business reconstructing and improved the whole marketing ability and market competitiveness. Strengthened the establishment of the ways to network, optimized customer layer service, enlarge customer-base and percent of medium & high level customers. The company pushed forward personal financial service process reconstructing, optimized the business dealing chain, improved service efficiency. Strengthened personal and corporate financial business, enlarge coordinate products selling including savings, personal financing, personal loans, electronic banking, bank cards, promoted rapid and continuous development of personal financing business. The company has won many important awards, such as “Distinguish Establishment of Brand and Business” and “Distinguish Retailing Technology” by Asian Banker. By the end of 2009, number of individual clients reached to 15,160,000, among which, there are 360,000 individual loans.

Individual deposits: SPD Bank highly focused on the basic function in personal banking development of deposits, continuing improving growth way of deposits, improving customer comprehensive reward, promoting a rapid development of deposit. The company strengthened the coordinating operating with financial institution, raised the number of payroll agency customer, and expanded the source of deposits. By the end of 2009, individual deposits were raised by RMB 65.3 billion, or by 43%, total individual deposit exceed RMB 200 billion, reached RMB 216.7 billion. Personal banking business entered a new phase.



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Individual loans: By the end of 2009, the individual loans was RMB 157.7 billion, up by RMB 49.9 billion or 46%, the ratio of individual loans to total loans reached to 16.98%, 1.52% up from 2008. The company strengthened the sale of housing mortgage, promoted the steady development of business loans and consumption loans, keep enriching these 3 kinds of loans and carried a rapid development of personal loaning business. Structure of personal loaning was further optimized, ratio of low-cost housing mortgage loan reached over 67%, non-performing ratio of personal loan was 0.52%, down by 0.01% on a year-on-year basis.

Personal Financing Business: The company insists on a two-line development strategy, including self-developing and introducing third-party agency products. Basic products line has been enriched frequently, with both long and short terms. The total sales of financing products in 2009 reached RMB 40 billion, up by 42.5% on a year-on-year basis.

Electronic Banking: The company sped up the development pace of individual electronic banking. Efficient customers reached to 1.77 million; cell-phone banking was officially established on 28th April, 2009, customers reached to 104,000 in 8 months; SPD Bank has 4298 Automatic Teller Machine and 2607 self-service networks.

3. Banking Card Business: The company increased the input of the banking card business, optimized the environment for accepting banking card and paying system establishment, with the target of establishing an environment with convenient payment, high quality, safe and efficient service. The amount of cards delivered and business revenue maintained a rapid development. Amount of cards left was 18.67 million, up by 2.7 million. Average deposit in cards reached RMB 6497 yuan; Monetary reached RMB 51.7 billion.

In aspect of credit cards, the company speed the pace of products innovation and function integration, improve service quality, enlarged brand influence, the amount of card delivered, monetary, amount of overdraft remain a steady growth, and the capacity of profitability has been improved significantly. According with the customers' demand, the company proposed various kinds of credit cards with particular use, functions, and united cards, which create a clear line of products. In 2009, the delivering amount of new credit card proposed by the company coordinated with Citibank was raised by 0.79 million. By the end of 2009, the accumulating amount of cards delivered reached 3.73 million; monetary from POS exceeded RMB 32.5 billion. Operating revenue of credit card reached RMB 564.25 million, up by 80% on a year-on-year basis, among which, interest income reached RMB 316.33 million; intermediary revenue (including annual fee, etc) reached RMB 247.92 million.

4. Treasury Business: The company advanced centralized management of RMB capital. Internal valuation system of capital transfers in the bank was initially established. The model and process of internal capital budget forecasts was improved by the establishment of treasuring function in headquarter.

By the end of 2009, capital assets of the whole bank reached RMB 502.4 billion, up by 18.8% on year-on-year basis, among which, scale of bonds investment stood at RMB 259.6 billion, up by 36%; scale of capital market reached RMB 242.8 billion, up by 5%. The company increased the input of the issuances of state bonds and local bonds within controllable risks, and was involved in the issuance of the first phase of a local bond and subscribed the local government bond through the whole year with the amount of RMB 11.625 billion. The amount of whole year subscription of state bonds was RMB 31.2 billion, RMB 14.23 billion up by the last year.

5. Network Expansion: The company strengthened the establishment and transformation of institutions. SPD Bank has established Fuzhou branch and other 74 outlets in 2009, and now, the total amount of bank outlets reached 565 in 95 cities. The percentages of the outstanding balance of deposit and loan for these 2 years are 28.95% and 31.19% respectively. Meanwhile, with the emergence of "Network Establishment Handbook" (version 2.0), the standardization and service quality has been further improved and position requirements in new-established institution are initially confirmed.

With the object to strengthen the expansion of region selling and improve the efficiency of business improvements, Beijing corporate client center and audit center of risk control were established.



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6. Information & Technology: The company took a firm step in the reform of information & Technology system, strengthened the system base for improving information management and capability of innovation. With the establishment of IT department, IT information of the whole company has been integrated efficiently, and the relevant functions have been summarized, generalized and optimized, the IT midterm plan was set.

7. Human Resource Management: The position responsibilities and staff quotas of the whole bank were summarized and generalized through various fundamental works for banking staff hierarchy, to lay a solid foundation for the further optimization of human resource system. The company strengthened the planning and coordination of education and training for the whole bank with the emergence of "SPD Bank Plan of Education and Scheduling from 2009 to 2011"; strengthened the training of senior management staff, especially for organizing the senior management overseas training to broaden their horizons and strengthen their learning and acknowledging of the newest operating and managing ideas of international financial industry.

2. Long-term investment made by the company

	Unit: RMB '000 yuan
Investment amount in the reporting period	1,370,872
Increase or decrease of investment amount in the reporting period	442,866
Percentage of investment amount change in the reporting period (%)	47.72

Unit: RMB '000 yuan			
Investee	Major operating activities	Equity held (%)	Note
Shanghai United International Investment Co.	Investment	16.50	Cost-based accounting method
China UnionPay	Bank card	3.715	Cost-based accounting method
SinoFirst Bank	Banking businesses	30	Equity-based accounting method
AXA SPDB Investment Mangers	Fund investment business	51	Equity-based accounting method
LAI SHANG Bank	Banking business	18	Cost-based accounting method

Note: the table listed the company's external equity investment.

By Dec 31, 2009, outstanding balance of long-term investment is RMB 1.371 billion, RMB 0.443 billion up from last year. Mainly issue: investment into LaiShang Bank, bought 108,000,000 shares with amount of RMB 378 million and become the second largest shareholders.

	Unit: RMB '000 yuan	
	2009	2008
Investment on cooperative enterprise	56,899	70,926
Investment on affiliated enterprise	547,229	468,336
Other long-term equity investment	771,303	393,303
Total amount of long-term equity investment	1,375,431	932,565
Preparation of Asset Devaluing for equity investment	4,559	4,559
Net value of equity investment	1,370,872	928,006

Cooperative enterprise includes: AXA SPDB Investment Mangers, Co., Ltd.

Affiliated enterprise includes: SinoFirst Bank

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Other long-term equity investment includes: Shanghai United International Investment Co., China UnionPay, LAI SHANG Bank

3. Utilization of funds raised

On Sept. 23, 1999, the company issued 400 million common shares in the capital market at an offer price of RMB 10 yuan and raised a total of RMB 3.955 billion capital. On Jan. 8, 2003, the company issued another 300 million new shares at an offer price of RMB 8.45 yuan and raised a total of RMB 2.494 billion capital. On Nov. 16, 2006, the company issued another 439,882,697 new shares at an offer price of RMB 13.64 yuan and raised a total of RMB 5.91 billion capital. On Sep. 21, 2009, the company issued privately 904,159,132 shares at an offer price of RMB 16.59 yuan and raised a total of RMB 14.826 billion capital. All the funds raised have been verified and used to strengthen the capital strength of the bank. Consequently, the company's shareholders' equity has been increased and the anti-risk capability enhanced. The company strictly adheres to the utilization plan of fund raised and earned obvious profit in proper use of fund raised.

4. During the reporting period, major change in terms of accounting policy, accounting estimation and material accounting error.

Pursuant to "explanation of corporate accounting standard"(No.3), the company made adjustment in balanced sheet by addition of "other comprehensive income" and "total comprehensive income" under the item of earnings per share.

5. Explanation on major accounting policy and important accounting estimation

Pursuant to the stipulations of Notice of the Ministry of Treasury on Implementing No. 1 Accounting Rule for Corporations and other 38 Rules, the company started to implement the Accounting Rules for Corporations promulgated by the Ministry of Treasury (also known as the new accounting rules). Meanwhile, the company made retroactive adjustment for respective items in relevant fiscal year and made restatement of financial reports according to Accounting Standards for Enterprises No.38—Initial Adoption of Accounting Standards for Enterprises, and ,No. 7 Guideline on Contents and Format for Information Disclosure of Companies That Make Public Offering of Securities ---Compilation and Disclosure of Comparative Financial Accounting Information during the Transitional Period of Old and New Accounting Standards(No. 10 [2007], CSRC).

6. Analyses of the financial strength and performance of the company during the reporting period

1) Key performance indicator change and causes

Unit: RMB '000 yuan				
Items	As of Dec. 31, 2009	As of Dec. 31, 2008	+-%	Causes
Total assets	1,622,717,960	1,309,425,442	23.93	Increase in loan/deposit scale
Equity investment	1,370,872	928,006	47.72	Finish the share subscription of LaiShang Bank during the reporting period
Fixed assets	7,074,942	6,259,847	13.02	Increase in investment in fixed assets
Total liabilities	1,554,630,515	1,267,723,643	22.63	Increase in deposit scale
Investment revenue	413,116	159,741	158.62	Increase in revenue of bond investment
Listed company's Shareholders' equity	67,953,026	41,679,436	63.04	Accumulation of net profit and the private issuance of shares



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2) Changes over 30% and causes

Items	Unit: RMB '000 yuan		
	As of Dec. 31, 2009	As of Dec. 31, 2008	+-%
Placement in other banks or financial institutions	143,554,116	54,129,305	165.21
Derivative assets	607,340	2,287,774	-73.45
Buy-in of resold financial assets	53,057,497	171,471,733	-69.06
Deferred interest	1,717	84,846	-97.98
Loans and pre-paid money	910,508,025	681,266,568	33.65
Financial assets sellable	89,214,803	57,365,149	55.52
Cassfield as loans and receivables investment	33,657,198	23,261,377	44.69
accounts receivable	3,490,720	1,008,690	243.09
Long-term equity investment	1,370,872	928,006	47.72
Long-term deferred expense	1,069,174	765,695	39.63
Interbank borrowing	3,774,450	10,532,859	-64.17
Derivative liabilities	605,504	2,378,205	-74.54
Financial assets sold for repurchase	1,264,882	19,682,401	-93.57
Deposits taken	1,295,342,342	947,293,582	36.74
Deposits transferred	1,910,101	4,459,058	-57.16
Dividends payable	17,920	11,935	50.15
Deferred revenue	506,123	889,289	-43.09
Other liabilities	1,416,253	9,111,733	-84.46
Shareholder's equity	8,830,046	5,661,348	55.97
capital reserve	24,318,331	10,863,371	123.86
surplus reserve	10,688,576	6,863,514	55.73
undivided profit	17,216,074	11,891,204	44.78
minority shareholder equity	134,419	22,363	501.07
Investment income	413,116	159,741	158.62
Gains from fair value change	12,416	297,325	-95.82
Other business revenue	222,419	317,816	-30.02
Other business cost	384,108	218,660	75.66
non-operating income	171,546	21,370	702.73
Income tax cost	4,080,887	2,787,624	46.39

7. The company incurred no major asset loss due to joint-responsibilities that the company has to take as providing guarantee for third parties



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8. Prospects for future development

1) The development trend of the banking industry, the competition situation and the impacts on the company

Chinese banking industry will maintain a well development with growth of China's economy development in 2010. After the international financial crisis, investment, consumption and import and export trade will have a steady development, with continuous various demands of financial services, which will create a well external environment. Meanwhile, rapid pace of changing economic growth will provide a new opportunity for commercial banks to expand their business. During the 12th 5-year plan, the government will strengthen the support to various kind of social industry, and deepen the financial market establishment, which will make financial innovation serving the real economy more active. All will simulate the capacity of financial innovation more rapidly, improve the comprehensive service in multi-markets, and intensify the market competency facing the international financial environment.

The international financial crisis and the economic down siding in China last year brought a big challenge to the management and development of China's banking industry, and produce a significant effect on the competition among banking industry. The competition will be more intensively with the completion of big commercial banks' remanufacturing to the joint stock system, especially for the competition to the high-quality clients such as government's significant strategic projects, leading enterprises among certain field, etc. Other joint stock banks are adjusting business structure continuously, speeding the pace to the business transformation, promoting multiple revenue structure, controlling risks, and building differentiated competition capacity. A large number of city commercial banks have carried out cross-regional business operations and accelerated their pace to improve the service ability for small and medium enterprises. With capital market stepping out from bottom, other non-bank financial institutions, such as securities, fund, trust, insurance, will compete more fiercely with commercial banks.

2) Future development opportunities and challenges that the top management is concerned about

In 2010, China will remain the stability and sustainability of macro economy, continuing exercising positive financial policy and reasonably easier monetary policy. International and domestic economic environment provide an opportunity for the development of banking industry: one, is to maintain steady growth of investment. In 2010, with the development of projects, and active investment from society, investment will keep a steady development, especially in medium and western region. Two, the steady development of policies for simulating consumption will bring a new opportunity for the banking business.

The development of Chinese banking industry is bonding to China and international economic intensively. Some uncertain factors in financial industry will also bring some influence and challenges: one is that some periodic fluctuations in international and domestic environment will bring some challenges to the steady development of the banking industry. With the globalization of China's economy, international financial periodic fluctuations will bring some influence to the development of banking industry. Two is that the strict regulation to commercial banks will bring some challenges to the operating management.

3) Business development strategy for 2010

In 2009, the company's strategy for business development is to fully implement the spirit of Central Economic Work Conference, to persist in the scientific development concept as a guide, to achieve sustainable and stable development with profit as the target, to take development and risk prevetion as the main line, to enhance self-capability and management as protection, so as to actively meet challenges, strive to maintain a leading position in joint-stock banks, and bring our efforts to build SPD Bank into a modern financial service enterprise with core competitive advantage to a new stage.



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4) Business goals for 2010

- Total assets shall exceed RMB 1.9 trillion yuan by the year-end, or 18% up;
- The outstanding balance of RMB & FX deposit shall exceed RMB 1.57 trillion yuan, or 22% up;
- The outstanding balance of RMB & FX loans shall exceed RMB 1.14 trillion yuan, or 22% up;
- After-tax profits shall increase by 25%
- The NPL ratio at the year-end shall be below 1%.

5) New measures in 2010

In 2010, the company should be guided as benefits, focused on the transformation of operating models, and development reconstructing, put more attention on the provision of financial risks, coordinately develop with a more scientifically and intensively. Specific measures are mainly as follows:

Manage the assets and liability business. Promote the steady development of the assets and liability business, grasp the rhythm in loaning credits, focus on steady development. Strengthen the capital management, lower the cost of liabilities and support for a larger scale.

Enlarge space for profit growth. Improve the professional selling ability, enhance the comprehensive returning, enlarge space for profits growth; improve financial management, expand personal business.

Enhance asset quality. Improve the structure of business portfolio and to build a comprehensive risk management culture.

Enhance our capability for sustainable development. Enhance regulation management, focus on the operating of various regulations, optimize management system. Improve operation efficiency, lower operation cost.

Enhance the momentum for efficiency. Promote the innovation of mechanism to tap up the potentials of resources.

6) Risk factors that may exert impacts on the company's future development strategy and business goals

Firstly, the worldwide economic recovery was not sound enough and there lacked sufficiency drive force for such recovery. Secondly, the economic recovery in China was mainly driven by national policy impetus and investment by the government. Thirdly, the potential readjustment in macro-economic policies remained uncertain for banking industry. The central government will continue to implement pro-active treasury policies and monetary policies. However, the central government may increase flexibility and focus on the measures it takes, which will exert certain impacts on future economy and financial market. Fourthly, the various risk factors will increase in economy, such as protectionism in trades, structure readjustment of economic sectors, over supply in the domestic market and so on. Those risk factors will exert negative impacts on the manufacturing and export-oriented industries of our country. Meanwhile, expectation for RMB appreciation against the background of over liquidity will be further strengthened and prices of assets and properties will continue to increase. As a result, the banking industry in China has to face up to a more complex environment of business operation and be more careful with handling the various risks.

9. Daily work of the board of directors

1) An overview of board meetings and resolutions:

(1) The company convened the 20th session of the 4th board on April 8, 2009. The meeting reviewed and approved the 2008 Working Report of Board of Directors, the 2008 Company's Business Report, the 2008 Working Report

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of Independent Directors, the 2008 Annual Report and its Abstract, the 2008 Self-assessment on Internal Control, the 2008 Profit Distribution Plan, the 2008 Final Financial Accounting and 2009 Financial Budget, the Motion on the Compensation of Senior Management, the 2008 Self-assessment on Internal Control of boarding, the 2008 Enterprise Society Responsibility, the Motion on Renewal Appointment of Accounting Firms, the Motion on Nominating Independent Directors, the Motion on Set-up of Rural Bank, the Motion on the Re-identification of Related Legal Person, the Motion on Asset Losses' Write-off, the Motion on Package Treatment of Non-performing Assets, the Motion on Management on Business Operation Risk Preference, the Motion on the Issuance of Subordinated Debt 2009, the Motion on Meeting the Criteria of Private Issuance of Shares, the Motion on Private Issuance of Shares, the Motion on the Feasibility of Utilization of Fund Raised by Private Issuance, the Motion on the Utilization Report of Fund Previously Raised. And the company published the resolutions in China Securities Journal, Shanghai Securities News and Securities Times on April 10th, 2009.

(2) The 3rd session of the 4th board was held on April 28, 2009. The meeting reviewed and passed the 1st Quarterly Report of SPDB and the Motion on Appointing EVPs. The content of the resolutions was published in China Securities Journal, Shanghai Securities News and Securities Times on April 10th, 2009.

(3) On August 10, 2009, the company convened the 4th session of the 4th board via telecommunication. 19 board members should attend the meeting and eventually 19 board members attended and voted on the motions. The meeting reviewed and passed the Provisional Rules on the Performance Assessment of Senior Management, the Motion on Setting-up a Work Team to Evaluation the Performances of Senior Management. The details of the resolutions were published in China Securities Journal, Shanghai Securities News and Securities Times on August 12th, 2009.

(4) The 5th Session of the 4th Board was held in Shanghai on August 26th, 2009. The meeting reviewed and passed the Semi-term Report 2009 and the Substracts, the Self-evaluation Report of Internal Control for the 1st Half of 2009, SPDB's 2009-2014 Branding Strategy, the Motion on Using Bonuses Granted by Local Government to Social Charity Causes, the Provisional Rules on Developing New Rules and Regulations, Rules on Managing Subsidiaries, the Motion on Writing-off Bad Loans, the Motion on Cooperating with Shanghai International Group, the Motion on Granting a Credit Line to Shanghai International Group and the Motion on Granting a Credit Line to Brilliance Group. The details of above resolutions were published in China Securities Journal, Shanghai Securities News and Securities Times on August 28th, 2009.

(5) The company convened the 6th session of the 4th board on October 27th, 2009. The meeting reviewed and passed the 3rd Quarterly Report, the Motion on Upgrading Hong Kong Representative Office to Hong Kong Branch, the Motion on Setting-up London Representative Office, the Motion on Readjust the Plan to Set up SPD Rural Banks, the Rules on Internal Control, the Motion on Readjusting the Related Legal Entities, the Motion on Writing-off Bad Loans. The details of above resolutions were published in China Securities Journal, Shanghai Securities News and Securities Times on October 29th, 2009.

(6) On December 30, 2009, the company convened the 7th session of the 4th board via telecommunication. 19 board members should attend the meeting and eventually 19 board members attended and voted on the motions. The meeting reviewed and passed the Motion on Pressure Test Scheme and the Motion on Banking Network Expansion. The details of the resolutions were published in China Securities Journal, Shanghai Securities News and Securities Times on December 31st, 2009.

2) The execution of the resolutions of the general shareholders' meeting by the board

(1) The profit allocation plan for 2008 has been passed by the 2008 general shareholders' meeting, that is, a dividend of RMB 2.3 yuan (tax included) shall be distributed per each 10 common shares and 4 gift shares shall be distributed per each 10 common shares. The registration date of share title was June 8, 2009 and the dividend distribution date was June 9, 2009. The gift shares became tradeable on June 10, 2009 and the distribution date of cash dividend was June 16, 2009. The prospectus was published in China Securities Journal, Shanghai Securities News and Securities Times on June 3rd, 2009.



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(2) The 2008 General Shareholders' Meeting held on May 5, 2009 reviewed and passed the Motion on Issuing New A Shares Via Private Placement so as to raise new capital of no more than RMB 15 billion. The company submitted the application to CSRC immediately. On September 18, 2009, the board of directors of the company received the approval from CSRC encoded CSRC [2009] No. 950. The new issuance was initiated on September 21, 2009 and the offer price was set at RMB 16.59 yuan per share and a total of 904,159,132 shares were issued and a total of RMB 14.99 billion was raised as new capital. With the expenditures deducted, the new capitals raised totaled RMB 14.827 billion.

3) A Summary on the Audit Committee members' Implementation of Their Duties

The Audit Committee of the board convened 5 meetings in 2009 and reviewed such motions as the 2008 Audit Work Plan, the 2008 Financial Report, the Work Procedure for Audit Committee, the Profit Allocation Plan 2008, the 2008 Final Accounting and 2009 Budget, the 2008 Internal Control Self-assessment Report, the Motion on Using Bonuses Granted by Local Government to Social Charity Causes, the Motion on Renewing the Appointment of Accounting Firms etc.

On March 23, 2009, the company held the 6th session of the audit committee. The meeting reviewed and audited the annual report and agreed that the annual report was ready to be audited by accounting firms.

After the accounting firms issued their views, the audit committee reviewed the annual report again and believed that the annual report reflected the conditions of the company in a truthful and complete way.

4) A Summary on the Performance of the Compensation and Performance Assessment Committee of the Board

The Compensation and Performance Assessment Committee convened 2 sessions and reviewed four motions, namely, the Performance Assessment Report of Senior Management 2008, the Compensation Plan for the Whole Staff 2008, the Motion on the Compensation Plan for Senior Management etc.

5) A Summary on the management of information disclosure

The company continuously enhanced the information report and use management so as to avoid information leak and ensure justice for all investors. The company developed Information Disclosure System and other relevant rules and regulations. If the company reports to shareholders or other outsiders on any important information not yet publicly announced, the company has to go through the required reporting and disclosure procedures. Any board member, supervisory board member, senior management or other personnel who knows the information before it is made public has the obligation to keep it confidential and not to be engaged in any insider's trading. The company will continue to further improve relevant rules and regulations to strengthen information disclosure.

10. Profit distribution or capital surplus conversion plan

Per the audited 2009 annual report, the company realized a net profit of RMB 13.218 billion for 2009 and the non-distributed profits totaled RMB 11.891 billion yuan. With RMB 6.569 billion for 2008 deducted, the profits distributable registered RMB 18.54 billion. Meanwhile, pursuant to the Regulations on Financial Enterprises Withdrawing Bad Loan Reserves of the Ministry of Treasury, financial enterprises engaged in deposits and loans shall withdraw general risk reserve. The company is going to withdraw RMB 2.6 billion as general reserve out of the net profits, with the accumulated general reserve totaling RMB 9.5 billion, no less than 1% of the risk-weighted assets as of the year-end of 2009.



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Based on the above, the company proposes the following profit distribution plan:

- (1) to charge 10% out of the net profits as legal surplus reserve, totaling RMB 1.322 billion;
- (2) to charge 20% out of the net profits as arbitrary surplus reserve, totaling RMB 2.644 billion;
- (3) to charge general risk reserve of RMB 2.6 billion;
- (4) to grant 3 gift shares per each 10 common shares and RMB 1.5 yuan dividend (taxes included), totaling RMB 3.974 billion.

Once the above profit distribution plan is carried out, the non-distributed profit will amount to RMB 8 billion and will be brought forward to the next year and used as supplementary capital.

11. 3-year dividend distribution

Year	Cash Dividend (taxes included)	Net profits	Unit: RMB 000,000 yuan
			Cash Dividend in Profits (%)
2006	653,232	3,355,918	19.47
2007	696,781	5,498,775	12.67
2008	1,302,109	12,515,968	10.40

12. Investor Relationship Management

During the reporting period, the company received more than 80 visits by domestic and international investment banks, fund managers and other institutional investors and attended various presentation meetings so as to brief them on the latest development of the company.

On April 10, 2009, the company held a meeting with over 150 fund managers and other investment bankers to explain on the performances of the company for year 2008.



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Report by the Supervisory Board



Jinan-Baotu Spring
Jinan Branch

Report by the Supervisory Board

1. Meetings of the Supervisory Board

(1) On April. 8, 2009, the company convened the 2nd session of the 4th supervisory board. The meeting reviewed and passed the motions on 2008 Working Report of the Board of Supervisors, Board Members and Senior Management Performing Their Duties According to Law, the 2008 Business Report, the 2008 Annual Report and its Abstract, the Proposal on Profit Distribution for 2008, the 2008 Final Accounting and the 2009 Budget, the Motion on the Compensation of Senior Management, the 2008 Self-assessment on Internal Control of boarding, the 2008 Enterprise Society Responsibility, the Motion on Renewal Appointment of Accounting Firms, the Strategy from 2006-2011 (draft), the Motion on Set-up of Rural Bank, the Motion on the Re-identification of Related Legal Person, the Report of United Trading 2008, the Motion on Asset Losses' Write-off, the Motion on Package Treatment of Non-performing Assets, the Motion on Management on Business Operation Risk Preference, the Strategy of Management of Capital Liabilities, the Motion on the Issuance of Subordinated Debt 2009, the Motion on Meeting the Criteria of Private Issuance of Shares, the Motion on Private Issuance of Shares, the Motion on the Feasibility of Utilization of Fund Raised by Private Issuance. And the company published the resolutions in China Securities Journal, Shanghai Securities News and Securities Times on April 10th, 2009.

(2) On April 28, 2009, the company convened the 3rd session of the 4th supervisory board. The meeting reviewed and passed the motions of 1st quarterly report, the Motion of Appointing Vice President. And the company published the resolutions in China Securities Journal, Shanghai Securities News and Securities Times on April, 10, 2009.

(3) On July 14, 2008, the company convened the 4th session of the 4th supervisory board. The meeting reviewed and passed the motions of interim report, self-assessment on internal control in the first half of 2009, the Motion of the Brand Strategy from 2009 to 2010, the Motion of the Management of subsidiary companies, the Guidelines of Risk Control of Institution Finance, the Motion on Asset Losses' Write-off, the sign-up of full cooperation agreement with Shang International Trust Co. Ltd. And the company published the resolutions in China Securities Journal, Shanghai Securities News and Securities Times on Aug, 28, 2009.

4) On Oct 27, 2009, the company convened the 5th session of the 4th supervisory board. The meeting reviewed and passed the motions of 3rd quarterly report, the Motion of Promoting HongKong Office to HongKong Branch, the Motion of Set Up London Office, the Motion of Adjust Plans of Rural Bank, Internal Controlling Management, the Motion on Asset Losses' Write-off. And the company published the resolutions in China Securities Journal, Shanghai Securities News and Securities Times on Oct 29, 2009.

2. Independent opinions from the Supervisory Board

(1) An overview of the company's operation according to law

During the reporting period, the Company operated according to law, standardized its management and reported its performance objectively and true to the fact. It has developed and upgraded its internal control intensively and extensively. The decision-making procedures were all legal. The Directors and Senior Management were prudent, conscientious and diligent, and did not breach any law or regulation in the process of business operations and management, nor were any of them discovered to conduct any behavior that caused any damage to shareholders' interests.

(2) Authenticity of the financial statement

After careful review of the Company's financial reports and the audited financial reports issued by accounting firms for 2008, the Supervisory Board believes that the Company's financial report accurately reflects the Company's financial status and performance during the reporting period. The auditors, Da Hua Certified Public Accountant Co., Ltd. and Ernst & Young Accounting Firm both issued an auditor's report without any reserved opinions. Neither did they refuse to express an opinion. The audited reports reflect the company's financial status authentically, objectively and accurately.



Report by the Supervisory Board

(3) The Company's utilization of the funds raised from capital market

When the Company launched its IPO in 1999, it raised a total of RMB3.955 billion yuan. Through its second offering of 300 million new shares, it raised another RMB 2.495 billion yuan. The additional issuance of 43988269 shares in Nov. 2006 raised RMB5.91 billion. On Sep. 21, 2009, the company issued privately 904,159,132 shares at an offer price of RMB 16.59 yuan and raised a total of RMB 14.826 billion capital. As approved by the People's Bank of China, all these funds have been used to reinforce the Company's capital and enlarge the company (the bank)'s asset scale. The actual projects invested with these funds and the uses of the funds are consistent with the promises made in the share prospectus. The Company strictly implemented the plan for using the funds as stated in the stock-recruiting prospectus and utilized the capital raise in a reasonable manner.

(4) Acquisition and sales of assets

During the reporting period, the company neither sold any assets nor acquired or merged any assets.

(5) Transactions with related parties

Within the reporting period, the Company's associated transactions were fair and reasonable, and such related transactions haven't been discovered to cause any damage to shareholders' interests or the Company's interests.

(6) Internal control

The Company had established a comprehensive, rational and effective internal control system.

(7) Auditing report

Ernst & Young Hua Ming Accounting Firm issued an auditor's report without any reserved opinions.

(8) Execution of resolutions made at the General Meeting of Shareholders

The members of the Company's Supervisory Board attended the Company's Board of Directors meetings and Shareholders Meetings as non-voting delegates, and the Supervisory Board had no objections to the contents of the reports and proposals submitted by the Company's Board of Directors to the General Meeting of Shareholders for examination and approval. The Company's Supervisory Board supervised on the execution of resolutions made at the Shareholders Meetings and believes the Board of Directors is able to earnestly implement the relevant resolutions made at the Shareholders Meeting.

(9) Independent opinions on the relative big difference from realized and expected profit



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Important Issues



Chengdu-Anshun Bridges
Chengdu Branch

Important Issues

1. On the issuance of new shares

In order to alleviate the pressure of shortage in CAR, the 2nd session of the 4th board held on April 8, 2009 passed the resolution to issue new A shares via private placement and the resolution was passed by the General Shareholders' Meeting on May 5, 2009. The potential investors were limited to no more than 10 and the offering price was set at 90% of the average price of the past 20 trading days dated from April 10 when the prospectus was issued. And the actual offering price shall be determined once the company received the official approval from CSRC. The funds to be raised from the private placement shall not exceed RMB 15 billion. And all the funds raised with the costs deducted shall be used to enhance the capital strength of the company.

The company received the approval from CSRC encoded [2009] No. 950 on Sept 18m 2009 for the above-mentioned re-capitalization plan and initiated the relevant work on Sept. 21, 2009. And the company organized a public bidding for the private placement. As a result of the bidding, the offering price was set at RMB 16.59 yuan per share and a total of 904,159,132 new A shares was sold out, raising a total of RMB 15 billion yuan. With the costs deducted, a net amount of RMB 14.827 billion was raised. With 904,159,132 new shares offered, the company's total share capital reached 8,830,045,640.

2. Introduction of strategic investor

In order to promote stable development, enhance the capability of risk control and meet the regulators' CAR requirements, the company passed the resolution(8th meeting of 4th board) to issue private placement of shares to Guangdong Mobile (China Mobile), who would occupy an amount of 20% of total shares of the company after issuance. Guangdong Mobile would buy all the shares of placement with about RMB 40 billion and all the fund raised will be used to enhance capital base. Besides, the company had signed memorandum for strategic cooperation in fields of E-banking and mobile banking etc.

The motion of issuance of private placement was passed on the 1st temporary shareholder's meeting of 2010 on March 30, 2010.

3. Major lawsuit and arbitration issues

By the end of the reporting period, the Company as the plaintiff had brought 250 lawsuits to court that had not been verdict, involving a total amount of RMB 106.138 million yuan. There were 9 major lawsuits (in which the Company was the defendant) that had not been verdict involving a total amount of RMB 12.871 million yuan.

4. Bankruptcy and reorganization event

In 2009, the company hasn't any bankruptcy and reorganization events.



Important Issues

5. The explanation of other major event and its impact

Equity investment

In 2009, the company hasn't made any equity investment.

Name	Initial investment amount (RMB)	Number of shares held	% of total shares (%)	Book value by the end of reporting period (RMB)	P/L for the reporting period (RMB)	Unit: '000 yuan/'000 shares		
						Equity change in the reporting period (RMB)	Accounting item	Share source
China Unionpay Co., Ltd	105,000	90,000	3.715	105,000	3,300	/	Long-term equity investment	Investment
SinoFirst Bank	363,414	-	30	547,229	84,272	262,930	Long-term equity investment	Investment
AXA SPDB Fund Managers	102,000	-	51	56,899	-14,027	27,504	Long-term equity investment	Sponsor
Laishang Bank	378,000	-	18	378,000	/	/	Long-term equity investment	Investment
Total	948,414	/	/	1,087,128	73,545	/		

Note: (1) The above table illustrates the equity investment held by the parent company in non-listed financial institutions.
(2) Profit/loss for the reporting period refers to the impact of the investment on the parent company's net profits.

6. During the reporting period, the company hasn't conducted any major acquisition, sale or disposal of assets.

7. Independent opinions on external guarantee made by independent directors

Pursant to relevant regulations of No. 56 [2003] Document by CSRC, we reviewed the company's external guarantee conditions in a fair, equitable and objective manner. We believe, by the end of 2009, the external guarantee conducted by the company is approved by PBOC and CBRC and is one of the company's normal business. Articles of Association made clear regulation of its examination and approval authorization, and internal management also made specific measures, operation procedures and examing-approving procedures.

External guarantee conducted by the company is off-balance-sheet business. Off-balance-sheet liabilities are as follows:

Items	Unit: RMB '000 yuan	
	As of Dec. 31, 2009	As of Jan. 1, 2009
Banker's acceptance bills	228,097,040	204,069,015
Acceptance payable	2,561,475	3,877,599
Letter of guarantee issued	42,767,812	38,765,376
Letter of credit issued	13,670,055	9,388,058
Credit commitment	15,000	20,000
Unused credit line of credit card	13,716,390	15,863,833



Important Issues

The company has no special guarantee for related parties.

During the reporting period, the company strictly complied with relevant regulations of CSRC (No.56 [2003] Document), and has no illegal guarantee.

8. Important Transactions with Related Parties

I. Related legal entities of the company

According to the relevant stipulations of CBRC's Rules on Commercial Banks' Related Transactions with Insiders and Shareholders, the company formulated SPDB's Rules on the Management of Related Transactions. Pursuant to such rules, the company doesn't have any related parties that have a controlling stake in the company.

During the reporting period, the transactions conducted by the company with related parties are mainly loans to shareholders and related parties. All such loans are granted according to the relevant regulatory requirements and terms and conditions of loans. The principal and interest on all loans and call loans to the related parties were returned or paid normally and exerted no negative impact on the company's businesses or profit.

The company's related parties mainly refer to the following:

(1) Legal entity shareholders who directly, indirectly, or jointly hold or control 5% stake/voting rights or over in the company. To be more specific, they are Shanghai International Group (23.573%) and Shanghai International Trust and Investment Corp (7.286%).

(2) Any legal entity (except for commercial banks) for which the board member of the company directly or indirectly or jointly controls or may exert major impact (that is, the board member holds such positions as the legal entity representative or the General Manager). To be more specific, they are Shanghai Guoxin Investment & Development Co., Ltd, Brilliance Group Co., Ltd, Shanghai Brilliance Group Co., Ltd, China Tobacco and Cigarette Jiangsu Branch, Shanghai Postal Service Corp and Shanghai AJ Co., Ltd.

(3) Any financial enterprise that the company has invested in and may exert major impact. To be more specific, they include SinoFirst Bank, AXA SPDB Fund Managers and SPD Rural Banks sponsored by the company, including but not limited to Mianzhou SPD Rural Bank, Liyang SPD Rural Bank, Fengxian SPD Rural Bank, Gongyi SPD Rural Bank, Zixing SPD Rural Bank, Chongqing Banan SPD Rural Bank.

Related parties that have no controlling stake in the company and transactions with them:

(1) transactions with related parties that have no controlling stake in the company

Name	Unit: RMB '000 yuan			
	Interest income for 2009	Interest income for 2008	Interest expense for 2009	Interest expense for 2008
Shanghai International Group	25,506	26,192	-	-
Shanghai International Trust and Investment Corp	-	-	4,229	-
Brilliance Group Co.,	15,085	1,631	-	-
Shanghai Brilliance Group Co., Ltd	5,727	Not applicable	-	-
SinoFirst Bank	1,035	6,305	122	98
AXA SPDB Fund Managers	-	-	292	-

Important Issues

(2) loans/lending balance of related parties that have no controlling stake in the company

Name	Unit: RMB '000 yuan	
	2009-12-31	2008-12-31
Shanghai International Group	400,000	400,000
Brilliance Group Co.,	240,000	300,000
Shanghai Brilliance Group Co., Ltd	100,000	
SinoFirst Bank	-	37,540

Note: loans and lending mentioned above is granted according to loan and lending rate regulated by PBOC.

(3) placement balance of related parties that have no controlling stake in the company

Name	Unit: RMB '000 yuan	
	2009-12-31	2008-12-31
Shanghai International Trust and Investment Corp	224,047	-
SinoFirst Bank	15,914	15,435
AXA SPDB Fund Managers	65,813	-

(4) outstanding L/C balance with related parties that have no controlling stake in the company

Name	Unit: RMB '000 yuan	
	2009-12-31	2008-12-31
Brilliance Group Co.,	341,350	204,765
SinoFirst Bank	-	12,641
AXA SPDB Fund Managers	100	100

II. Related natural persons

According to the relevant stipulations, related natural persons mainly refer to the board members, senior management both at the head-office and at branches and other persons who have the right to decide or participate in the decision-making of credit-granting and assets transfer.

As of the end of the reporting period, no related natural person of the company has reported to the company any case of related transactions.

9. Major contracts and implementation

1) Major trusteeship, contract and lease issues: there were no major trusteeship, contract or lease issues during the reporting period.

2) Major guarantees: apart from the financial guarantee business which falls within the Company's business scope as approved by the People's Bank of China within the reporting period, the Company had no other major guarantee issues requiring disclosure.

3) Assets management entrusted to other parties: during the reporting period, the Company had not entrusted any party to manage any of its assets.



Important Issues

4) Other major contracts (including guarantees) and their implementation: the Company's various business contracts were implemented normally during the reporting period, and no disputes over any major contracts occurred.

10. The Company or any shareholder with more than 5% stake made the disclosure of commitment in the designated newspapers or websites.

According to "regulations of share reform of listed companies", the original shareholders with more than 5% of total shares committed: from the date of implantation of share reform, they will not sell or transfer share within 12 months; after the restriction date, they will not sell over 5% of share held within 12 months and 10% within 24 months through stock exchange market.

11. Appointment and dismissal of Accounting Firms

Whether to change accounting firm:	No (Note)
Name of domestic auditor	Ernst & Young Hua Ming accounting firm
Consecutive auditing years of domestic accounting firm	12 years
Audit fees	3.5 million

Note: originally, the domestic accounting firm appointed by the company was Ernst & Young Da Hua Accounting Firm. However, it changed its registration entity and as approved by the 1st Provisionary General Shareholders' Meeting in 2008, the company appointed the changed Ernst & Young Hua Ming Accounting Firm as the domestic auditor.

12. None of the Company's directors, supervisors or senior management was penalized by the supervisory authorities during the reporting period.

13. Write-off of loan loss in the reporting period

According to the Regulations on Financial Enterprises to Write-off Bad Loans issued by the Ministry of Finance in May 2005, the company wrote off a total of RMB 814 million loan losses during the reporting period.



Important Issues

14. Honors and awards won by the company

Area	Awarded by	Name of the award
Corporate social responsibility	Summit on CSR Reporting by A-share Listed Companies	Best CSR Report for Financial & Insurance Industry 2008
	21-century Chinese Business Herald	Best Corporate Citizenship 2009 China
	5th Chinese Corporate Citizenship Forum & Awards Ceremony for Best Chinese Corporate Citizens	Best Chinese Corporate Citizen
	Up-rising Chinese Brands and the 2nd Chinese Branding Forum	Outstanding Contributor to CSR 2009 China
	3rd Chinese Environment Investment Convention	Best Performer for Green Credit 2009
Financial service	Hua Xi Daily and Yahoo China	Most Charitable Enterprise 2009
	International Financial Times	Best Partner Bank for enterprises
	3rd Listed Company's Market Value Management Summit China	Top 10 of Best-managed Listed-companies in Market Value
	Asian Banker	Excellence in Branding of Consumer Banking Excellence in IT Technology Application in Consumer Banking
	21 Chinese Business Herald and Interbrand Consultancy Co.	Best Case in Branding Initiatives China
	Wealth Management Weekly and CCTV	Best Board of Directors of Chinese Listed Companies 2009
	CFO magazine	Most-trusted Chinese Bank by CFOs 2009 Best Performance in SME Finance, Best Performance in Off-shore Banking, Strongest Corporate Banking Brand
	National-level industry association –China Electronic Chamber of Commerce on Call Centers & Customer Relationship	Best call-center in Asia-Pacific Region –China 2009
	South China Weekend and China Unionpay	Top-10 Most-valued Bank Card Brands
	East Money Website & Online Banking Exhibition Survey on Online Banks China 2009	Most popular online bank
International ranking	Shanghai Stock Exchange	Best performer in terms of information disclosure
	Financial Times, UK	No. 269 of Top 500 Listed Companies Worldwide
	Banker Magazine, UK	No. 137 in terms of Tier 1 Capital and No. 91 in terms of total assets of Top 1000 World Banks
	Asian Banker	No. 23 of Top 300 Asian Banks
	BrandFinance	No. 76 of Top 500 Banking Brands Worldwide and No. 7 in terms of Chinese banking brands



Important Issues

15. Information disclosure index

Events	Newspaper and website published on	Date	website and links
The 2008 Business Performance Express Release	China Securities Journal, Shanghai Securities News, Securities times	Jan. 6	http://www.sse.com
The Prospectus on Strategic Partnership with China Ocean Petroleum General Corp.	As above	Feb. 14	As above
The Prospectus on Strategic Partnership with Shanxi Financial Rental & Lease Company	As above	Feb. 19	As above
The Prospectus on Mr. WANG Jun, Independent Director of the company To Resign from the Position as ID	As above	Feb. 28	As above
The Prospectus on the Resolutions of the 2nd Session of the 4th Board and on the Summoning of the 2008 General Shareholders' Meeting	As above	Apr. 10	As above
Resolutions of the 2nd Session of the 4th Supervisory Board	As above	Apr. 10	As above
Resolutions of the General Shareholders' Meeting 2008	As above	May 6	As above
Prospectus on the Listing of Locked-up Shares	As above	May 6	As above
Prospectus on the Profit Allocation for 2008	As above	Jun 3	As above
Resolutions of the 4th Session of the 4th Board	As above	Aug 11	As above
Prospectus on the Approval from CSRC for the Company to Issue A Shares via Private Placement	As above	Aug 24	As above
Resolutions of the 5th Session of the 4th Board	As above	Aug 29	As above
Resolutions of the 4th Session of the 4th Board	As above	Aug 29	As above
Prospectus on the Mid-and-long-term Capital Plan of the Company	As above	Sept 18	As above
Prospectus on Approval from CSRC for the Company to Issue New A Shares Via Private Placement	As above	Sept 18	As above
Prospectus on the Result of Private Placement and Share Capital Change	As above	Sept 30	As above
Prospectus on the Company Signing Agreements on Monitoring Special Accounts of Fund-raising	As above	Sept 30	As above
Resolutions of the 6th Session of the 4th Board	As above	Oct 29	As above
Resolutions of the 5th Session of the 4th Board	As above	Oct 29	As above
The 3th Quarterly Report of the Company	As above	Oct 29	As above
Resolutions of the 7th Session of the 4th Board	As above	Dec 31	As above

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Financial Reports



Xi' an-Terra cotta Army
Xi' an Branch

Financial Reports

1. Audited report(attachment)

2. Financial report(attachment)

3. Major accounting policies, accounting estimations and accounting mistakes:

(1) Accounting year: starting from Jan. 1, 2009 and ending on Dec 31, 2009.

(2) Book-keeping Currency: RMB

(3) There is neither major change in the accounting principle nor material accounting mistakes or the rectification of such mistake during the reporting period.

(4) Change in the financial reports and information disclosure

Pursuant to the stipulations of Explanation No. 3 of Corporate Accounting, the company changed the financial report tables and information disclosure. In the Statement of Profits, under Item EPS, such new items as "Other Comprehensive Gains" and "Total Comprehensive Gains" are added to release the net value of the gains or losses with the various interest gains and losses summed up.

4. Consolidated financial reports

During the reporting period, there is no change in terms of the scope of the consolidation of financial reports.

(1) In June 2009, with approval from the regulatory authorities, the company sponsored Liyang SPD Rural Bank. The company invested RMB 25.5 million in the rural bank, accounting for 51% of its stake and Liyang SPD Rural Bank shall be brought into the consolidated accounting of the company.

(2) In August 2009, with approval from the regulatory authorities, the company sponsored Fengxian SPD Rural Bank. The company invested RMB 34.5 million in the rural bank, accounting for 69% of its stake and Fengxian SPD Rural Bank shall be brought into the consolidated accounting of the company.

(3) In Sept 2009, with approval from the regulatory authorities, the company sponsored Gongyi SPD Rural Bank. The company invested RMB 25.5 million in the rural bank, accounting for 51% of its stake and Liyang SPD Rural Bank shall be brought into the consolidated accounting of the company.

(4) In Nov 2009, with approval from the regulatory authorities, the company sponsored Zixing SPD Rural Bank. The company invested RMB 25.5 million in the rural bank, accounting for 51% of its stake and Liyang SPD Rural Bank shall be brought into the consolidated accounting of the company.

(5) In Dec 2009, with approval from the regulatory authorities, the company sponsored Chongqing Banan SPD Rural Bank. The company invested RMB 25.5 million in the rural bank, accounting for 51% of its stake and Liyang SPD Rural Bank shall be brought into the consolidated accounting of the company.



Financial Reports

5. Additional information

1) ROE and EPS calculated according to CSRC's Rules on Information Disclosure for Publicly Listed Companies

Profits	Unit: thousand RMB yuan			
	ROE		EPS	
	Fully diluted	Weighted average	Basic EPS	Fully diluted
Net profit belonging to the common shareholders	19.45	25.86	1.621	1.621
Net profit excl. extraordinary items belonging to the common shareholders	19.32	25.68	1.610	1.610



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Attachment



Harbin-The Dragon Tower
Harbin Branch

Attachment

1. Financial statements endorsed with the signatures and seals of the Company's legal representative and finance controller.
2. The original Annual Report endorsed with the signature of the Company's Chairman of the Board.
3. The texts and original copies of all documents and announcements released in "China Securities Journal", "Shanghai Securities News" and "Securities Times" by the Company within the reporting period.
4. "Articles of Association of the Shanghai Pudong Development Bank Co., Ltd."
5. Appendix: Self-assessment Report on Internal Control, the Company's Disclosure on Performing Corporate Social Responsibility.

Chairman of the board of directors: JI Xiaohui
Shanghai Pudong Development Bank Co., Ltd.
April 2nd, 2010



Attachment

Written opinion of board members and top management on the annual report 2009

Pursuant to "Security Law" and related regulations of "Public Issuing Company's Disclosure Content and Format Guideline No. 2 (Annual Report Content and Format)(revised version 2007)", the board members and senior management have obtained a comprehensive understanding of the company and examined the 2009 annual report and its abstract, thus provide the following opinion:

- 1) The company operates strictly according to accounting principles; the report truthfully reflects the company's financial position and management.
- 2) All the data in the report are verified under the principle of prudence, objectivity, authenticity and completeness. We believe that the information presented in this report is free from any false record, misleading statement or material omission, and is in compliance with the regulatory requirements of CSRC and actual operation of the Bank.
- 3) The financial statements of the Company for the year ended 31 December 2009 were audited by Ernst & Young Hua Ming Accounting Firm in accordance with PRC generally accepted accounting principles (GAAP), and have obtained standard auditor's report without any reserved opinions

Signatures of the directors and senior management:

JI Xiaohui		(signature)	FU Jianhua		(signature)
CHEN Xin		(signature)	HUANG Jianping		(signature)
SHEN Si		(signature)	YANG Dehong		(signature)
PAN Weidong		(signature)	Stephen Bird		(signature)
DENG Weili		(signature)	MA Xinsheng		(signature)
WEI Pengcheng		(signature)	WANG Guanchang		(signature)
SUN Zheng		(signature)	LI Yang		(signature)
LIU Tinghuan		(signature)	CHEN Xuebin		(signature)
XU Qiang		(signature)	LI Xiaojia		(signature)
SHANG Hongbo		(signature)	LIU Xinyi		(signature)
Jiang Mingsheng		(signature)	Ji Guangheng		(signature)
Mu Shi		(signature)	Xu Haiyan		(signature)



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The Financial Statements (by Domestic Auditor)



Guangzhou-Zhongtian Square
Guangzhou Branch

The Financial Statements (by Domestic Auditor)

Auditors' Report

Ernst & Young Hua Ming (2010) Shenzi No.60468058_B01

To the Shareholders of Shanghai Pudong Development Bank Co., Ltd.

We have audited the accompanying financial statements of Shanghai Pudong Development Bank Co., Ltd. (the "Company") and its subsidiaries (collectively referred to as the "Group"), which comprise the consolidated and the Company's balance sheet as of 31 December 2009, consolidated and the Company's income statement, statement of changes in equity and cash flow statement for the year then ended, and notes to the financial statements.

Management's Responsibility for the Financial Statements

The management is responsible for preparing financial statements in accordance with the Accounting Standards for Business Enterprises. This responsibility includes (1) designing, implementing and maintaining the internal control relevant to the preparation of the financial statements that are free from material misstatement whether due to fraud or error; (2) selecting and applying appropriate accounting policies; and (3) making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the Chinese Auditing Standards issued by the Chinese Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain a reasonable assurance as to whether the financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the financial statements of the Group and the Company have been prepared in accordance with Accounting Standards for Business Enterprises, and present fairly, in all material aspects, the financial position of the Group and the Company as of 31 December 2009 and the results of the operations and cash flows for the year then ended.

Ernst & Young Hua Ming

Chinese Certified Public Accountant: Yan Shengwei

Chinese Certified Public Accountant: Zhou Mingjun

Beijing, the People's Republic of China

2 Apr 2010



The Financial Statements (by Domestic Auditor)

Consolidated Balance Sheet

		Unit: RMB Yuan	
	Notes 6	31 December 2009	31 December 2008
Assets			
Cash on hand and due from the central bank	1	205,118,946,908.00	162,601,258,153.27
Due from banks	2	143,554,115,969.37	54,129,304,996.14
Precious metals	3	213,211,960.00	-
Inter-bank placements	4	24,122,346,650.00	23,643,909,463.45
Derivative financial assets	5	607,339,761.62	2,287,773,566.47
Reverse repurchase agreements	6	53,057,496,677.71	171,471,733,373.43
Accounts receivable	7	3,460,720,234.29	1,008,690,008.32
Interests receivable	8	5,435,920,156.98	5,055,230,404.64
Deferred interest		1,716,914.49	84,846,272.61
Loans and advances	9	910,508,025,355.17	681,266,567,999.23
Available for sale investments	10	89,214,803,404.52	57,365,149,284.68
Held-to-maturity investments	11	136,745,989,474.67	110,600,016,531.13
Loan and receivables investments	12	33,657,198,072.62	23,261,376,826.30
Equity investments	13	1,370,872,075.31	928,005,575.97
Fixed assets	14	7,074,941,832.02	6,259,846,773.15
Constructions in progress		-	-
Intangible assets	15	205,362,952.84	207,220,104.86
Long-term deferred charges	16	1,069,173,606.83	765,694,748.29
Settled assets	17	504,736,125.52	584,349,882.89
Deferred tax assets	18	3,108,660,323.16	2,788,606,779.31
Other assets	19	3,686,381,974.26	5,115,861,217.41
Total Assets		1,622,717,960,429.38	1,309,425,441,961.55

The notes on pages 103 to 172 form an integral part of these financial statements.



The Financial Statements (by Domestic Auditor)

Consolidated Balance Sheet (Continued)

		Unit: RMB Yuan	
	Notes 6	31 December 2009	31 December 2008
Liabilities			
Due to the central bank		48,000,000.00	-
Due to banks and other financial institutions	21	205,935,412,404.92	222,440,812,651.40
Inter-bank borrowings		3,774,449,625.00	10,532,859,000.00
Financial liabilities at fair value through profit or loss	22	237,326,155.32	-
Derivative financial liabilities	5	605,504,451.47	2,378,204,976.31
Repurchase agreements	23	1,264,882,200.00	19,682,400,735.48
Deposit from customers	24	1,295,342,341,947.12	947,293,581,525.12
Outward remittances		1,910,100,569.18	4,459,058,295.11
Employee benefits payable	25	6,905,170,274.57	6,923,803,293.26
Taxes payable	26	3,012,867,653.13	3,418,692,385.50
Interests payable	27	8,302,292,993.36	8,359,986,340.64
Dividends payable	28	17,920,391.92	11,934,907.84
Other payables	29	6,551,870,056.43	7,421,286,163.35
Deferred income	30	506,123,072.57	889,288,974.86
Debts issued	31	18,800,000,000.00	18,800,000,000.00
Long-term payables	32	-	6,000,000,000.00
Other liabilities	33	1,416,252,731.21	9,111,733,457.04
Total Liabilities		1,554,630,514,526.20	1,267,723,642,705.91
Shareholder' Equity			
Paid-in capital	34	8,830,045,640.00	5,661,347,506.00
Capital surplus	35	24,318,331,257.96	10,863,371,051.99
Including: Unrealized gain or loss on available for sale financial assets		104,088,838.05	675,327,084.93
Unrealized gain or loss on Held-to-maturity investments		(36,269,261.46)	(145,360,889.21)
Surplus reserves	36	10,688,575,687.26	6,863,513,603.08
General provisions	37	6,900,000,000.00	6,400,000,000.00
Retained earnings	38	17,216,073,827.20	11,891,203,717.41
Equity attributable to equity holders of the parent		67,953,026,412.42	41,679,435,878.48
Minority interests	39	134,419,490.76	22,363,377.16
Total Shareholder' Equity		68,087,445,903.18	41,701,799,255.64
Total Liabilities and Shareholders' Equity		1,622,717,960,429.38	1,309,425,441,961.55

The notes on pages 103 to 172 form an integral part of these financial statements.

The Financial Statements (by Domestic Auditor)

Consolidated Income statement

		Unit: RMB Yuan	
	Notes 6	2009	2008
Operating Income		36,823,932,168.81	34,560,566,788.64
Net interest income	40	33,538,388,090.24	31,534,335,332.93
Interest income		60,190,044,233.55	55,721,299,667.71
Interest expense		26,651,656,143.31	24,186,964,334.78
Net service charge and commission income	41	2,206,966,238.82	1,794,548,184.29
Service charge and commission income		2,720,419,162.60	2,334,954,607.27
Service charge and commission expense		513,452,923.78	540,406,422.98
Investment income	42	413,115,651.42	159,741,455.04
Including: income from jointly controlled enterprises and associates		70,245,126.23	53,797,022.61
Income/(loss) from fair value change	43	12,415,560.45	297,325,465.94
Exchange gain/loss		430,627,289.96	456,800,308.08
Other operating income		222,419,337.92	317,816,042.36
Operating expense		19,645,558,467.25	19,228,557,614.51
Business tax and surcharges	45	2,825,810,821.25	2,612,630,399.79
Business and administrative expenses	46	13,253,480,395.38	12,678,799,305.63
Impairment loss	47	3,182,159,724.63	3,718,467,826.40
Other operating expense		384,107,525.99	218,660,082.69
Operating profit		17,178,373,701.56	15,332,009,174.13
Add: Non-operating income	48	171,545,739.11	21,370,210.23
Less: Non-operating expenses		53,894,940.41	49,924,333.68
Profit before tax		17,296,024,500.26	15,303,455,050.68
Less: Income tax	49	4,080,887,264.31	2,787,623,590.42
Profit for the year		13,215,137,235.95	12,515,831,460.26
Attributable to Equity holders of the parent		13,216,581,122.35	12,515,968,083.10
Minority interests		(1,443,886.40)	(136,622.84)
Basic earnings per share	50	1.62	1.58
Diluted earnings per share		1.62	1.58
Other Comprehensive income	54	(467,540,246.00)	1,562,381,039.00
Total Comprehensive income		12,747,596,989.95	14,078,212,499.26
Attributable to Equity holders of the parent		12,749,040,876.35	14,078,349,122.10
Minority interests		(1,443,886.40)	(136,622.84)

The notes on pages 103 to 172 form an integral part of these financial statements.



The Financial Statements (by Domestic Auditor)

Consolidated Statement of Changes in Equity

Items	2009-12-31							
	Attributable to equity holders of the parent						Minority	Total
	Capital	Capital surplus	Surplus reserve	General provision	Retained Earning	Subtotal	interest	equity
1. Opening Balance	5,661,347,506.00	10,863,371,051.99	6,863,513,603.08	6,400,000,000.00	11,891,203,717.41	41,679,435,878.48	22,363,377.16	41,701,799,255.64
2. Movement of current year	3,168,698,134.00	13,454,960,205.97	3,825,062,084.18	500,000,000.00	5,324,870,109.79	26,273,590,533.94	112,056,113.60	26,385,646,647.54
(1) Net profit	-	-	-	-	13,216,581,122.35	13,216,581,122.35	(1,443,886.40)	13,215,137,235.95
(2) Other comprehensive income	-	(467,540,246.00)	-	-	-	(467,540,246.00)	-	(467,540,246.00)
Total Comprehensive income	-	(467,540,246.00)	-	-	13,216,581,122.35	12,749,040,876.35	(1,443,886.40)	12,747,596,989.95
(3) Net changes in paid-in capital	904,159,132.00	13,922,500,451.97	-	-	-	14,826,659,583.97	113,500,000.00	14,940,159,583.97
a. Increase in paid-in capital	904,159,132.00	13,922,500,451.97	-	-	-	14,826,659,583.97	-	14,826,659,583.97
b. Increase of minority interest for newly established subsidiary	-	-	-	-	-	-	113,500,000.00	113,500,000.00
(4) Profit appropriation	-	-	3,825,062,084.18	500,000,000.00	(5,627,172,010.56)	(1,302,109,926.38)	-	(1,302,109,926.38)
a. Surplus reserve	-	-	3,825,062,084.18	-	(3,825,062,084.18)	-	-	-
b. General provision reserve	-	-	-	500,000,000.00	(500,000,000.00)	-	-	-
c. Appropriation and distribution	-	-	-	-	(1,302,109,926.38)	(1,302,109,926.38)	-	(1,302,109,926.38)
(5) Internal transferring of shareholder' equity	2,264,539,002.00	-	-	-	(2,264,539,002.00)	-	-	-
a. Dividend to ordinary shareholder	2,264,539,002.00	-	-	-	(2,264,539,002.00)	-	-	-
3. Closing balance	8,830,045,640.00	24,318,331,257.96	10,688,575,687.26	6,900,000,000.00	17,216,073,827.20	67,953,026,412.42	134,419,490.76	68,087,445,903.18

The notes on pages 103 to 172 form an integral part of these financial statements.

The Financial Statements (by Domestic Auditor)

Consolidated Statement of Changes in Equity (Continued)

Unit: RMB Yuan

Items	2008-12-31							
	Attributable to equity holders of the parent						Minority interest	Total equity
	Capital	Capital surplus	Surplus reserve	General provision	Retained Earning	Subtotal		
1. Opening Balance	4,354,882,697.00	9,300,990,012.99	5,611,900,096.42	6,400,000,000.00	2,630,095,181.47	28,297,867,987.88	-	28,297,867,987.88
2. Movement of current year	1,306,464,809.00	1,562,381,039.00	1,251,613,506.66	-	9,261,108,535.94	13,381,567,890.60	22,363,377.16	13,403,931,267.76
(1) Net profit	-	-	-	-	12,515,968,083.10	12,515,968,083.10	(136,622.84)	12,515,831,460.26
(2) Other comprehensive income	-	1,562,381,039.00	-	-	-	1,562,381,039.00	-	1,562,381,039.00
Total Comprehensive income	-	1,562,381,039.00	-	-	12,515,968,083.10	14,078,349,122.10	(136,622.84)	14,078,212,499.26
(3) Net changes in paid-in capital	-	-	-	-	-	-	22,500,000.00	22,500,000.00
a. Increase of minority interest for newly established subsidiary	-	-	-	-	-	-	22,500,000.00	22,500,000.00
(4) Profit appropriation	-	-	1,251,613,506.66	-	(1,948,394,738.16)	(696,781,231.50)	-	(696,781,231.50)
a. Surplus reserve	-	-	1,251,613,506.66	-	(1,251,613,506.66)	-	-	-
b. Appropriation and distribution	-	-	-	-	(696,781,231.50)	(696,781,231.50)	-	(696,781,231.50)
(5) Internal transferring of shareholder' equity	1,306,464,809.00	-	-	-	(1,306,464,809.00)	-	-	-
a. Dividend to ordinary shareholder	1,306,464,809.00	-	-	-	(1,306,464,809.00)	-	-	-
3. Closing balance	5,661,347,506.00	10,863,371,051.99	6,863,513,603.08	6,400,000,000.00	11,891,203,717.41	41,679,435,878.48	22,363,377.16	41,701,799,255.64

The notes on pages 103 to 172 form an integral part of these financial statements.



The Financial Statements (by Domestic Auditor)

Consolidated Cash Flow Statement

	Notes 6	2009	Unit: RMB Yuan 2008
Cash flow from operating activities			
Net increase of deposit and inter-bank		331,543,365,926.56	345,180,181,134.15
Net increase/(decrease) of due to the central bank		48,000,000.00	(10,000,000.00)
Net increase of inter-bank borrowings		101,611,194,963.40	(74,337,386,151.76)
Cash received from interest, service charge and commission income		63,000,434,834.52	55,788,146,345.85
Cash received relating to other operating activities		4,350,490,226.75	12,049,789,045.48
Sub-total of cash inflows		500,553,485,951.23	338,670,730,373.72
Net increase of customer loans and advance		232,029,463,217.72	148,860,303,361.82
Net increase of cash from the central bank and other banks		102,457,688,051.53	46,152,524,207.09
Cash paid for service charges and commission		26,016,020,724.63	19,634,903,676.10
Cash paid to and for staff		7,893,483,258.08	7,440,348,767.74
Cash paid for business tax and surcharges		7,485,029,367.68	6,619,547,739.32
Cash paid relating to other operating activities		21,189,911,537.78	4,459,100,229.51
Sub-total of cash outflows		397,071,596,157.42	233,166,727,981.58
Net cash flows from operating activities	56	103,481,889,793.81	105,504,002,392.14
Cash flows from investing activities			
Cash received from investment withdrawal		185,581,527,665.31	64,175,045,168.61
Cash received from investment income		28,945,251.64	37,022,106.30
Cash received relating to other investing activities		8,822,785.05	24,001,428.75
Sub-total of cash inflows		185,619,295,702.00	64,236,068,703.66
Cash paid for investment		255,808,724,220.41	142,642,216,773.68
Cash paid to acquire fixed assets, intangible assets and other long-term assets		1,627,838,913.44	1,422,439,191.30
Sub-total of cash outflows		257,436,563,133.85	144,064,655,964.98
Net cash flows from investing activities		(71,817,267,431.85)	(79,828,587,261.32)
Cash flows from financing activities			
Cash received from investment		14,940,159,583.97	22,500,000.00
including: cash receipt from minority interest		113,500,000.00	22,500,000.00
Cash received from bonds issued		-	8,200,000,000.00
Sub-total of cash inflows		14,940,159,583.97	8,222,500,000.00
Cash paid for debt		6,000,000,000.00	7,000,000,000.00
Cash paid for distribution of profits or for interest expense		2,419,782,524.50	1,819,426,909.38
Sub-total of cash outflows		8,419,782,524.50	8,819,426,909.38
Net cash flows from financing activities		6,520,377,059.47	(596,926,909.38)
Effect of foreign exchange rate changes on cash		-	-
Net increase/(decrease) in cash and cash equivalents		38,184,999,421.43	25,078,488,221.44
Add: opening balance of cash and cash equivalents		95,937,415,570.24	70,858,927,348.80
Closing balance of cash and cash equivalents	55	134,122,414,991.67	95,937,415,570.24

The notes on pages 103 to 172 form an integral part of these financial statements.

The Financial Statements (by Domestic Auditor)

Balance Sheet

	Notes16	31 December 2009	31 December 2008
Unit: RMB Yuan			
Assets			
Cash on hand and due from the central bank		204,896,081,542.28	162,600,397,803.27
Due from banks		143,493,377,926.34	54,128,154,349.93
Inter-bank placements		24,122,346,650.00	23,643,909,463.45
Securities held for trading		213,211,960.00	-
Derivative financial assets		607,339,761.62	2,287,773,566.47
Reverse repurchase agreements		53,057,496,677.71	171,471,733,373.43
Accounts receivable		3,460,720,234.29	1,008,690,008.32
Interests receivable		5,435,509,263.21	5,055,230,404.64
Deferred interest		1,716,914.49	84,846,272.61
Loans and advances		910,034,918,612.65	681,266,567,999.23
Available for sale investments		89,214,803,404.52	57,365,149,284.68
Held-to-maturity investments		136,745,989,474.67	110,600,016,531.13
Loan and receivables investments		33,477,198,072.62	23,261,376,826.30
Equity investments	1	1,534,872,075.31	955,505,575.97
Fixed assets		7,067,803,226.82	6,259,729,225.15
Constructions in progress		-	-
Intangible assets		205,362,952.84	207,220,104.86
Long-term deferred charges		1,055,839,102.83	765,694,748.29
Settled assets		504,736,125.52	584,349,882.89
Deferred tax assets		3,108,660,323.16	2,788,606,779.31
Other assets		3,484,240,561.26	5,115,339,417.41
Total Assets		1,621,722,224,862.14	1,309,450,291,617.34

The notes on pages 103 to 172 form an integral part of these financial statements.



The Financial Statements (by Domestic Auditor)

Balance Sheet (Continued)

	Notes ¹⁶	31 December 2009	31 December 2008
Unit: RMB Yuan			
Liabilities			
Due to the central bank		48,000,000.00	-
Due to banks and other financial institutions		207,048,455,573.60	222,490,812,651.40
Inter-bank borrowings		3,774,449,625.00	10,532,859,000.00
Financial liabilities at fair value through profit or loss		237,326,155.32	-
Derivative financial liabilities		605,504,451.47	2,378,204,976.31
Repurchase agreements		1,264,882,200.00	19,682,400,735.48
Deposit from customers		1,293,373,546,171.94	947,290,689,060.02
Outward remittances		1,910,100,569.18	4,459,058,295.11
Employee benefits payable		6,903,457,451.57	6,923,803,293.26
Taxes payable		3,012,593,840.90	3,418,692,385.50
Interests payable		8,301,206,754.87	8,359,992,091.22
Dividends payable		17,920,391.92	11,934,907.84
Other payables		6,547,602,643.08	7,421,218,927.35
Deferred income		506,123,072.57	889,288,974.86
Devs issued		18,800,000,000.00	18,800,000,000.00
Long-term payables		-	6,000,000,000.00
Other liabilities		1,416,092,978.44	9,111,733,457.04
Total liabilities		1,553,767,261,879.86	1,267,770,688,755.39
Shareholder' Equity			
Paid-in capital		8,830,045,640.00	5,661,347,506.00
Capital surplus		24,318,331,257.96	10,863,371,051.99
Including: Unrealized gain/ (loss) on available for sale financial assets		104,088,838.05	675,327,084.93
Unrealized gai/ (loss) on Held-to-maturity investments		(36,269,261.46)	(145,360,889.21)
Surplus reserves		10,688,575,687.26	6,863,513,603.08
General provisions		6,900,000,000.00	6,400,000,000.00
Retained earnings		17,218,010,397.06	11,891,370,700.88
Total Shareholders' Equity		67,954,962,982.28	41,679,602,861.95
Total Liabilities and Shareholders' Equity		1,621,722,224,862.14	1,309,450,291,617.34

The notes on pages 103 to 172 form an integral part of these financial statements.

The Financial Statements (by Domestic Auditor)

Income Statement

	Notes16	2009	Unit: RMB Yuan 2008
Operating Income		36,808,405,950.16	34,560,535,820.75
Net interest income		33,522,889,605.74	31,534,304,078.04
Interest income		60,182,479,757.20	55,721,274,163.82
Interest expense		26,659,590,151.46	24,186,970,085.78
Net service charge and commission income		2,206,940,402.39	1,794,548,471.29
Service charge and commission income		2,720,324,918.24	2,334,954,607.27
Service charge and commission expense		513,384,515.85	540,406,135.98
Investment income	2	413,115,651.42	159,741,455.04
Including: income from jointly controlled enterprises and associates		70,245,126.23	53,797,022.61
Income/ (loss) from fair value change		12,415,560.45	297,325,465.94
Exchange gain/loss		430,627,289.96	456,800,308.08
Other operating income		222,417,440.20	317,816,042.36
Operating Expense		19,628,242,407.81	19,228,223,040.31
Business tax and surcharges		2,825,429,754.76	2,612,630,399.79
Business and administrative expenses		13,241,341,951.06	12,678,464,731.43
Impairment loss		3,177,369,454.50	3,718,467,826.40
Other operating expense		384,101,247.49	218,660,082.69
Other operating expense		17,180,163,542.35	15,332,312,780.44
Add: Non-operating income		171,545,739.11	21,370,210.23
Less: Non-operating expenses		53,494,940.41	49,924,333.68
Profit before tax		17,298,214,341.05	15,303,758,656.99
Less: Income tax		4,079,863,632.31	2,787,623,590.42
Profit for the year		13,218,350,708.74	12,516,135,066.57
Other comprehensive income		(467,540,246.00)	1,562,381,039.00
Total comprehensive income		12,750,810,462.74	14,078,516,105.57

The notes on pages 103 to 172 form an integral part of these financial statements.



The Financial Statements (by Domestic Auditor)

Statement of Changes in Equity

Items	2009-12-31						Unit: RMB Yuan
	Capital	Capital surplus	Surplus reserve	General provision	Retained Earning	Total Equity	
1. Opening Balance	5,661,347,506.00	10,863,371,051.99	6,863,513,603.08	6,400,000,000.00	11,891,370,700.88	41,679,602,861.95	
2. Movement of current year	3,168,698,134.00	13,454,960,205.97	3,825,062,084.18	500,000,000.00	5,326,639,696.18	26,275,360,120.33	
(1) Net profit	-	-	-	-	13,218,350,708.74	13,218,350,708.74	
(2) Other comprehensive income	-	(467,540,246.00)	-	-	-	(467,540,246.00)	
Total Comprehensive income	-	(467,540,246.00)	-	-	13,218,350,708.74	12,750,810,462.74	
(3) Net changes in paid-in capital	904,159,132.00	13,922,500,451.97	-	-	--	14,826,659,583.97	
a. Increase in paid-in capital	904,159,132.00	-	-	-	-	904,159,132.00	
b. Increase of minority interest for newly established subsidiary	-	13,922,500,451.97	-	-	-	13,922,500,451.97	
(4) Profit appropriation	-	-	3,825,062,084.18	500,000,000.00	(5,627,172,010.56)	(1,302,109,926.38)	
a. Surplus reserve	-	-	3,825,062,084.18	-	(3,825,062,084.18)	-	
b. General provision reserve	-	-	-	500,000,000.00	(500,000,000.00)	-	
c. Appropriation and distribution	-	-	-	-	(1,302,109,926.38)	(1,302,109,926.38)	
(5) Internal transferring of shareholder' equity	2,264,539,002.00	-	-	-	(2,264,539,002.00)	-	
a. Dividend to ordinary	2,264,539,002.00	-	-	-	(2,264,539,002.00)	-	
3. Closing balance	8,830,045,640.00	24,318,331,257.96	10,688,575,687.26	6,900,000,000.00	17,218,010,397.06	67,954,962,982.28	

The notes on pages 103 to 172 form an integral part of these financial statements.

The Financial Statements (by Domestic Auditor)

Statement of Changes in Equity (Continued)

Unit: RMB Yuan

Items	2008-12-31					
	Capital	Capital surplus	Surplus reserve	General provision	Retained Earning	Total Equity
1. Opening Balance	4,354,882,697.00	9,300,990,012.99	5,611,900,096.42	6,400,000,000.00	2,630,095,181.47	28,297,867,987.88
2. Movement of current year	1,306,464,809.00	1,562,381,039.00	1,251,613,506.66	-	9,261,275,519.41	13,381,734,874.07
(1) Net profit	-	-	-	-	12,516,135,066.57	12,516,135,066.57
(2) Other comprehensive income	-	1,562,381,039.00	-	-	-	1,562,381,039.00
Total Comprehensive income	-	1,562,381,039.00	-	-	12,516,135,066.57	14,078,516,105.57
(3) Net changes in paid-in capital	-	-	-	-	-	-
(4) Profit appropriation	-	-	1,251,613,506.66	-	(1,948,394,738.16)	(696,781,231.50)
a. Surplus reserve	-	-	1,251,613,506.66	-	(1,251,613,506.66)	-
b. General provision reserve	-	-	-	-	-	-
c. Appropriation and distribution	-	-	-	-	(696,781,231.50)	(696,781,231.50)
(5) Internal transferring of shareholder' equity	1,306,464,809.00	-	-	-	(1,306,464,809.00)	-
a. Dividend to ordinary shareholder	1,306,464,809.00	-	-	-	(1,306,464,809.00)	-
3. Closing balance	5,661,347,506.00	10,863,371,051.99	6,863,513,603.08	6,400,000,000.00	11,891,370,700.88	41,679,602,861.95

The notes on pages 103 to 172 form an integral part of these financial statements.



The Financial Statements (by Domestic Auditor)

Cash Flow Statement

	Unit: RMB Yuan	
	2009	2008
Cash flow from operating activities		
Net increase of deposit and inter-bank	330,640,500,034.58	345,227,294,419.63
Net increase/ (decrease) of due to the central bank	48,000,000.00	(10,000,000.00)
Net increase of inter-bank borrowings	101,611,194,963.40	(74,337,386,151.76)
Cash received from interest, service charge and commission income	62,993,185,109.86	55,788,126,592.12
Cash received relating to other operating activities	4,346,130,296.63	12,049,721,809.48
Sub-total of cash inflows	499,639,010,404.47	338,717,756,669.47
Net increase of customer loans and advance	231,556,356,475.20	148,860,303,361.81
Net increase of cash from the central bank and other banks	102,293,797,801.21	46,152,524,207.09
Cash paid for service charges and commission	26,024,972,563.34	19,634,909,139.68
Cash paid to and for staff	7,891,906,214.99	7,440,348,767.74
Cash paid for business tax and surcharges	7,483,898,481.42	6,619,547,739.32
Cash paid relating to other operating activities	21,161,238,820.91	4,458,243,855.32
Sub-total of cash outflows	396,412,170,357.07	233,165,877,070.96
Net cash flows from operating activities	103,226,840,047.40	105,551,879,598.51
Cash flows from investing activities		
Cash received from investment withdrawal	185,581,527,665.31	64,175,045,168.61
Cash received from investment income	28,945,251.64	37,022,106.30
Cash received relating to other investing Activities	8,822,785.05	24,001,428.75
Sub-total of cash inflows	185,619,295,702.00	64,236,068,703.66
Cash paid for investment	255,565,224,220.41	142,669,716,773.68
Cash paid to acquire fixed assets, intangible assets and other long-term assets	1,620,491,329.25	1,422,321,643.30
Sub-total of cash outflows	257,185,715,549.66	144,092,038,416.98
Net cash flows from investing activities	(71,566,419,847.66)	(79,855,969,713.32)
Cash flows from financing activities		
Cash received from investment	14,826,659,583.97	-
Cash received from bonds issued	-	8,200,000,000.00
Sub-total of cash inflows	14,826,659,583.97	8,200,000,000.00
Sub-total of cash inflows	6,000,000,000.00	7,000,000,000.00
Cash paid for distribution of profits or for interest expense	2,419,782,524.50	1,819,426,909.38
Sub-total of cash outflows	8,419,782,524.50	8,819,426,909.38
Net cash flows from financing activities	6,406,877,059.47	(619,426,909.38)
Effect of foreign exchange rate changes on cash	-	-
Net increase/ (decrease) in cash and cash equivalents	38,067,297,259.21	25,076,482,975.81
Add: opening balance of cash and cash equivalents	95,935,410,324.61	70,858,927,348.80
Closing balance of cash and cash equivalents	134,002,707,583.82	95,935,410,324.61

The notes on pages 103 to 172 form an integral part of these financial statements.

The Financial Statements (by Domestic Auditor)

Notes to the Financial Statements for the Year Ended 31 December 2009 (Unit: RMB '000)

I. Corporate information

1. Background

Shanghai Pudong Development Bank Co., Ltd. ("the Company") is a joint-stock commercial bank approved by the People's Bank of China ("PBOC") via an approval document designated as YinFu [1992] No.350 on 28 August 1992. Its business license was issued on 19 October 1992 by the Shanghai Municipal Administration of Industry and Commerce ("SMAIC"). The Company commenced its business on 9 January 1993. On September 23, 1999 the Company issued 400,000,000 ordinary shares (Share A) to general public in China with issue price of RMB10.00 for each share. These shares issued by the Company started trading on Shanghai Securities Exchange since 10 November 1999. In the year 2002, as authorized by the shareholders' annual meeting for the year 2001, the Company capitalized part of its capital surplus, the amount being 50% of the balance of its share capital before such capitalization. On 23 December 2002, upon the approval of China Securities Regulatory Commission ("CSRC"), who issued document ZhengJianFaXingZi (2002) 135, the Company issued additional A share 300 million shares with issue price of RMB8.45 for each share. The additional share issue was completed on 13 January 2003, which has been verified by Ernst & Yong Da Hua Certified Public Accountants via verification report EYDH (2003) No.016. On November 16, 2006, upon the approval of China Securities Regulatory Commission ("CSRC"), who issued document ZhengJianFaXingZi (2006) 118, the Company issued additional A share 700 million shares with issue price of RMB13.64 for each. The Company actually issued 440 million shares with the par value of RMB1.00 for each share and the total capital received was RMB 6billion. The additional share issued was completed on 22 November 2006, which has been verified by Ernst & Yong Da Hua Certified Public Accountants via verification report EYDH (2006) No.636.

In accordance with the resolution of the shareholders' meeting in 2007, 3 shares and RMB1.6 Yuan (tax inclusive) is distributed for every 10 shares held. The Bank distributed scrip dividends based on 4,354,882,697 shares in April 2008. after distribution, the share capital increased to 5.661billion, which has been verified by Ernst & Yong Hua Min Certified Public Accountants via verification report EYHM (2008) No. 60468058_B01. The shareholders meeting of the Bank approved the proposed script dividends distribution for 2008 whereby 4 shares and RMB2.30 Yuan (tax inclusive) is distributed for every 10 shares held. The Company distributed scrip dividends based on 5,661,347,506 shares in April 2009. After distribution, the share capital increased to 7.926billion, which has been verified by Ernst & Yong Hua Min Certified Public Accountants via verification report EYHM (2009) No. 60468058_B01.

On September 18, 2009, upon the approval of the China Securities Regulatory Commission ("CSRC"), who issued approval document [2009] No. 950, the Company was approved to issue additionally no more than 1,137 million A shares non-publicly. The Company eventually issued 904 million A shares with an issue price of RMB 16.59 per share, and raised capital of RMB 15billion. The non-public offer was accomplished on 28 September 2009, and verified by Ernst & Yong Hua Ming Certified Public Accountants via issued verification report EYHM (2009) No.60468058_B04. The share capital of the Company increased to RMB 8.83 billion. The legal representative is Ji Xiaohui. The registration number of the Company is 310000000013047, and the number of the license for conducting financial transactions is B11512900H0001.

2. Engaged industry and scope of business

Engaged industry: finance industry.

Scope of business: commercial banking services approved by the PBOC.

3. Principal activities and services performed

Drawing public deposits; granting loans of short-term, mid-term and long-term nature; performing settlements; discounting bills and notes; issuing financial debentures; issuing, underwriting and cashing securities on behalf of governmental authorities; trading of governmental bonds and debentures; inter-bank loans and deposits; services



The Financial Statements (by Domestic Auditor)

Notes to the Financial Statements for the Year Ended 31 December 2009 (Unit: RMB '000)

relating to letters of credit and letters of guarantee; factoring and assignment of receivables and payables; safe deposit services; accepting deposit in foreign currencies; granting loans in foreign currencies; remittance of foreign currencies; exchange of foreign currencies; international settlements; inter-bank placements and deposits in foreign currencies; accepting and discounting of bills and notes expressed in foreign currencies; lending in foreign currencies; guarantees in foreign currencies; purchase and sale of foreign currencies; purchase and sale of marketable securities expressed in foreign currencies(excluding stocks), either for itself or on behalf of clients; purchase and sale of foreign currencies, either for itself or on behalf of clients; credit investigation, consultancy and testimonial services; offshore banking; trustee of securities investing funds; trustee of National Social Contribution Fund; trustee of country endowment insurance fund; trustee of cisborder securities investment of Qualified Foreign Institutional Investors (QFII) and other services as approved by PBOC.

II. Representation regarding the preparation basis and compliance with the Accounting Standards for Business Enterprises

The financial statements have been prepared in accordance with the Accounting Standards for Business Enterprises (including basic standards, specific standards, implementation guidance and other relevant provisions) promulgated by the Ministry of Finance of the People's Republic of China in 2006.

The financial statements were prepared on a going concern basis.

The financial statements of the Company and the Group(collectively referred to as "the Group") have been prepared in accordance with the Accounting Standards for Business Enterprises, and presented fairly and fully, the financial position of the Group as of 31 December 2009 and the results of the operations and the cash flows for the year then ended.

III. Significant accounting policies and estimates

The financial statements have been prepared based on the following accounting policies and estimates.

1. Accounting year

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

2. Functional currency

The Group's reporting and presentation currency is the Renminbi ("RMB").

Separate recording system is kept for foreign currency transactions with their original currency amount.

3. Basis of accounting

The Group's accounts have been prepared on an accrual basis.

4. Measurement basis

Except for derivative instruments, financial assets and liabilities measured at fair value with changes in fair value recognized in profit or loss and available-for-sale financial assets have been prepared using historical cost as basis of measurement. Subsequently, if the assets are impaired, corresponding provisions should be made in accordance with the Accounting Standards for Business Enterprises.

5. Business combinations

A business combination is a transaction or event that brings together two or more separate entities into one reporting entity. Business combinations are classified into business combinations involving entities under common control and business combinations involving entities not under common control.

The Financial Statements (by Domestic Auditor)

Notes to the Financial Statements for the Year Ended 31 December 2009 (Unit: RMB '000)

Business combination involving entities under common control

A business combination involving entities under common control is a business combination in which all of the combining entities are ultimately controlled by the same party or parties both before and after the combination, and that control is not transitory. For a business combination involving entities under common control, the party that, on the combination date, obtains control of another entity participating in the combination is the acquiring party, while that other entity participating in the combination is a party being acquired. Combination date is the date on which the acquiring party effectively obtains control of the party being acquired.

Assets and liabilities that are obtained by the acquiring party in a business combination shall be measured at their carrying amounts at the combination date as recorded by the party being acquired. The difference between the carrying amount of the net assets obtained and the carrying amount of the consideration paid for the combination (or the aggregate face value of shares issued as consideration) shall be adjusted to capital reserve. If the capital reserve is not sufficient to absorb the difference, any excess shall be adjusted against retained earnings.

The cost of a combination incurred by the acquiring party includes any costs directly attributable to the combination, and shall be recognized as an expense when incurred.

Business combination involving entities not under common control

A business combination involving entities not under common control is a business combination in which all of the combining entities are not ultimately controlled by the same party or parties both before and after the combination. For a business combination involving entities not under common control, the party that, on the acquisition date, obtains control of another entity participating in the combination is the acquirer, while that other entity participating in the combination is the acquiree. Acquisition date is the date on which the acquirer effectively obtains control of the acquiree.

For a business combination that involves one single exchange transaction, the cost of combination is the aggregate of the fair values, at the acquisition date, of the assets given, liabilities incurred or assumed, and equity securities issued by the acquirer, in exchange for control of the acquiree. For a business combination achieved in stages that involves multiple exchange transactions, the cost of combination is the aggregate of the costs of individual transactions. When a business combination contract provides for an adjustment to the cost of combination contingent on a future event, the acquirer shall include the amount of that adjustment in the cost of the combination if it is expected on the acquisition date that the occurrence of the future event is probable and the amount affecting the cost of combination can be measured reliably.

The acquirer shall measure the acquiree's identifiable assets, liabilities and contingent liabilities acquired in the business combination at their fair values on the acquisition date.

Where the cost of a business combination exceeds the acquirer's interest in the fair value of the acquiree's identifiable net assets, the difference shall be recognized as goodwill. Where the cost of combination is less than the acquirer's interest in the fair value of the acquiree's identifiable net assets, the difference shall be accounted for according to the following requirements: (i) the acquirer shall reassess the measurement of the fair values of the acquiree's identifiable assets, liabilities and contingent liabilities and measurement of the cost of combination; if after that reassessment, the cost of combination is still less than the acquirer's interest in the fair values of the acquiree's identifiable net assets, the acquirer shall recognize the remaining difference immediately in the income statement for the current period.

6. Consolidated financial statements

The scope of consolidation of the consolidated financial statements is determined based on control, and includes the financial statements of the Company and its subsidiaries for the year ended 31 December 2009. A subsidiary is an entity that is controlled by the Company.



The Financial Statements (by Domestic Auditor)

Notes to the Financial Statements for the Year Ended 31 December 2009 (Unit: RMB '000)

Consolidated financial statements are prepared using uniform reporting dates and accounting policies. All significant intercompany transactions and balances within the Group are eliminated on consolidation.

For any subsidiaries consolidated by the Group, the portion of the profit or loss and net assets of such a subsidiary attributable to equity interests that are not owned, directly or indirectly by the Group is separately presented as minority interest in the consolidated financial statements.

With respect to subsidiaries acquired through business combinations involving entities not under common control, the operating results and cash flows of the acquiree shall be included in the consolidated financial statements, from the day that the Group gains control, till the Group ceases the control of it. While preparing the consolidated financial statements, the acquirer should adjust the subsidiary's financial statements, on the basis of the fair values of the identifiable assets, liabilities and contingent liabilities recognized on the acquisition date.

With respect to subsidiaries acquired through business combinations involving entities under common control, the operating results and cash flows of the acquiree should be included in the consolidated financial statements from the beginning of the period in which the combination occurs. While preparing the comparative financial statements, adjustments are made to related items in the financial statements for the prior period as if the reporting entity established through combination has been existing since the ultimate controller begins to exercise control.

7. Foreign currency transactions

Transactions in currencies other than the reporting currency were separately recorded in original currency.

At the balance sheet date, foreign currency monetary items are translated using the spot exchange rate at the balance sheet date. All the exchange differences are recognized in profit and loss for the reporting period. Non-monetary foreign currency items measured at historical cost should still be translated at the spot exchange rate prevailing on the transaction date, and the amount denominated in the functional currency should not be changed. Non-monetary foreign currency items measured at fair value should be translated at the spot exchange rate prevailing at the date when the fair values are determined. The exchange difference thus resulted should be recognized as the income statement or equity of the current period.

8. Recognition of cash equivalents when preparing the cash flow statement

Cash equivalents of the Group include cash, due from the central bank (excluding statutory deposit reserve), current due from banks and inter-bank placements maturing within 3 months.

9. Precious metals

Precious metals held by the group mainly include metals that trade in domestic market. Precious metals are recorded at cost when recognised initially, and then measured at fair value at the end of each reporting period; the fair value gain or loss is recognised in profit/loss.

10. Finance instruments

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

Recognition and derecognition

The Group recognizes a financial asset or a financial liability on its balance sheet, when the Group becomes a party to the contractual provision of the instrument.



The Financial Statements (by Domestic Auditor)

Notes to the Financial Statements for the Year Ended 31 December 2009 (Unit: RMB '000)

The Group derecognizes a financial asset or part of a financial asset or a collective of assets when:

- 1) The contract rights to be cash flows from the financial asset expire; or
- 2) Retains its contractual right to receive the cash flows from an asset, but assumes a contractual obligation to pay those cash flows to another entity (a 'pass-through' arrangement); or
- 3) Transfers the contractual rights to receive the cash flows of a financial

asset, and a) transferred substantially all the risks and rewards of ownership of the transferred asset or b) has neither transferred nor retained substantially all the risks and rewards of ownership of the transferred asset but it didn't retained control over the transferred asset.

If the obligation relating to a financial liability has been discharged or cancelled or has expired, the financial liability is derecognized. If the existing financial liability is replaced by the same creditor, with another financial liability that has terms with an almost completely different nature, or if almost all the terms of the existing liability are substantially revised, such replacement or revision is accounted for as the derecognition of the original liability and the recognition of a new liability, and the difference thus resulted is recognized in the income statement of the current period.

Transfer of financial assets

If the Group transfers substantially all the risks and rewards of ownership of the financial asset, the Group derecognizes the financial asset; and if the Group retains substantially all the risks and rewards of the financial asset, the Group does not derecognize the financial asset.

If the Group neither transfers nor retains substantially all the risks and rewards of ownership of the financial asset, the Group determines whether it has retained control of the financial asset. In this case: (i) if the Group has not retained control, it derecognizes the financial asset and recognize separately as assets or liabilities any rights and obligations created not retained in the transfer; (ii) if the Group has retained control, it continues to recognize the financial asset to the extent of its continuing involvement in the transferred financial asset and recognizes an associated liability.

Classification and measurement of financial assets

Financial assets are, on initial recognition, classified into the following four categories: financial assets at fair value through profit or loss, held-to-maturity investments, loans and receivables and available-for-sale financial assets. When financial assets are recognized initially, they are measured at fair value. In the case of financial assets at fair value through profit or loss, relevant transaction costs are directly charged to the profit and loss of the current period; transaction costs relating to financial assets of other categories are included in the amount initially recognized.

Finance assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition as at fair value through profit or loss. A financial asset held for trading is the financial asset that meets one of the following conditions: 1) the financial asset is acquired for the purpose of selling in a short term; 2) the financial asset is a part of a portfolio of identifiable financial instruments that are collectively managed, and there is objective evidence indicating that the enterprise recently manages this portfolio for the purpose of short-term profits; 3) the financial asset is a derivative financial instrument except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument or linked with Investments in equity instruments that do not have a quoted market price in an active market, and whose fair value cannot be reliably measured. For such kind of financial assets, fair values are adopted for subsequent measurement. All the realized or unrealized gains or losses on these financial assets are recognized in the income statement of the current period and the interest received are recognized as interest income.



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Notes to the Financial Statements for the Year Ended 31 December 2009 (Unit: RMB '000)

Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity date that an enterprise has the positive intention and ability to hold to maturity. Held-to-maturity investments shall be measured at amortized cost using the effective interest method. Gains or losses arising from derecognition, impairment or amortization are recognized in profit or loss.

Loan and receivables

Loan and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables shall be measured at amortized cost using the effective interest method. Gains or losses arising from derecognition, impairment or amortization are recognized in the income statement.

Available-for-sale financial assets

Available-for-sale financial assets are those non-derivative financial assets that are designated as available for sale or are not classified as (a) loans and receivables, (b) held-to-maturity investments or (c) financial assets at fair value through profit or loss. After initial recognition, available-for-sale financial assets are measured at fair value. The premium/ discount is amortized using effective interest method and recognized as interest income or expense. A gain or loss arising from a change in the fair value of an available-for-sale financial asset is recognized in a separate component of capital reserve, except for impairment losses and foreign exchange gains and losses resulted from monetary financial assets, until the financial asset is derecognized or determined to be impaired, at which time the cumulative gain or loss previously recognized in capital reserve shall be removed from capital reserve and recognized in the income statement. Interests and dividends relating to an available-for-sale financial asset are recognized in the income statement for the period they relate to. Disclosure the circumstance in which a financial asset is designated as available-for-sale.

If, as the result of a change in intention or ability or in the rare circumstance that a reliable measure of fair value is no longer available or because the "two preceding financial years" referred to note in "Held-to-maturity investments" have passed, it becomes appropriate to carry a financial asset or financial liability at amortised cost rather than at fair value, the fair value carrying amount of the financial asset or the financial liability on that date becomes its new amortised cost, as applicable.

In the case of a financial asset with a fixed maturity, the gain or loss shall be amortised to profit or loss over the remaining life of the financial asset using the effective interest rate method. Any difference between the new amortised cost and maturity amount shall also be amortised to the profit and loss over the remaining life of the financial asset using the effective interest rate method.

In the case of a financial asset that does not have a fixed maturity, the gain or loss shall remain in equity until the financial asset is sold or otherwise disposed of, when it shall be recognised in the income statement.

Classification and measurement of financial liabilities

The financial liabilities are, upon initial recognition, classified as financial liabilities at fair value through profit or loss and other financial liabilities. For financial liabilities at fair value through profit or loss, relevant transaction costs are directly recognized in the income statement of the current period, and transaction costs relating to other financial liabilities are included in the initially recognized amount.

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and those designated as at fair value through profit or loss. A financial liability held for trading is the financial liability that meets one of the following conditions: 1) the financial liability is assumed for the purpose of repurchasing in a short term; 2) the financial liability is a part of a portfolio of identifiable financial instruments that are collectively managed, and there is objective evidence indicating that the enterprise recently manages this portfolio for the purpose of short-term profits;

The Financial Statements (by Domestic Auditor)

Notes to the Financial Statements for the Year Ended 31 December 2009 (Unit: RMB '000)

3) the financial liability is a derivative financial instrument except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument or linked with Investments in equity instruments that do not have a quoted market price in an active market, and whose fair value cannot be reliably measured. For such kind of financial liabilities, fair values are adopted for subsequent measurement. All the realized or unrealized gains or losses on these financial liabilities are recognized in the income statement of the current period.

Other financial liabilities

After initial recognition, such financial liabilities shall be measured at amortized costs using effective interest rate method.

Financial guarantee contracts

Financial guarantee contracts are measured at the fair value on initial recognition. For financial guarantee contracts that are not designated as at fair value through profit or loss, they are, after initial recognition, subsequently measured at the higher of, the amount determined in accordance with Accounting Standards for Business Enterprises No. 13 – Contingencies, and the amount initially recognized less the cumulative amortization determined according to the principles of Accounting Standards for Business Enterprises No. 14 - Revenues.

Derivative financial instruments

The Group uses derivative financial instruments, such as futures contract and interest swap contract, to manage the risks relating to currency and interest rate. Such derivative financial instruments are initially recognized at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative. Derivatives that linked to equity instruments and settled with delivery of equity instrument that do not have a quoted market price in an active market and whose fair value can not be reliably measured are measured at cost.

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

Fair value of financial instruments

If there is an active market for a financial asset or financial liability, the Group determines the fair value by using the quoted prices. If no active market exists for a financial instrument, the Group establishes fair value by using a valuation technique. Valuation techniques include using recent arm's length market transactions between knowledgeable, willing parties' reference to the current fair value of another instrument that is substantially the same, discounted cash flow analysis and option pricing models.

Impairment of financial assets

The Group assesses at the balance sheet date the carrying amount of a financial asset. If there is objective evidence that the financial asset is impaired, the Group makes provision for the impairment loss. Objective evidence that a financial asset is impaired is evidence arising from one or more events that occurred after the initial recognition of the asset and that event has an impact on the estimated future cash flows of the financial asset which can be reliably estimated.

Financial assets carried at amortized cost

If objective evidence shows that the financial assets carried at amortized cost are impaired, the carrying amount of the financial asset shall be reduced to the present value of the estimated future cash flow (excluding future credit losses that have not been incurred). The amount of reduction is recognized as an impairment loss in the income statement. Present value of estimated future cash flow is discounted at the financial asset's original effective interest rate and includes the value of any related collateral.



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If a financial asset is individually significant, the Group assesses the asset individually for impairment, and recognizes the amount of impairment in the income statement if there is objective evidence of impairment. For a financial asset that is not individually significant, the Group can include the asset in a group of financial assets with similar credit risk characteristics and collectively assess them for impairment [or assess the asset individually for impairment]. For financial assets that are not impaired upon individual tests (including financial assets that are individually significant or insignificant), impairment tests should be conducted on them again by including them in the group of financial assets. Assets for which an impairment loss is individually recognized will not be included in a collective assessment of impairment.

If, subsequent to the recognition of an impairment loss on a financial asset carried at amortized cost, there is objective evidence of a recovery in value of the financial asset which can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed and recognized in the income statement. However, the reversal shall not result in a carrying amount of the financial asset that exceeds what the amortized cost would have been had the impairment not been recognized at the date the impairment is reversed.

Available-for-sale financial assets

When there is objective evidence that the asset is impaired, the cumulative loss from declines in fair value that had been recognized directly in capital reserve are removed from equity and recognized in the income statement. The amount of the cumulative loss that is removed from capital reserves and recognized in the income statement (net of any principal repayment and amortization) and current fair value, less any impairment loss on that financial asset previously recognized in the income statement.

If, in a subsequent period, the fair value of a debt instrument classified as available for sale increases and the increase can be related objectively to an event occurring after the impairment was recognized in the income statement, the previously recognized impairment loss shall be reversed with the amount of the reversal recognized in the income statement. Impairment losses recognized in the income statement for a debt instrument investment shall not be reversed through profit or loss.

Financial assets carried at cost

If objective evidence shows that the financial assets carried at cost are impaired, the difference between the present value discounted at the prevailing rate of return of similar financial assets and the book value of the financial asset are provided as a provision. The impairment loss recognized cannot be reversed.

For long-term equity investments, which are accounted for according to the cost method set out by Accounting Standards for Business Enterprises No. 2 – Long-term Equity Investments and has no quoted market price in active markets, and whose fair values cannot be reliably measured, their impairment should also be treated in accordance with the above principle.

11. Assets under repurchase agreements

The Group enters into purchases of assets under agreements to resell and sales of assets under agreements to repurchase. Assets purchased under agreements to resell at a pre-determined price on a specific future date are treated as loans collateralized by the assets and are included in reverse repurchase agreements. Assets sold under agreements to repurchase at a pre-determined price on a specific future date continue to be recognized in the balance sheet. The proceeds from the sale of these assets are treated as liabilities and included in repurchase agreements.

Interest earned on reverse repurchase agreements and interest incurred on repurchase agreements is recognized as interest income and interest expense, respectively, on a time proportion basis.



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12. Long term equity investment

Long-term equity investments include investments in subsidiaries, joint ventures, associates and equity investment with no control, jointly control or exercise significant influence over investee enterprise, which do not have a quoted market price in an active market and whose fair value can not be reliably measured. A long-term investment is initially recorded at its cost on acquisition.

When the Group holds control of the investee enterprise, or does not hold jointly control or exercises no significant influence on the investee enterprise, the fair value of which cannot be reliably measured due to the fact they are not quoted in an active market, the cost method is applied.

When the cost method is adopted, the long-term equity investment is valued at the cost of the initial investment. The investment income is recognized in the income statement of the period to the extent that the Group's share of the profit or cash dividend declared to be distributed by the investee enterprise. Any excess is treated as a recovery of the investment cost.

The equity method is adopted when the Group holds jointly control, or exercises significant influence on the investee Group. Joint control is the contractually agreed sharing of control over an economic activity, and exists only when the strategic financial and operating decisions relating to the activity require the unanimous consent of the parties sharing control. Significant influence is the power to participate in the financial and operating policy decisions of an economic activity but is not control or joint control over those policies.

When the equity method is adopted, where the initial investment cost of a long-term equity investment exceeds the investing enterprise's interest in the fair values of the investee's identifiable net assets at the acquisition date, the difference is accounted for as an initial cost. Where the initial investment cost is less than the investing enterprise's interest in the fair values of the investee's identifiable net assets at the acquisition date, the difference shall be charged to the income statement for the current period, and the cost of the long-term equity investment shall be adjusted accordingly.

When the equity method is adopted, the Group recognizes its share of post-acquisition result in the investee enterprise for the current period as a gain or loss on investment, and also increases or decreases the carrying amount of the investment. When recognizing its share in the net profit or loss of the investee entity, the Group should, based on the fair values of the identifiable assets of the investee entity when the investment is acquired, in accordance with the Group's accounting policies and periods, after eliminating the portion of the profits or losses, arising from internal transactions with joint ventures and associates, attributable to the investing entity according to the share ratio (but losses arising from internal transactions that belong to losses on the impairment of assets, should be recognized in full), recognize the net profit of the investee entity after making appropriate adjustments. The book value of the investment is reduced to the extent that the Group's share of the profit or cash dividend declared to be distributed by the investee enterprise. However, the share of net loss is only recognized to the extent that the book value of the investment is reduced to zero, except to the extent that the Group has incurred obligations to assume additional losses. The Group shall adjust the carrying amount of the long-term equity investment for other changes in owner's equity of the investee enterprise (other than net profits or losses), and include the corresponding adjustment in equity.

On disposal of a long-term equity investment, the difference between the proceeds actually received and carrying amount shall be recognized in the income statement for the current period. When disposed, for investment with equity method, those that recorded in shareholder's equity shall be recognized in profit or loss on a pro rata basis.



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Notes to the Financial Statements for the Year Ended 31 December 2009 (Unit: RMB '000)

13. Fixed assets measurement, depreciation policy and estimation method of provisions for fixed assets impairment

(1) Recognition criteria

Fixed assets are tangible assets held by the Group for use in production of goods, supply of services, for rental or for administrative purposes, and are expected to be used for more than one year..

(2) Categories

Fixed assets of the Group are classified into the following categories: buildings and constructions, vehicles, mainframe computers, computers, electronic equipment and office equipments.

(3) Measurement and impairment

A fixed asset shall be recognized only when the economic benefits associated with the asset will flow to the Group and the cost of the asset can be measured reliably. Subsequent expenditure incurred for a fixed asset that meet the recognition criterial shall be included in the cost of the fixed asset, and the book value of the component of the fixed asset that is replaced shall be derecognized. Otherwise, such expenditure shall be recognized in the income statement in the period in which they are incurred.

Fixed assets are initially measured at cost, and the effect of removal and disposal costs should be considered. The cost of a purchased fixed asset comprises the purchase price, relevant taxes and any directly attributable expenditure for bringing the asset to working condition for its intended use, such as delivery and handling costs, installation costs and other surcharge.

The Group assesses whether there is any indication that fixed assets may be impaired at balance sheet date. If any indication exists that an asset may be impaired, the Group estimates the recoverable amount of the asset and perform impairment test. When the recoverable amount of an asset is less than its carrying amount, the carrying amount is reduced to the recoverable recognized as profit and loss for the current period. Once the impairment loss is recognized, it can't be recovered in subsequent periods.

(4) Depreciation

Depreciation is calculated using the straight-line method. The estimated useful lives, estimated residual value and annual depreciation rates of fixed assets are as follows:

Category	Estimated useful life	Estimated residual value	Annual depreciation rates
Buildings and constructions	30 years	3-5%	3.17-3.23%
Vehicles	5 years	3-5%	19.00-19.40%
Mainframe computers	5 years	3-5%	19.00-19.40%
Computers	3-5 years	3-5%	19.00-32.33%
Electronic equipments	5 years	3-5%	19.00-19.40%
Office equipments	5 years	3-5%	19.00-19.40%

14. Constructions in progress

The cost of construction in progress is determined according to the actual expenditure for the construction, including all necessary construction expenditure incurred during the construction period. Construction in progress is transferred to fixed assets when the asset is ready for its intended use.

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Notes to the Financial Statements for the Year Ended 31 December 2009 (Unit: RMB '000)

The Group assesses whether there is any indication that constructions in progress may be impaired at balance sheet date. If any indication exists that the asset may be impaired, the Group estimates the recoverable amount of the asset and perform impairment test. When the recoverable amount of an asset is less than its carrying amount, the carrying amount is reduced to the recoverable amount. The impairment of asset is provided for and the impairment loss is recognized as profit and loss for the current period. Once the impairment loss is recognized, it can't be recovered in subsequent periods.

15. Intangible assets

(1) Measurement

Intangible assets are recorded at the actual cost on acquisition.

(2) Amortization

The costs of intangible assets are amortized using the straight-line method during the estimated useful life. The useful lives of the intangible assets are as follows:

A. Building use right is amortized during the lower of its actual useful life and 30 years from the month of acquisition.

B. Land use right is amortized during the legal useful life from the month of acquisition.

C. Franchise is amortized over 5 years from the month of acquisition.

D. Computer software is amortized over its useful life from the month of acquisition.

(3) The cost of a finite useful life intangible asset is amortized using the straight-line method during the estimated useful life. For an intangible asset with a finite useful life, the Group reviews the useful life and amortization method at least at the end of each year end and adjusts if necessary.

16. Long-term deferred assets

Long-term deferred assets are the expenditures which need to be amortized over 1 year (no less than 1 year)

(1) Operating leases are amortized on a straight-line basis over the lease term.

(2) Leasehold improvements are amortized on a straight-line basis over their estimated useful lives.

17. Settled assets

(1) Measurement

Settled assets are recognized initially at the outstanding loan amount, accrued interest and the taxes paid (or reduced by the compensation received as well as other measurable receipts). In addition, related provision for credit losses are transferred to the provision for impairment losses of settled assets.

(2) Impairment

On the balance sheet date, the Group's management assesses the recoverability of the settled assets. A provision for impairment assets will be made for the unrecoverable portion and dealt with the income statement.

18. Impairment of asset

The Group assesses at the balance sheet date whether there is any indication that an asset may be impaired. If any indication exists that an asset may be impaired, the Group estimates the recoverable amount of the asset and perform impairment tests.



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The recoverable amount of an asset is the higher of its fair value less costs to sell and the present value of the future cash flow expected to be derived from the asset. The Group estimates the recoverable amount on an individual basis. If it is not possible to estimate the recoverable amount of the individual asset, the Group determines the recoverable amount of the asset group to which the asset belongs. Identification of an asset group is based on whether major cash flows generated by the asset group are largely independent of the cash flows from other assets or asset groups.

When the recoverable amount of an asset or asset group is less than its carrying amount, the carrying amount is reduced to the recoverable amount. The impairment of asset is provided for and the impairment loss is recognised in the income statement for the current period.

19. Debts issued

Debt issued is initially measured at fair value less any directly attributable transaction cost. Subsequent measurement is at amortised cost, using the effective interest rate method.

20. Estimated liabilities

The Group recognizes an estimated liability when the obligation arising from a contingency meets the following conditions:

- the obligation is a present obligation of the Group;
- it is probable that an outflow of economic benefits from the Group will be required to settle the obligation;
- a reliable estimate can be made of the amount of the obligation.

Estimated liabilities are initially measured according to the best estimate for the expenditure necessary for the performance of relevant present obligations, with comprehensive consideration given to factors such as the risks, uncertainty and time value of money relating to contingencies. The book value of the estimated liabilities should be reviewed at each balance sheet date. If there is definite evidence showing that the book value cannot reflect the present best estimate, the book value should be adjusted according to the best estimate.

21. Fiduciary activities

Where the Group acts in a fiduciary capacity such as nominee, trustee or agent, assets arising thereon together with related undertakings to return such assets to customers are excluded from the balance sheet.

The Group grants entrusted loans on behalf of third-party lenders, which are recorded off-balance sheet. The Group, as an agent, grants such entrusted loans to borrowers under the direction of those third-party lenders who fund these loans. The Group has been contracted by those third-party lenders to manage the administration and collection of these loans on their behalf. Those third-party lenders determine both the underwriting criteria for and the terms of all entrusted loans including their purposes, amounts, interest rates, and repayment schedules. The Group charges a commission related to its activities in connection with entrusted loans which are recognized ratably over the period in which the service is provided. The risk of loss is borne by those third-party lenders.

22. Revenue and expense recognition

(1) Interest income and interest expense

Interest income and expense are recognised on an accrual basis using the effective interest rate method. The effective interest rate is the interest rate at which the estimated cash flows of financial assets in the expected duration should be discounted to the present value. The computation of interest income takes consideration of contractual terms of the financial assets as well as expenses and transaction costs comprising the effective interest rate, but excluding future loan losses. When there is impairment for an individual financial asset or a group of similar financial assets, the interest revenue will be recognised using the interest rate used to discount the future cash flow of the asset with impairment.



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(2) Commission income

Commission income is recognized when the services have been rendered and the proceeds can be reasonably estimated.

(3) Exchange gains

Exchange gains are recognized when the economic benefits associated with the transactions will flow to the Group and the relevant amount of revenue can be measured reliably.

23. Employee Benefits

Employee benefits are all forms of consideration given and other relevant expenditures incurred by an enterprise in exchange for service rendered by employees. In the accounting period in which an employee has rendered service to an enterprise, the enterprise shall recognize the employee benefits payable as a liability. For those above one year after balance sheet date, we will express at present value.

24. Income taxes

Income tax comprises current and deferred tax. Income tax is recognized as income or an expense and include in the income statement for the current period, except to the extent that the tax arises from a business combination or if it relates to a transaction or event which is recognized directly in equity.

Current tax is the amount of income taxes payable in respect of the taxable profit for the current period. Taxable profit (tax loss) is the profit (loss) for current period, determined in accordance with rules established by the taxation authorities.

At the balance sheet date, current income tax liabilities (or assets) for the current and prior periods are measured at the amount expected to be paid to (or recovered from) the tax authorities according to the requirements of the tax laws.

For temporary differences at the balance sheet date between the tax bases of assets and liabilities and their book values, and temporary differences between the book values and the tax bases of items, the tax bases of which can be determined for tax purposes, but which have not been recognized as assets and liabilities, deferred taxes are provided using the liability method.

A deferred tax liability is recognized for all taxable temporary differences, except:

1) to the extent that the deferred tax liability arises from the initial recognition of goodwill or the initial recognition of an asset or liability in a transaction which contains both of the following characteristics: (i) the transaction is not a business combination; and (ii) at the time of the transaction, it affects neither the accounting profit nor taxable profit or loss.

2) in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in jointly-controlled enterprises, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

A deferred tax asset is recognized for deductible temporary differences, carryforward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax credits and unused tax losses can be utilized except:

1) where the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and



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2) in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are only recognized to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

At the balance sheet date, deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, according to the requirements of tax laws. The measurement of deferred tax assets and deferred tax liabilities reflects the tax consequences that would follow from the manner in which the Group expects at the balance sheet date, to recover the assets or settle the liabilities.

At the balance sheet date, the Group reviews the book value of deferred tax assets. If it is probable that sufficient taxable income cannot be generated to use the tax benefits of deferred tax assets, the book value of deferred tax assets should be reduced. When it is probable that sufficient taxable income can be generated, the amount of such reduction should be reversed.

25. Derivative instruments

Derivative instruments include currency forward contracts, cross-currency interest rate swaps, interest rate swaps and currency options. The derivative instruments are initially measured based on the fair value exists on the contract date and subsequently carried at fair value. The fair value of derivatives is determined by reference to quoted market prices, internal pricing models such as discounted cash flows model or option valuation model. A derivative instrument is carried as an asset when fair value is positive and as a liability when fair value is negative. Any gains or losses, realized or unrealized, are taken directly to the income statement.

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

Certain derivative transactions, while providing effective economic hedges under the Group's risk management positions, do not qualify for hedge accounting under <cas24-hedge> and are therefore treated as derivatives held for trading with fair value gains or losses recognised in the income statement.

26. Asset-backed security ("ABS")

As a part of the Group's business, certain financial assets are securitised by selling them to a special purpose vehicle, which then issues asset-backed securities to investors. Some or all of these financial assets transferred may meet the derecognition criteria, as separately stated in the respective derecognition of financial assets accounting policy. The asset-backed securities retained by the Group mainly related to subordinated classes, with gain/loss arising being recognised in profit or loss. The gain/loss arising from the asset-backed securities is the difference between the carrying value of the asset derecognised and the asset retained and the fair value at the date of derecognition.

27. Leases

A finance lease is a lease that transfers in substance all the risks and rewards incident to ownership of an asset. An operating lease is a lease other than a finance lease.

The Group recording the operating lease as a lessee

Lease payments under an operating lease are recognized by a lessee on a straight-line basis or a more systematic and reasonable basis over the lease term, and either included in the cost of another related asset or charged to the income statement for the current period.



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Notes to the Financial Statements for the Year Ended 31 December 2009 (Unit: RMB '000)

The Group recording the operating lease as a lessor

Rent income under a finance lease is recognized by a lessor on a straight-line basis or a more systematic and reasonable basis over the lease term, through profit or loss.

28. Changes in accounting policies and financial statement disclosure

The Group executed the Accounting Standards for Business Enterprises Interpretation No.3 since 1 Jan.2009 which is released by Ministry of Finance in June 2009. According to the explanation, the Group changed the accounting policy, the detail impact as follows:

For long-term equity investments using the cost method, the investment income recognized was limited to the amount distributed to the Group out of the accumulated net profit of the investee arising after the investment was made. Any cash dividends or profit distribution received in excess of this amount was treated as a recovery of initial investment cost. In 2009, according to Accounting Standards for Business Enterprises Interpretation No.3, the Group changed its accounting policies since January 1 2009 by no longer classifying the net profit realized by the investee into pre-acquisition profit or post-acquisition profit. After the change, for long-term equity investments using the cost method, except for the cash dividend or profit distribution declared but unpaid included in the price or consideration paid upon acquisition of a long-term equity investment, the Group recognizes its share of cash dividends or profit distributions declared by the investee as investment income. Such change has no impact on the Group's financial Statements.

Besides, according to Accounting Standards for Business Enterprises Interpretation No.3, the Group changed the financial statements and disclosures, the specific impact as follows:add other comprehensive income and total comprehensive income below earning per share in the income statement. Other comprehensive income reflects the net amount of gain and loss deducted with income tax not recognized in profit according to Accounting Standards for Business Enterprises. Total comprehensive income is the total amount of net profit for the year and other comprehensive income. In note VI-54, disclose the details of other comprehensive income and the income tax impact,and the current amount transferred to profit or loss which was included in other comprehensive income. The comparative information in this financial statement has been adjusted accordingly.

29. Significant accounting judgement and estimates

In the process of preparing financial statements,management has made judgements and estimates,which can affect the carrying amount of income,expenses,assets and liabilities and the disclosure of contingent liabilities. The possible future resolution of the uncertainties give rise to the potential for a consequential material adjustment to the carrying amounts of assets and liabilities

(1) Judgement

In the process of applying the Group's accounting policies, management has made the following judgments, apart from those involving estimations, which have the most significant effect on the amounts recognized in the financial statements:

A.Classification of financial instruments

Management has to make significant judgement on classification of finance assets. Classification with different measurement method would influence the financial situation of the Group.

(2) Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.



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Notes to the Financial Statements for the Year Ended 31 December 2009 (Unit: RMB '000)

A. Impairment losses of loans and advances

The Group determines periodically whether there is any objective evidence that an impairment loss on loans and advances has incurred. If any such evidence exists, the Group assesses the amount of impairment losses. The amount of impairment losses is measured as the difference between the carrying amount and the present value of the estimated future cash flows. Assessing the amount of impairment losses involves significant judgments as to whether objective evidence for impairment exists and requires significant estimations of the present value of the expected future cash flows.

B. Impairment losses of available-for-sale investments

When the fair value of the available for sale investments decrease, the management need to make estimates whether impairment should be recognized in profit or loss.

C. Impairment losses on non-current assets except for financial assets (Goodwill excluded)

The Group determines periodically whether there is any objective evidence that an impairment loss on Non-current asset except for financial assets has incurred. If any such evidence exists, the Group assesses the amount of impairment losses. In determining the present value of the estimated future cash flows, management needs to estimate the future cash flows and the appropriate discount rate.

D. Fair value of financial instruments

If an active market for a financial instrument does not exist, the Group applies valuation techniques to determine the fair value of the financial instrument. These techniques include using prices of arm's length transactions entered between knowledgeable, willing parties, or reference to the current fair value of similar instruments (if observable), or discounted cash flow analysis and option pricing models. The valuation techniques applied by the Group make the maximum use of market information; when market information is not observable, certain parameters such as credit risk (the Group and the counterparty), volatility and correlations require management's estimates. Any changes in the basis of these parameters will have an effect on the fair value of financial instruments.

E. Deferred tax assets

Deferred tax assets are only recognized to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences can be utilised. This requires significant judgments on the tax treatments of certain transactions and also significant assessment on the probability that adequate future taxable profits will be available for the deferred tax assets to be recovered.

IV. Taxation

Taxes/Surcharges	Tax/Surcharge Base	Tax and Surcharge rate
Business Tax	Operating revenue (Note 1)	5%
City Maintenance and Construction Tax	Business tax	7%
Educational Surcharge	Business tax	3%
Corporate income tax	Taxable Income (Note 2)	25%

Note 1: Operating revenue includes: interest income from loans, income from sale of financial commodities, commissions income and other operating revenue, except interest income from other financial institutions.

Note 2: The applicable CIT rate is 25%.

According to the letter No.184 [2007] issued by Nanning National Tax Bureau, the Group's Nanning branch enjoys the tax holiday by the regulation of "Notice of newly established corporation CIT exemption policy by Municipality Tax Bureau" of Guangxi Zhuangzu Municipality from year 2006 to year 2010. Thus, the applicable tax rate for this year is 0%.

The Financial Statements (by Domestic Auditor)

Notes to the Financial Statements for the Year Ended 31 December 2009 (Unit: RMB '000)

V. Consolidation scope of consolidated report

1. The Company's significant subsidiary is showed as follows:

Name of Subsidiaries	Nature of Business	Registered Capital (RMB'0000)	Operation scope	Amount of investment (RMB'0000)	%Equity (Direct)	%Voting	Minority interest (RMB'0000)	Minority interests in profit or loss for offset against the amount of minority shareholder (RMB'0000)
Mianzhu Pufa Rural Bank Co., Ltd.	Commercial bank	5,000	Drawing public deposits; granting loans of short-term, mid-term and long-term nature; performing settlements; discounting bills and notes; performing inter-bank loans and deposits; bank card business; issuing, underwriting and cashing securities on behalf of governmental authorities; factoring and assignment of receivables and payables and other services as approved by PBOC.	2,750	55%	55%	2,462	-
Liyang Pufa Rural Bank Co., Ltd.	Commercial bank	5,000	Drawing public deposits; granting loans of short-term, mid-term and long-term nature; performing settlements; discounting bills and notes; performing inter-bank loans and deposits; bank card business; issuing, underwriting and cashing securities on behalf of governmental authorities; factoring and assignment of receivables and payables and other services as approved by PBOC.	2,550	51%	51%	2,330	120
Gongyi Pufa Rural Bank Co., Ltd.	Commercial bank	5,000	Drawing public deposits; granting loans of short-term, mid-term and long-term nature; performing settlements; discounting bills and notes; performing inter-bank loans and deposits; bank card business; issuing, underwriting and cashing securities on behalf of governmental authorities; factoring and assignment of receivables and payables and other services as approved by PBOC.	2,550	51%	51%	2,384	66
Fengxian Pufa Rural Bank Co., Ltd.	Commercial bank	5,000	Drawing public deposits; granting loans of short-term, mid-term and long-term nature; performing settlements; discounting bills and notes; performing inter-bank loans and deposits; bank card business; issuing, underwriting and cashing securities on behalf of governmental authorities; factoring and assignment of receivables and payables and other services as approved by PBOC.	3,450	69%	69%	1,493	57



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Notes to the Financial Statements for the Year Ended 31 December 2009 (Unit: RMB '000)

Name of Subsidiaries	Nature of Business	Registered Capital (RMB'0000)	Operation scope	Amount of investment (RMB'0000)	%Equity (Direct)	%Voting	Minority interest (RMB'0000)	Minority interests in profit or loss for offset against the amount of minority shareholder (RMB'0000)
Zixing Pufa Rural Bank Co., Ltd.	Commercial bank	5,000	Drawing public deposits; granting loans of short-term, mid-term and long-term nature; performing settlements; discounting bills and notes; performing inter-bank loans and deposits; bank card business; issuing, underwriting and cashing securities on behalf of governmental authorities; factoring and assignment of receivables and payables and other services as approved by PBOC.	2,550	51%	51%	2,358	92
Banan Chongqing Pufa Rural Bank Co., Ltd.	Commercial bank	5,000	Drawing public deposits; granting loans of short-term, mid-term and long-term nature; performing settlements; discounting bills and notes; performing inter-bank loans and deposits; bank card business; issuing, underwriting and cashing securities on behalf of governmental authorities; factoring and assignment of receivables and payables and other services as approved by PBOC.	2,550	51%	51%	2,415	35

Note: All the subsidiary companies are acquired through initial establishment, and are all contained in the consolidated financial statements. Liyang Pufa Rural Bank Co., Ltd. Gongyi Pufa Rural Bank Co., Ltd. Fengxian Pufa Rural Bank Co., Ltd. Zixing Pufa Rural Bank Co., Ltd. Banan Chongqing Pufa Rural Bank Co., Ltd are newly established this year.

2. Special purpose entity:

Name	Main transaction with company	Ending balance of main assets recognised in consolidated financial statements	Ending balance of main liabilities recognised in consolidated financial statements
Huabao Trust Co., Ltd.	Asset-backed security	153,414	153,414

3. Subsidiaries newly consolidated by the group in the current year

Name	Net assets year end	Net profit current year
Liyang Pufa Rural Bank Co., Ltd.	47,559	(2,441)
Gongyi Pufa Rural Bank Co., Ltd.	48,656	(1,344)
Fengxian Pufa Rural Bank Co., Ltd.	48,159	(1,841)
Zixing Pufa Rural Bank Co., Ltd.	48,114	(1,886)
Banan Chongqing Pufa Rural Bank Co., Ltd.	49,281	(719)

The Financial Statements (by Domestic Auditor)

Notes to the Financial Statements for the Year Ended 31 December 2009 (Unit: RMB '000)

VI. Notes to the financial statements

1. Cash on hand and Due from the central bank

Items	31 December 2009	31 December 2008
Cash on hand	3,824,630	3,096,080
Restricted deposits (Note)	145,513,230	100,833,092
Non-restricted deposits in the central bank	55,598,869	58,560,151
Fiscal deposit	182,218	111,935
Total	205,118,947	162,601,258

Note: Restricted deposits: As stipulated by PBOC, the balance of restricted deposits expressed in RMB should not be less than 13.5% on customers' deposits denominated in RMB 5% of the balance of previous month was adopted on customers' deposits denominated in foreign currencies placed with the central bank.

1.1 Cash on hand

Items	31 December 2009			31 December 2008		
	Original currency	Exchange rate	RMB amount	Original currency	Exchange rate	RMB amount
RMB	3,511,843	1.00	3,511,843	2,771,494	1.00	2,771,494
USD	17,994	6.8270	122,845	18,458	6.8255	125,984
HKD	53,285	0.8803	46,907	52,707	0.8807	46,419
Other currency			143,035			152,183
Total			3,824,630			3,096,080

2. Due from banks

Items	31 December 2009	31 December 2008
Domestic banks	140,480,030	50,867,460
Foreign banks	3,074,086	3,261,845
Total	143,554,116	54,129,305

3. Precious metals

Items	31 December 2009	31 December 2008
Precious metals	213,212	-

4. Inter-bank placements

Items	31 December 2009	31 December 2008
Domestic banks	19,609,141	13,221,548
Foreign banks	3,604,206	10,348,589
Domestic finance companies	909,000	224,908
Less: bad debts provision	-	151,136
Total	24,122,347	23,643,909

The Financial Statements (by Domestic Auditor)

Notes to the Financial Statements for the Year Ended 31 December 2009 (Unit: RMB '000)

5. Derivative instruments

Items	31 December 2009		
	Nominal amount	Fair value	
		Assest	Liabilities
Derivative instruments held for trading:			
- Interest swaps	20,056,168	412,010	549,561
- Currency forwards	7,438,115	28,228	21,065
- Cross-currency swaps	17,246,334	167,102	34,878
- Noble metal forwards	461,637	-	-
Total		607,340	605,504

Items	31 December 2008		
	Nominal amount	Fair value	
		Assest	Liabilities
Derivative instruments held for trading:			
- Interest swaps	23,004,162	1,797,077	1,996,892
- Currency forwards	9,232,563	160,601	201,001
- Cross-currency swaps	9,219,086	326,381	176,597
- Options	101,090	3,402	3,402
- Interest forwards	160,000	313	313
- Noble metal forwards	381,609	-	-
Total		2,287,774	2,378,205

Nominal amount of a derivative represents the amount of underlying asset or reference index upon which changes in the value of derivatives are measured. It is an indication of the volume of transaction conducted by the company but does not measure market risk or credit risk directly.

Fair value is the amount for which an asset could be exchanged, or a liability could be settled, between knowledgeable, willing parties in an arm's length transaction.

6. Reverse repurchase agreements

Classified by mortgage Item	31 December 2009	31 December 2008
Bills	13,962,826	98,679,433
Securities	36,494,671	65,197,300
Loans	2,600,000	7,595,000
Total	53,057,497	171,471,733

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Notes to the Financial Statements for the Year Ended 31 December 2009 (Unit: RMB '000)

Classified by counterparty Item

Central Bank	5,000,000	42,500,000
Commercial Bank	26,638,619	38,987,700
Credit Association	10,766,707	84,889,033
Others	10,652,171	5,095,000
Total	53,057,497	171,471,733

7. Accounts receivable

Items	31 December 2009	31 December 2008
Accounts receivable from subrogation business	3,460,720	1,008,690

Note: Accounts receivable from subrogation business were represented for subrogation business of off-shore department with short collection period and good collection condition, no bad provision need to be provided.

8. Interests receivable

2009

Nature	2008-12-31	Addition	Payment	2009-12-31
Interests receivable on loans	1,646,052	42,128,570	42,033,741	1,740,881
Interests receivable on placements	166,476	1,015,548	796,254	385,770
Interests receivable on reverse repurchase agreements	37,421	361,765	394,461	4,725
Interests receivable on security investments	3,202,135	5,862,931	5,761,407	3,303,659
Interest receivable on financial derivatives	3,146	2,479	4,740	885
Total	5,055,230	49,371,293	48,990,603	5,435,920

Note: As at 31 December 2009, interest receivables on loans of RMB 40,303 thousand(31 December 2008: 66,935 thousand) were overdue with the overdue period less than 90 days.

2008

Nature	2007-12-31	Addition	Payment	2008-12-31
Interests receivable on loans	542,834	42,957,777	41,854,559	1,646,052
Interests receivable on placements	45,362	540,693	419,579	166,476
Interests receivable on reverse repurchase agreements	24,127	929,486	916,192	37,421
Interests receivable on security investments	1,582,314	5,066,282	3,446,461	3,202,135
Interest receivable on financial derivatives	790	29,356	27,000	3,146
Total	2,195,427	49,523,594	46,663,791	5,055,230



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Notes to the Financial Statements for the Year Ended 31 December 2009 (Unit: RMB '000)

9. Loans and advances

9.1 Distribution of loans and advances by individual and enterprise

Items	31 December 2009	31 December 2008
Individual loans and advances		
Credit card	6,485,429	4,631,405
House mortgage	138,979,717	94,908,952
Others	12,282,634	8,280,787
Enterprise loans and advances		
Loans	727,372,100	560,994,403
Discount bills	40,267,159	26,051,639
Others	3,467,711	2,697,484
Total	928,854,750	697,564,670
Less: Provision of loans	18,346,725	16,298,102
Including: Individually assessed	2,967,528	4,487,491
Collectively assessed	15,379,197	11,810,611
Net Value	910,508,025	681,266,568

9.2 Distribution of loans and advances by mortgage types

Items	31 December 2009	31 December 2008
Clean loan	208,198,978	175,995,645
Guarantee loan	261,019,592	204,439,541
Mortgage loan	459,636,180	317,129,484
Including: Collateral loan	353,658,796	248,074,990
Pledged loan	105,977,384	69,054,494
Total	928,854,750	697,564,670
Less: Provision of loans	18,346,725	16,298,102
Including: Individually assessed	2,967,528	4,487,491
Collectively assessed	15,379,197	11,810,611
Net Value	910,508,025	681,266,568

Note: The derecognition of loan and advance

The Company transferred floating rate loan portfolio with book value RMB 4,383,260 (thousand) to a special purpose trust in September 2007. The special purpose trustor-Huabao trust Co., Ltd. issued RMB 4,229,846 (thousand) priority credit asset-backed securities in the inter-bank bond market and at the same time directly issued RMB 153,414 (thousand) secondary priority asset-backed securities to the Company. The Company as the holder of secondary priority asset-backed securities will take the possible original and interest loss of the transferred loan portfolio within the scope of book value of holding asset-backed securities. The management thinks the Company does not transfer all the risks and rights of the loan portfolio to embracer, so the Company should recognize the related assets and liabilities according the book value of holding asset-backed securities.

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Notes to the Financial Statements for the Year Ended 31 December 2009 (Unit: RMB '000)

The Company foreclosed assets for individually assessed non-performing loans including deposit certificate, real estates, land and etc, with a total fair value of RMB6,754,499 (thousand) as at 31 December 2009(2008-12-31: RMB 6,155,621 (thousand)).

9.3 Overdue Loans

Items	31 December 2009				Total
	Over 1 days to 90days (contain 90days)	Over 90 days to 360days (contain 360days)	Over 360 days to 3years (contain 3 years)	Over 3 years	
Clean loan	240,640	431,424	130,578	74,402	877,044
Guarantee loan	62,470	533,015	1,210,022	573,906	2,379,413
Mortgage loan	302,898	1,240,390	877,389	362,665	2,783,342
Including:					
Collateral loan	292,442	1,142,925	561,000	314,035	2,310,402
Pledged loan	10,456	97,465	316,389	48,630	472,940
Total	606,008	2,204,829	2,217,989	1,010,973	6,039,799

Items	31 December 2008				Total
	Over 1 days to 90days (contain 90days)	Over 90 days to 360days (contain 360days)	Over 360 days to 3years (contain 3 years)	Over 3 years	
Clean loan	399,879	489,309	96,636	72,907	1,058,731
Guarantee loan	248,069	483,738	1,296,052	600,546	2,628,405
Mortgage loan	515,039	619,471	838,282	438,093	2,410,885
Including:					
Collateral loan	329,964	522,532	657,083	253,086	1,762,665
Pledged loan	185,075	96,939	181,199	185,007	648,220
Total	1,162,987	1,592,518	2,230,970	1,111,546	6,098,021

9.4 Provision for loan losses

	31 December 2009		
	Individual	Collective	Total
Opening balance	4,487,491	11,810,611	16,298,102
Provision made in the reporting year	(757,033)	3,809,696	3,052,663
Transfer out in the reporting year	-	(5,247)	(5,247)
Writing-offs in the reporting year	(641,723)	(172,015)	(813,738)
Recovery in the reporting year	(121,207)	(63,848)	(185,055)
Recovery of loans previously written off	68,771	365	69,136
Interest income on impaired loans	(189,978)	(64,213)	(254,191)
Closing balance	2,967,528	15,379,197	18,346,725

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Notes to the Financial Statements for the Year Ended 31 December 2009 (Unit: RMB '000)

	31 December 2008		
	Individual	Collective	Total
Opening balance	4,925,968	10,404,764	15,330,732
Provision made in the reporting year	1,697,464	1,773,951	3,471,415
Transfer out in the reporting year	(1,578,744)	(157,302)	(1,736,046)
Writing-offs in the reporting year	(448,073)	(150,723)	(598,796)
Recovery in the reporting year	(109,124)	(60,079)	(169,203)
Recovery of loans previously written off	58,927	337	59,264
Interest income on impaired loans	(168,051)	(60,416)	(228,467)
Closing balance	4,487,491	11,810,611	16,298,102

10. Available-for-sale investments

Items	31 December 2009	31 December 2008
Central bank bills	61,915,823	39,139,979
Treasury bonds (expressed in RMB)	12,103,693	9,495,923
Treasury bonds (expressed in foreign currency)	175,362	228,983
Policy bank bonds (expressed in RMB)	10,753,732	7,161,667
Commercial bank bonds (expressed in RMB)	526,886	570,977
Corporate bonds (expressed in RMB)	3,540,697	501,684
Others	198,610	265,936
Total	89,214,803	57,365,149

The investments in securities of the Company are as follows:

Items	Book Value	Interest rate %	Period	Interest	Closing Balance
Central bank bills	61,878,340	2.97-4.56	2010/01-2011/05	409,688	61,915,823
Treasury bonds (expressed in RMB)	11,966,658	1.44-4.71	2010/01-2038/05	293,577	12,103,693
Policy bank bonds (expressed in RMB)	10,705,000	1.08-5.44	2010/01-2035/10	231,720	10,753,732
Commercial bank bonds (expressed in RMB)	530,000	3.20-4.95	2013/09-2022/03	21,948	526,886
Corporate bonds (expressed in RMB)	3,566,620	1.70-6.90	2010/03-2019/12	77,476	3,540,697
Treasury bonds (expressed in foreign currency)	142,889	7.50-9.00	2027/10-2096/01	12,094	175,362
Others	283,321	2.71-8.25	2010/08-2052/12	8,441	198,610
Total					89,214,803

Note 1: Within the aforesaid balance of bonds investments available for sale as at 31 December 2009, RMB34,135 (thousand) represents structured bonds combined with derivative instruments (RMB34,128 thousand as at 31 December 2008). All of the structured bonds combined with derivative instruments have close links with the host contracts on economic characteristics.

Note 2: Within the aforesaid balance as at 31 December 2009, no investments in securities has been put in pledge for repurchase agreements(RMB3,775,400 thousand as at 31 December 2008).

Note 3: Within the aforesaid balance as at 31 December 2009, RMB1,100,000 thousand of treasury bonds has been put in pledge for pledge business of small payment system in PBOC(RMB1,100,000 thousand as at 31 December 2008).

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Notes to the Financial Statements for the Year Ended 31 December 2009 (Unit: RMB '000)

11. Held-to-maturity investments

Items	31 December 2009	31 December 2008
Treasury bonds (expressed in RMB)	43,966,921	31,471,088
Central bank bills	47,922,949	61,211,351
Local Government bills	11,618,739	-
Policy bank bonds (expressed in RMB)	26,777,184	13,424,222
Commercial bank bonds (expressed in RMB)	2,510,065	3,672,624
Corporate bonds (expressed in RMB)	3,610,218	820,732
Others	339,913	-
Total	136,745,989	110,600,017

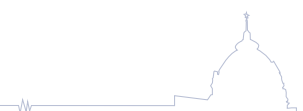
12. Loans and receivables investments

Items	31 December 2009	31 December 2008
Central bank bills	30,341,465	21,497,882
Treasury bonds (expressed in RMB)	1,791,2644	1,072,290
Financial institution bond (expressed in RMB)	1,524,469	691,205
Total	33,657,198	23,261,377

13. Equity investments

(1) Details are as follows:

2009	Cost	2008-12-31	Addition	2009-12-31
Equity method:				
Associated enterprise:				
First Sino Bank	363,414	468,336	78,893	547,229
Joint venture:				
AXA SPDB Investment Managers Co., Ltd.	102,000	70,926	(14,027)	56,899
Cost method:				
Shenlian Investment Co., Ltd.	288,303	288,303	-	288,303
China Unionpay Co., Ltd.	105,000	105,000	-	105,000
Laishang Bank	378,000	-	378,000	378,000
Less: Provision of Long-term equity investment		4,559		4,559
Net Value		928,006		1,370,872



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Notes to the Financial Statements for the Year Ended 31 December 2009 (Unit: RMB '000)

2008	Cost	2007-12-31	Addition	2008-12-31
Equity method:				
Associated enterprise:				
First Sino Bank	363,414	396,959	71,377	468,336
Joint venture:				
AXA SPDB Investment Managers Co., Ltd.	102,000	93,153	(22,227)	70,926
Cost method:				
Shenlian Investment Co., Ltd.	288,303	288,303	-	288,303
China Unionpay Co., Ltd.	80,000	80,000	25,000	105,000
Less: Provision of Long-term equity investment		4,559		4,559
Net Value		853,856		928,006

2009	Equity adjustment									
	Equity interest held	Initial investment	Accumulated Investment	Gain/loss this year	Bonus in cash	Accumulated gain/loss	Equity invests.reserve Addition this year	Ex-gain/ loss Adj. Accu. addition	31 December 2009	
Equity method:										
First Sino Bank	30%	81,627	281,787	84,272	-	207,839	(5,393)	(9,501)	(14,523)	547,229
AXA SPDB Investment Managers Co., Ltd.	51%	102,000	-	(14,027)	-	(45,101)	-	-	-	56,899
Cost method:										
			% Equity	% Voting	Provision	Provision for the year 2009	Cash dividend for the year 2009			
Shenlian Investment Co., Ltd.			16.5%	16.5%	2,883	-	25,645			
China Unionpay Co., Ltd.			3.715%	3.715%	800	-	3,300			
Lanshang Bank			18%	18%	-	-	-			

2008	Equity adjustment									
	Equity interest held	Initial investment	Accumulated Investment	Gain/loss this year	Bonus in cash	Accumulated gain/loss	Equity invests.reserve Addition this year	Ex-gain/ loss Adj. Accu. addition	31 December 2009	
Equity method										
First Sino Bank	30%	81,627	281,787	76,025	-	123,568	8	(4,108)	(14,538)	468,336
AXA SPDB Investment Managers Co., Ltd.	51%	102,000	-	(22,227)	-	(31,074)	-	-	-	70,926

The Financial Statements (by Domestic Auditor)

Notes to the Financial Statements for the Year Ended 31 December 2009 (Unit: RMB '000)

Cost method:	% Equity	% Voting	Provision	Provision for the year 2008	Cash dividend for the year 2008
Shenlian Investment Co., Ltd.	16.5%	16.5%	3,883	-	35,422
China Unionpay Co., Ltd.	3.715%	3.715%	800	-	1,600

(2) Provision for impairment of long-term investments

2009	31 December 2009	31 December 2008
Shenlian Investment Co., Ltd.	2,883	2,883
China Unionpay Co., Ltd.	800	800
First Sino Bank	876	876
Total	4,559	4,559

2008	31 December 2008	31 December 2007
Shenlian Investment Co., Ltd.	2,883	2,883
China Unionpay Co., Ltd.	800	800
First Sino Bank	876	876
Total	4,559	4,559

(3) Main financial information of associated enterprise and joint venture

Joint venture:

Name	Business Nature	Place of incorporated	Legal Representative	Operation scope	Registered capital (RMB)
AXA SPDB Investment Managers Co., Ltd.	Fund	Room 316, Buliding 3 No. 81 Pudong Avenue Pudong New Area, Shanghai	Huang Jianping	Securities investment funding, sales of fund Assest management	200,000,000

31 December 2009 Assets (thousand)	31 December 2009 Liabilities (thousand)	31 December 2009 Net assets (thousand)	2009 Operating income (thousand)	2009 Net profit (thousand)	Relationship
124,366	12,800	111,566	28,419	(29,868)	Control



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Notes to the Financial Statements for the Year Ended 31 December 2009 (Unit: RMB '000)

Associate of the Company

Name	Business Nature	Place of incorporated	Legal Representative	Operation scope	Registered capital (RMB)
First Sino Bank	Joint venture banks	Hongkong	Xinyi Liu	Drawing public deposits; granting loans of short-term, mid-term and long-term nature; discounting bills and notes; government securities, financial securities, buying foreign currency securities other than shares; providing letter of credit and guarantee, handling domestic and foreign settlement; trading foreign currencies, agency insurance, engaging in placement, bank card business; providing safe deposit box services; to provide credit rating and consulting services; other business approved by China Banking Regulatory	1,100,000,000

	31 December 2009	31 December 2009	31 December 2009	2009	2009	Relationship
	Assets (thousand)	Liabilities (thousand)	Net assets (thousand)	Operating income (thousand)	Net profit (thousand)	
	21,555,926	19,664,068	1,891,858	527,435	275,151	Significant influenced

Note: The ability of the transfer of funds from invested enterprises to the Group is not limited.

14. Fixed assets

2009	Building and constructions	Transportation facilities	Computers	Electronic equipment	Office equipment	Total
Cost:						
1 January 2009	6,001,443	238,058	2,255,989	216,517	311,907	9,023,914
Addition	820,807	41,219	536,757	42,160	122,391	1,563,334
Transferred from Construction in progress	-	-	-	-	-	-
Disposal/write off	-	(13,661)	(181,614)	(5,094)	(15,035)	(215,404)
31 December 2009	6,822,250	265,616	2,611,132	253,583	419,263	10,371,844
Accumulated depreciation:						
1 January 2009	1,159,947	140,656	1,207,010	117,994	138,460	2,764,067
Addition	198,743	29,768	423,635	31,689	53,203	737,038
Disposal/write off	-	(12,760)	(172,613)	(4,812)	(14,018)	(204,203)
31 December 2009	1,358,690	157,664	1,458,032	144,871	177,645	3,296,902
Net book value:						
31 December 2009	5,463,560	107,952	1,153,100	108,712	241,618	7,074,942
1 January 2009	4,841,496	97,402	1,048,979	98,523	173,447	6,259,847

The Financial Statements (by Domestic Auditor)

Notes to the Financial Statements for the Year Ended 31 December 2009 (Unit: RMB '000)

2008	Building and constructions	Transportation facilities	Computers	Electronic equipment	Office equipment	Total
Cost:						
1 January 2009	5,361,880	214,759	1,931,058	184,037	228,409	7,920,143
Addition	597,320	44,995	574,294	43,139	98,118	1,357,866
Transferred from Construction in progress	42,243	-	-	-	1,224	43,467
Disposal/write off	-	(21,696)	(249,363)	(10,659)	(15,844)	(297,562)
31 December 2009	6,001,443	238,058	2,255,989	216,517	311,907	9,023,914
Accumulated depreciation:						
1 January 2009	980,470	137,229	1,082,246	99,925	113,257	2,413,127
Addition	179,477	24,085	361,018	26,416	38,761	629,757
Disposal/write off	-	(20,658)	(236,254)	(8,347)	(13,558)	(278,817)
31 December 2009	1,159,947	140,656	1,207,010	117,994	138,460	2,764,067
Net book value:						
31 December 2009	4,841,496	97,402	1,048,979	98,523	173,447	6,259,847
1 January 2009	4,381,410	77,530	848,812	84,112	115,152	5,507,016

Note 1: As at 31 December 2009, no temporarily idled fixed assets were noted.

Note 2: As at 31 December 2009, buildings and constructions with original cost of RMB 733,569 (thousand) and net book value of RMB 703,684 (thousand) (as at 31 December 2008, original cost: RMB324,319 thousand; net book value: RMB306,906 thousand) have already been in use while relevant legal ownership registration are still in progress or not yet processed.

Note 3: Fixed assets in the Group were not impaired, thus no provision was made for such impairment.

15. Intangible assets

2009	2008-12-31	Addition	Amortisation	2009-12-31
Cost:				
Building using right	142,260	-	660	141,600
Franchise	38,411	-	-	38,411
Land use right	36,100	-	-	36,100
Software	296,832	63,007	1,581	358,258
Others	3,132	1,500	-	4,632
Total	516,735	64,507	2,241	579,001
Accumulated Amortization:				
Building using right	60,645	4,094	167	64,572
Franchise	38,411	-	-	38,411
Land use right	7,661	877	-	8,538
Software	200,343	60,748	1,578	259,513
Others	2,455	149	-	2,604
Total	309,515	65,868	1,745	373,638



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Notes to the Financial Statements for the Year Ended 31 December 2009 (Unit: RMB '000)

15. Intangible assets (Continued)

2009	2008-12-31	Addition	Amortisation	2009-12-31
Net book value:				
Building using right	81,615			77,028
Franchise	-			-
Land use right	28,439			27,562
Software	96,489			98,745
Others	677			2,028
Total	207,220			205,363

Note: Intangible assests were not impaired, thus no provision was made for such impairments.

2008	2007-12-31	Addition	Amortisation	2008-12-31
Cost:				
Building using right	165,340	-	23,080	142,260
Franchise	38,411	-	-	38,411
Land use right	36,100	-	-	36,100
Software	263,613	52,959	19,740	296,832
Others	3,132	-	-	3,132
Total	506,596	52,959	42,820	516,735
Accumulated Amortization:				
Building using right	66,044	6,697	12,096	60,645
Franchise	38,411	-	-	38,411
Land use right	6,784	877	-	7,661
Software	153,395	65,958	19,010	200,343
Others	2,377	78	-	2,455
Total	267,011	73,610	31,106	309,515
Net book value:				
Building using right	99,296			81,615
Franchise	-			-
Land use right	29,316			28,439
Software	110,218			96,489
Others	755			677
Total	239,585			207,220

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Notes to the Financial Statements for the Year Ended 31 December 2009 (Unit: RMB '000)

16. Long-term deferred charges

Items	31 December 2009	31 December 2008
Decoration fee	873,987	612,172
Leasing fee	157,395	143,184
Others	37,792	10,339
Total	1,069,174	765,695

17. Settled assets

Items	31 December 2009			31 December 2008		
	Original Cost	Provision for impairment	Net value	Original Cost	Provision for impairment	Net value
Real estates	1,146,266	652,346	493,920	1,328,686	760,041	568,645
Share owned by legal persons	19,297	8,704	10,593	18,402	8,008	10,394
Others	13,527	13,304	223	15,208	9,897	5,311
Total	1,179,090	674,354	504,736	1,362,296	777,946	584,350

18. Deferred tax assets

	31 December 2009		31 December 2008	
	Temporarily difference	Deferred tax assets/(Liabilities)	Temporarily difference	Deferred tax assets/(Liabilities)
Provision for credit losses	8,926,080	2,231,520	8,170,392	2,042,598
Bad debts provision	754,528	188,632	660,220	165,055
Settled assets provision	203,072	50,768	306,664	76,666
Pre-operation expenses amortization	2,896	724	13,180	3,295
Depreciation of fixed assets	24,032	6,008	41,696	10,424
Long-term assets amortization	14,664	3,666	15,408	3,852
Salary expense	2,642,640	660,659	2,684,996	671,249
Provision for Available-for-sale investments	85,757	21,439	85,293	21,323
Changes in fair value of precious metals	360	90	-	-
Changes in fair value of financial liabilities at fair value through profit or loss	17,800	4,450	-	-
Unrealized gain or loss on Held-to-maturity investments	48,360	12,090	193,816	48,454
Unrealized gain or loss on Available-for-sale investments	(138,168)	(34,542)	(900,437)	(225,109)
Fair value of securities held for trading and financial derivatives	(147,374)	(36,844)	(116,800)	(29,200)
Total	12,434,647	3,108,660	11,154,428	2,788,607

The Financial Statements (by Domestic Auditor)

Notes to the Financial Statements for the Year Ended 31 December 2009 (Unit: RMB '000)

19. Other assets

Nature	31 December 2009							
	1 year or less	1-2years	2-3years	3years or more	Total	Percentage	Bad debt provision	Net value
Working capital	3,731	-	-	-	3,731	0.08%	-	3,731
Settlement and clearing	816,624	-	-	-	816,624	18.46%	-	816,624
Staff Housing loans	-	6,702	40,029	20,096	66,827	1.51%	-	66,827
Prepayment for purchasing buildings	940,054	99,591	60	-	1,039,705	23.50%	-	1,039,705
Sub-prime ABS (Note1)	-	-	153,414	-	153,414	3.47%	-	153,414
Securitized credit assets (Not 1)	-	-	153,414	-	153,414	3.47%	-	153,414
Others	1,925,162	175,514	13,310	76,663	2,190,649	49.51%	737,982	1,452,667
Total	3,685,571	281,807	360,227	96,759	4,424,364	100%	737,982	3,686,382

Nature	31 December 2008							
	1 year or less	1-2years	2-3years	3years or more	Total	Percentage	Bad debt provision	Net value
Working capital	1,285	-	-	-	1,285	0.02%	-	1,285
Settlement and clearing	533,931	-	-	-	533,931	9.54%	-	533,931
Staff Housing loans	159,315	906,086	303,549	988,451	2,357,401	42.11%	-	2,357,401
Prepayment for purchasing buildings	603,936	29,784	20,158	-	653,878	11.68%	-	653,878
Sub-prime ABS (Note1)	-	153,414	-	-	153,414	2.74%	-	153,414
Securitized credit assets (Not 1)	-	153,414	-	-	153,414	2.74%	-	153,414
Others	1,624,312	28,746	25,696	66,142	1,744,896	31.17%	482,358	1,262,538
Total	2,922,779	1,271,444	349,403	1,054,593	5,598,219	100%	482,358	5,115,861

Note1: Under certain circumstances, the Group Company established special purpose trust/ vehicle ("SPV") to fulfill the securitization criteria and issue the respective asset-back securities. The controlled SPV with major contract will be consolidated. The control assessment is made based on the risk and rewards the Company born for the SPV and whether the Group Company can exercise influence over the operations and decision making of the SPV. Since the Group Company had not neither retained nor transferred all risks and rewards of the underlying transferred asset, and the Group Company had returned retained control, the related assets had been derecognized entirely and the amount retained and the associated asset and liability to the extend of the continuing involvement were recorded on the balance sheet.

20. Impairment provision of assets

Items	31-December-2008	Addition	Reversal	31-December-2009
Provision for loans	16,298,102	3,052,663	(1,004,040)	18,346,725
Bad debt for placement	151,136	(151,136)	-	-
Bad debt for other assets	482,358	252,424	3,200	737,982
Provision for equity investment	4,559	-	-	4,559
Provision for Settled assets	777,946	27,745	(131,337)	674,354
Total	17,714,101	3,181,696	(1,132,177)	19,763,620

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Notes to the Financial Statements for the Year Ended 31 December 2009 (Unit: RMB '000)

21. Due to banks and other financial institutions

Items	31 December 2009	31 December 2008
Banks	131,485,644	169,794,307
Security companies	31,485,824	22,197,040
Non-bank financial institutions	42,963,944	30,449,466
Total	205,935,412	222,440,813

22. Financial liabilities at fair value through profit or loss

Items	31 December 2009	31 December 2008
Spot contract	237,326	-

23. Repurchase agreements

Items	31 December 2009	31 December 2008
Bills	1,264,882	15,907,001
Securities	-	3,775,400
Total	1,264,882	19,682,401

24. Deposits from customers

Items	31 December 2009	31 December 2008
Current deposits		
- Corporation	523,106,254	350,196,732
- Individual	62,140,148	46,351,149
Term deposits		
- Corporation	420,268,506	303,113,552
- Individual	154,596,942	105,133,721
Other deposits	135,230,492	142,498,428
Total	1,295,342,342	947,293,582

Note: Deposits from customers contain structured deposits of RMB20,245,884 (thousand) (RMB2,743,578 thousand as at 31 December 2008). These structured deposits are embedded with derivatives which are mainly interest rate swaps, early redemption options and options linked to financial assets. All the derivatives are considered having close relationship with the main contracts as at 31 December 2009. There are RMB103,103 (thousand) book value derivatives which are considered having no close relationship with the main contracts as at 31 December 2008. The Group bifurcates them from deposits and the fair value is recorded in derivatives.



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Notes to the Financial Statements for the Year Ended 31 December 2009 (Unit: RMB '000)

(a) Entrusted funds

Items	31 December 2009	31 December 2008
Entrusted deposits(note1)	110,168,915	67,482,194
Commissioned loans	110,168,634	67,458,533
Trusted management assets(note2)	49,140,240	8,456,615
Trusted management funds(note2)	49,140,240	8,456,615

Note1: Entrusted deposits are loaned to appointed related parties by the depositors and the depositors undertake all the credit risks. The balance of entrusted deposits and commissioned loans are residual entrusted deposits without appointed targets, and they are contained in deposits from customers.

Note2: Trusted management business means the Company invests and manages the assets by the trusted assets according to the prior agreement of the investment plans and methods, and pays the benefits to customers by prior agreement and actual investment benefits.

(b) Fund Custody

The funds that the Company keeps and their related fund management corporation as at 31 December 2009 are detailed as follows:

Funds Custody	Fund Management Corporation
Guotai Jinlong Sector-selected securities Fund	Guotai Asset Management Co., Ltd.
Guotai Jinlong Bond Fund	Guotai Asset Management Co., Ltd.
China Nature Wealth Growth Fund	China Nature Assets Management Co., Ltd.
Harvest Qualified Enterprise Securities Investment Fund	Harvest Fund Management Co., Ltd.
GF Growth Stock Securities Investment Fund	GF Fund Management Co., Ltd.
Universal Money Market Investment Fund	China Universal Asset Management Co., Ltd.
Changxin Trend Stock Securities Investment Fund	Changxin Asset Management Co., Ltd.

25. Employee benefits payables

2009 year	2008-12-31	Addition	Payment	2009-12-31
Salary, bonus, subsidy and allowance (note)	6,887,180	6,670,194	(6,710,835)	6,846,539
Welfare of employee	-	114,984	(114,984)	-
Social insurance	22,042	632,834	(614,600)	40,276
Housing Fund	8,177	293,889	(289,509)	12,557
Trade union funds and funding for staff education	6,404	87,232	(87,838)	5,798
Total	6,923,803	7,799,133	(7,817,766)	6,905,170

Note1: The Group participates in a corporate pension fund scheme managed by an insurance Company. The Group pays fixed contribution to the corporate pension fund under the arrangement of the scheme. The Group does not have a legal or constructive obligation to pay further amount in respect of the employee benefits relating to services in the current and prior periods. All contributions are recognized as expense when incurred.

Note2: According to the requirement of the regulatory authorities and related provisions by Board of Directors, the employee compensation payable amount related to the risk capital that extended to pay related to current year performance evaluation results would be released after three years, and which related to the current distribution would be fully completed the payment in year 2010.

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Notes to the Financial Statements for the Year Ended 31 December 2009 (Unit: RMB '000)

2008 year	2007-12-31	Addition	Payment	2008-12-31
Salary, bonus, subsidy and allowance (note)	6,227,405	6,967,056	(6,307,281)	6,887,180
Welfare of employee	-	109,548	(109,548)	-
Social insurance	45,370	414,438	(437,766)	22,042
Housing Fund	6,446	214,275	(212,544)	8,177
Trade union funds and funding for staff education	11,838	87,504	(92,938)	6,404
Total	6,291,059	7,792,821	(7,160,077)	6,923,803

26. Taxes payables

Items	31 December 2009	31 December 2008
Business tax	826,947	785,595
City maintenance and construction tax	53,936	50,675
Corporate income tax (Note)	1,727,446	2,061,347
Educational Surcharge	29,698	28,581
Personal Income Tax	366,144	484,567
Others	8,697	7,927
Total	3,012,868	3,418,692

Note: The Company makes corporate income tax prepayment quarterly, 50% at headquarter, and 50% at branches to local taxation authorities according to operating income, salary expense and total asset scale. At the end of each year, the headquarters of the Company will calculate and settle the taxes payable as a whole.

27. Interest payables

Items	31 December 2009	31 December 2008
Interest payables for customer deposit	6,368,929	5,953,268
Interest payable for placement from financial institutions	520,872	916,486
Interest payable for bond issued	58,211	216,054
Others	1,354,281	1,274,179
Total	8,302,293	8,359,986

28. Dividends payable

Items	31 December 2009	31 December 2008
Unpaid prior year's dividends	17,920	11,935



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Notes to the Financial Statements for the Year Ended 31 December 2009 (Unit: RMB '000)

29. Other payables

Items	31 December 2009	31 December 2008
Bank drafts payable	2,760,936	3,830,782
Settlement and clearing	1,372,295	816,862
Temporary credits received	800,898	567,175
Others	1,617,741	2,206,467
Total	6,551,870	7,421,286

Note: As at 31 December 2009, there is no amount due to shareholders which hold 5% or more of the Company's shares (31 December 2008: Nil).

30. Deferred income

Items	31 December 2009	31 December 2008
Discounting/Re-discounted bills interest income	338,231	253,858
Interest income from reverse repurchase agreements	82,594	613,869
Factoring interest income	5,148	5,387
Others	80,150	16,175
Total	506,123	889,289

31. Debts issued

2009year	2008-12-31	Addition	Deduction	2009-12-31
2005 SPDB subordinated debts	2,000,000	-	-	2,000,000
2006 SPDB subordinated debts	2,600,000	-	-	2,600,000
2007 SPDB subordinated debts	6,000,000	-	-	6,000,000
2008 SPDB subordinated debts	8,200,000	-	-	8,200,000
Total	18,800,000	-	-	18,800,000

2008year	2007-12-31	Addition	Deduction	2008-12-31
Financial bonds	7,000,000	-	7,000,000	-
2005 SPDB subordinated debts	2,000,000	-	-	2,000,000
2006 SPDB subordinated debts	2,600,000	-	-	2,600,000
2007 SPDB subordinated debts	6,000,000	-	-	6,000,000
2008 SPDB subordinated debts	-	8,200,000	-	8,200,000
Total	11,600,000	8,200,000	7,000,000	18,800,000

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Notes to the Financial Statements for the Year Ended 31 December 2009 (Unit: RMB '000)

The balance of long term bonds issued as at 31 December 2009 is as follows:

	Tenor	Issued date	Book value	Premium /discount	Interest	Closing balance	
2005 SPDB subordinated debts	10 years	2005.12.29	2,000,000	-	592	2,000,000	Note1
2006 SPDB subordinated debts	10 years	2006.6.30	2,600,000	-	49,418	2,600,000	Note2
2007 SPDB subordinated debts	10 years	2007.12.28	1,000,000	-	658	1,000,000	Note3
2007 SPDB subordinated debts	10 years	2007.12.28	5,000,000	-	2,219	5,000,000	Note3
2008 SPDB subordinated debts	10 years	2008.12.26	8,200,000	-	5,324	8,200,000	Note4
Total					58,211	18,800,000	

Note 1: On 28 September 2005, as approved by the second ad hoc shareholders' meeting held in 2005, the Company is to issue subordinated debts of no more than RMB4 billion in inter-bank bonds market. On 26 December 2005, as approved by YinFu [2005] No. 118 the "PBOC's Reply to Issuance of Subordinated Debts of SPDB" and YinJianFu [2005] No. 326 the "CBRC's Reply to Issuance of Subordinated Debts of SPDB", the Company issued RMB2 billion subordinated debts via private placement in the inter-bank bonds market. The bonds issuance was completed on 29 December 2005. The tenor of the debt is 10 years and the Company has an option to early redeem the entire debt at the end of the fifth year at par. The debt bears a fixed interest at 3.60% per annum from years 1 to 5 calculated from 29 December 2005. If the Company will not exercise the early redemption option at the end of year 5, the coupon rate will be adjusted to 6.60% per annum from years 6 to 10. Interest is calculated and payable on a yearly basis with simple interest rather than compound interest adopted. In accordance with the related regulations, the capital of these subordinated debts shall form part of the Company's supplementary capital for regulatory purpose.

Note 2: On 15 June 2006, as approved by the third ad hoc shareholders' meeting held in 2006, the Company is to issue subordinated debts of no more than RMB2.6 billion in inter-bank bonds market. On 30 June 2006, as approved by YinShiChangXuZhunYuZi [2006] No. 10 the "PBOC's Decision to Grant Administrative Permission" and YinJianFu [2006] No. 193 the "CBRC's Reply to Issuance of Subordinated Debts of SPDB", the Company issued RMB2.6 billion subordinated debts via private placement in the inter-bank bonds market. The bonds issuance was completed on 30 June 2006. The tenor of the debt is 10 years and the Company has an option to early redeem part of or the entire debt at the end of the fifth year at par. When the option is exercised, the tenor of the debt is 5 years. The debt bears a fixed interest rate by subsection at 3.75% per annum from years 1 to 5 calculated from 30 June 2006. If the Company doesn't exercise the early redemption option, the interest rate will be adjusted to 6.75% per annum from years 6 to 10. Interest is calculated and payable on a yearly basis with simple interest rather than compound interest adopted. No interest will be calculated when overdue. The principal and interest repayment ranks after the Company's customer deposits and other liabilities, but is in priority to the Company's shareholders' funds.

Note 3: In December 2007, as approved by the YinShiChangXuZhunYuZi [2007] No. 46 the "PBOC's Decision to Grant Administrative Permission" and YinJianFu [2007] No. 558 the "CBRC's Reply to Issuance of Subordinated Debts of SPDB", the Company issued RMB6 billion subordinated debts via public market. The bonds issuance was completed on 28 December 2007 and their coupons were divided into fixed rate and floating rate. Fixed rate subordinated debts have a tenor of ten years and the Company has an option to early redeem the entire or partial bonds at the end of the fifth year at par. The fixed rate is 6.0% and if the Company excises the early redemption option, the redeemed bonds will stop to calculate the interest and began to pay the principal and interest since 28 December 2012. If the Company will not excise the early redemption option, the coupon rate will be adjusted from 6.0% to 9.0% per annum from years 6 to 10. The interest will be paid 28 December each year. Floating rate subordinated debts have a tenor of ten years and the Company has an option to early redeem the entire or partial bonds at the end of the fifth year at par. Initial coupon rate is 5.94% including 4.14% basic coupon rate and 1.8% basic spread rate. Basic coupon rate is the Zhengcunzhengqu deposit rate issued by PBOC of the started day of calculating interest. If the Company excises the early redemption option, the redeemed bonds will stop to calculate the interest and began to pay the principal and interest since 28 December 2012. If the Company will not excise the early redemption option, the basic spread rate will be adjusted from 1.8% to 4.8% per annum from years 6 to 10. The interest will be paid 28 December each year.

Note 4: On 20 November 2008, as approved by the First ad hoc shareholders' meeting held in 2008, the Company is to issue subordinated debts of no more than RMB10 billion in inter-bank bonds market. On 26 December 2008, as approved by YinShiChangXuZhunYuZi [2008] No. 54 the "PBOC's Decision to Grant Administrative Permission" and YinJianFu [2008] No. 510 the "CBRC's Reply to Issuance of Subordinated Debts of SPDB", the Company issued RMB8.2 billion subordinated debts in the inter-bank bonds market publicly. The bonds issuance was completed on 26 December 2008. The tenor of the debt is 10 years and the Company has an option to early redeem part of or the entire debt at the end of the fifth year at par. When the option is exercised, the tenor of the debt is 5 years. The debt bears a fixed interest by subsection at 3.95% per annum from years 1 to 5 calculated from 26 December 2008. If the Company will not exercise the early redemption option, the coupon rate will be adjusted to 6.95% per annum from years 6 to 10. Interest is calculated and payable on a yearly basis with simple interest rather than compound interest adopted. No interest will be calculated when overdue. The principal and interest repayment ranks after the Company's customer deposits and other liabilities, but is in priority to the Company's shareholders' funds.

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32. Long-term payables

Items	31 December 2009	31 December 2008
Fixed term subordinated debt	-	6,000,000

Note: As approved by the China Banking Regulatory Commission ("CBRC"), the Company entered into agreements with eight investors for the issuance of RMB6 billion fixed term subordinated debt with floating rate. The tenor of the debts is five years and one month and the interest is payable on a yearly basis. On 9 June 2004, the issuance was completed and the Company received a total consideration of RMB6 billion. In accordance with the related regulations, the subordinated debt shall form part of the Company's supplementary capital for regulatory purpose. The interest rate of the fixed term subordinated debt for the current year is set at 4.87%. It has been matured as at 8 July 2009.

33. Other liabilities

Items	31 December 2009	31 December 2008
Amounts arising from acting as an agent for transactions related to scarce metal	30	34
Amounts arising from acting as an agent for transactions related to investment funds	108,689	144,885
Payable for wealth management products (note)	954,400	8,813,400
Continuing involvement liabilities	153,414	153,414
Funds to lending	196,906	-
Trust funds	156	-
Others	2,658	-
Total	1,416,253	9,111,733

Note: Payable for wealth management products represents cash received for purchasing financial products issued by the special purpose trust. Due to the retained risk, reward and ownership of the operational control of the financial products, the Company includes the trusts and related financial assets in the consolidated balance sheet.

34. Paid-in capital

2009 year	Opening balance	Percentage	Share dividend	Increase issues	Share transferred from trading Restricted to no trading restriction	Closing balance	Percentage
Shares with Trading restrictions							
- Shares with trading restrictions	-	-	-	-	-	-	-
- Shares owned by State-owned legal persons	649,173	11.47%	259,669	211,247	-	1,120,089	12.68%
- Other domestic-owned shares	-	-	-	692,912	-	692,912	7.85%
Shared owned by Domestic legal Persons	-	-	-	601,192	-	601,192	6.81%
Shared owned by Domestic natural Person	-	-	-	91,720	-	91,720	1.04%
- Shares owned by Foreign investment	-	-	-	-	-	-	-
Shares owned by Foreign legal Persons	-	-	-	-	-	-	-
Shares owned by Foreign natural Persons	-	-	-	-	-	-	-
Total shares with trading restrictions	649,173	11.47%	259,669	904,159	-	1,813,001	20.53%

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Notes to the Financial Statements for the Year Ended 31 December 2009 (Unit: RMB '000)

34. Paid-in capital (Continued)

2009 year	Opening balance	Percentage	Share dividend	Increase issues	Share transferred from trading Restricted to no trading restriction	Closing balance	Percentage
Shares without trading restrictions							
- Ordinary shares quoted in RMB	5,012,175	88.53%	2,004,870	-	-	7,017,045	79.47%
- Domestic listed foreign shares	-	-	-	-	-	-	-
- Overseas listed Foreign shares	-	-	-	-	-	-	-
- Others	-	-	-	-	-	-	-
Total shares without trading restrictions	5,012,175	88.53%	2,004,870	-	-	7,017,045	79.47%
Total ordinary Shares	5,661,348	100%	2,264,539	904,159	-	8,830,046	100%
2008 year	Opening balance	Percentage	Share dividend	Share transferred from trading restricted to no trading restriction	Closing balance	Percentage	
Shares with Trading restrictions							
- Shares with trading restrictions	-	-	-	-	-	-	-
- Shares owned by State-owned legal persons	798,446	18.33%	239,534	(388,807)	649,173	11.47%	
- Other domestic-owned shares	18,209	0.42%	5,463	(23,672)	-	-	
Shared owned by Domestic legal Persons	18,209	0.42%	5,463	(23,672)	-	-	
Shared owned by Domestic natural Person	-	-	-	-	-	-	
- Shares owned by Foreign investment	-	-	-	-	-	-	
Shares owned by Foreign legal Persons	-	-	-	-	-	-	
Shares owned by Foreign natural Persons	-	-	-	-	-	-	
Total shares with trading restrictions	816,655	18.75%	244,997	(412,479)	649,173	11.47%	
Shares without trading restrictions							
- Ordinary shares quoted in RMB	3,538,228	81.25%	1,061,468	412,479	5,012,175	88.53%	
- Domestic listed foreign shares	-	-	-	-	-	-	
- Overseas listed Foreign shares	-	-	-	-	-	-	
- Others	-	-	-	-	-	-	
Total shares without trading restrictions	3,538,228	81.25%	1,061,468	412,479	5,012,175	88.53%	
Total ordinary Shares	4,354,883	100%	1,306,465	-	5,661,348	100%	



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The plan of capital structure reform was approved by the State-owned Assets Supervision and Administration Commission of Shanghai Municipality Government on 31 March 2006 and by China Banking Regulatory Commission on 29 April 2006. The shares implemented by the plan was registered on 10 May 2006, the allotted shares by the non-marketable shareholders were tradable on 12 May 2006.

According to the "Administrative Measures on Share Reform of Listed Companies", the non-marketable shareholders promise, the former non-marketable shares owned by the non-marketable shareholders will not be traded or transferred within 12 months since the implementation day of share reform. The non-marketable shareholders holding more than 5% shares of the Company will be restricted to sell the former non-marketable shares through the Stock Exchange until the aforesaid period expires as follows: shares sold within 12 months shall not exceed 5% of the total shares, and shares sold within 24 months shall not exceed 10%.

On 14 May 2007 1.928 billion non-marketable shares of the Company came into the market. After that, the total shares did not change, while non-marketable shares decreased from 3.022 billion to 1.094 billion and marketable shares increased from 1.333 billion to 3.261 billion.

On 23 November 2007, 0.278 billion non-marketable shares of the Company came into the market. After that, the total shares did not change, while non-market shares decreased from 1.094 billion to 0.817 billion and marketable shares increased from 3.261 billion to 3.538 billion.

The shareholders meeting of the Bank approved the proposed script dividends distribution for 2007 whereby 3 shares and RMB1.6 Yuan (tax inclusive) is distributed for every 10 shares held. The Company distributed scrip dividends based on 4,354,882,697 shares in April 2008. After distribution, the share capital increased to 5.661 billion.

On 12 May 2008, 0.412 billion non-marketable shares of the Company came into the market. After that, the total shares did not change, while non-market shares decreased from 1.061 billion to 0.649 billion and marketable shares increased from 4.6 billion to 5.012 billion.

The shareholders meeting of the Bank approved the proposed script dividends distribution for 2008 whereby 4 shares and RMB2.30 Yuan (tax inclusive) is distributed for every 10 shares held. The Company distributed scrip dividends based on 5,661,347,506 shares in April 2009. After distribution, the share capital increased to 7.926 billion.

On September 18, 2009, subject to the approval of the China Securities Regulatory Commission ("CSRC") with the issuance of Zheng Jian Xu Ke [2009]950, the Company privately offered up to 1.137 billion A shares, with the actual offering of 0.904 billion shares at the price of RMB16.59 per share, and totaling to RMB15 billion. The Company's share capital increased to RMB8.83 billion. The private offering was completed on September 28, 2009 and the capital has been verified by Ernst & Young Hua Ming with the issuance of Ernst & Young Hua Ming (2009) Yan Zi 60468058_B04.

35. Capital surplus

2009 year	1 January 2009	Increase	Decrease	31 December 2009
Excess of contributed capital	10,315,942	13,922,500	-	24,238,442
Changes of the invested company's equity under the equity method	(4,108)	(5,393)	-	(9,501)
Change of fair value of AFS investments	900,436	(761,806)	-	138,630
Unrealised gain/loss of HTM investments(Note)	(193,815)	-	(145,456)	(48,359)
Influence on income tax	(176,655)	154,203	-	(22,452)
Others	21,571	-	-	21,571
Total	10,863,371	13,309,504	(145,456)	24,318,331

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2008 year	1 January 2008	Increase	Decrease	31 December 2008
Excess of contributed capital	10,315,942	-	-	10,315,942
Changes of the invested company's equity under the equity method	(4,116)	8	-	(4,108)
Change of fair value of AFS investments	(1,376,543)	1,235,407	(1,041,572)	900,436
Unrealised gain/loss of HTM investments(Note)	-	(1,041,572)	(847,757)	(193,815)
Influence on income tax	344,136	(520,791)	-	(176,655)
Others	21,571	-	-	21,571
Total	9,300,990	(326,948)	(1,889,329)	10,863,371

Note: On 1 January 2008, available-for-sale investments amounting to RMB73,414,270(thousand) was reclassified to held-to-maturity investments by the Company, and subsequently measured at amortized cost. The unrealized gain/loss previously recorded in shareholders' equity amounting to RMB781,179(thousand) was amortised to profit or loss over the remaining life of the financial assets using effective interest rate method. The amortization in 2009 was RMB109,092(thousand).

36. Surplus reserves

2009 year	31 December 2008	Increase	Decrease	31 December 2009
Statutory surplus reserve	4,110,842	1,321,835	-	5,432,677
Discretionary surplus reserve	2,752,672	2,503,227	-	5,255,899
Total	6,863,514	3,825,062	-	10,688,576

2008 year	31 December 2007	Increase	Decrease	31 December 2008
Statutory surplus reserve	2,859,228	1,251,614	-	4,110,842
Discretionary surplus reserve	2,752,672	-	-	2,752,672
Total	5,611,900	1,251,614	-	6,863,514

After the statutory surplus reserve is appropriated, the Company can appropriate discretionary surplus reserve. Discretionary surplus reserve can be used to make up for the loss of previous years or increase equity after the approval of shareholders' meeting.

37. General provisions

	Percentage	31 December 2008	Increase	31 December 2009
General provision	note	6,400,000	500,000	6,900,000

Note: In accordance with CaiJin [2005] No. 49 "Circular on Impairment Loss on Loans" issued by the Ministry of Finance which come into effect from 1 July 2005, the Company is required to set aside a general provision of at least 1% of its total risk-weighted assets at year end from net profit and the general provision shall form part of the shareholders' equity.



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38. Retained earnings

	2009	2008
Closing balance of retained earnings at last year end	11,891,204	2,630,095
Net profit for the year	13,216,581	12,515,969
Less: Appropriations to statutory surplus reserve	1,321,835	1,251,614
Appropriations to discretionary surplus reserve	2,503,227	-
Appropriations to general provisions	500,000	-
Dividends declared on ordinary shares	1,302,110	696,781
Dividends transferred to share capital	2,264,539	1,306,465
Balance of retained earnings as at year end	17,216,074	11,891,204

In accordance with the resolution passed at the ninth meeting of the Fourth session of the board of directors, an informal scheme for appropriation and distribution of profits for the year 2009 was as follows: to appropriate 10% and 20% of profits after tax for the year 2009 to statutory surplus reserve and discretionary surplus reserve respectively; to appropriate RMB2.6 billion out of the year 2009 profit to general provision; to declare 3 shares for every 10 shares and a cash dividend of RMB0.15 (tax inclusive) per share on the share capital. This informal scheme for appropriation and distribution is pending for approval by shareholders' meeting for the year 2009.

39. Minority interests

Minority interests of the Company's significant subsidiaries are as follows:

	2009-12-31	2008-12-31
Mianzhu SPD Rural Bank Co.,Ltd.	24,621	22,363
Liyang SPD Rural Bank Co.,Ltd.	23,304	-
Gongyi SPD Rural Bank Co.,Ltd.	23,841	-
Fengxian SPD Rural Bank Co.,Ltd.	14,929	-
Zixing SPD Rural Bank Co.,Ltd.	23,576	-
Banan of Chongqing SPD Rural Bank Co.,Ltd.	24,148	-
Total	134,419	22,363

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Notes to the Financial Statements for the Year Ended 31 December 2009 (Unit: RMB '000)

40. Net interest income

Items	2009	2008
Interest income		
Due from banks	1,810,487	83,733
Due from the central bank	2,399,561	2,483,390
Inter-bank placements	481,730	818,375
Loans and advances	46,696,266	44,486,630
Reserve repurchase agreements	1,944,801	2,507,532
Bond investments	5,862,931	5,066,282
Others	994,268	275,358
Subtotal	60,190,044	55,721,300
Interest expense		
Due to banks	5,883,046	3,191,217
Due to the central bank	241	48
Inter-bank borrowings	150,233	259,407
Deposits from customers	19,370,458	19,034,602
Repurchase agreements	334,342	422,911
Debts issued	907,604	1,041,342
Others	5,732	237,438
Subtotal	26,651,656	24,186,965
Net interest income	33,538,388	31,534,335

41. Service charge and commission income

Items	2009	2008
Service charge and commission income		
Clearing and settlement fees	208,040	192,793
Agency brokerage fee	409,922	393,549
Credit commitments and commission fee	768,519	663,282
Bank card related fee	524,414	438,354
Consulting charges	597,045	483,013
Others	212,479	163,963
Subtotal	2,720,419	2,334,954
Service charge and commission expense		
Service charge expense	513,453	540,406
Net service charge and commission income	2,206,966	1,794,548



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44. Segment reporting (Continued)

Items	Shanghai	Beijing	Zhejiang Province	Jiangsu Province	Guangdong Province	Other districts of PRC	Off-shore banking	Total
Depreciation and amortization costs	428,949	34,926	117,106	68,258	61,369	344,986	-	1,055,594
Capital expenditures	448,762	40,264	234,455	175,422	131,352	1,108,563	-	2,138,818
31 December 2009								
5. Total assets	627,618,655	58,230,908	169,773,469	109,625,476	88,683,164	556,381,425	12,404,863	1,622,717,960
6. Total liabilities	574,951,669	57,383,813	166,551,016	107,725,687	87,536,971	548,119,837	12,361,522	1,554,630,515
Items	Shanghai	Beijing	Zhejiang Province	Jiangsu Province	Guangdong Province	Other districts of PRC	Off-shore banking	Total
2008								
1. Operating income	8,518,970	1,995,090	5,483,054	3,347,559	1,979,842	13,108,197	127,855	34,560,567
Net interest income	7,208,606	1,877,874	5,077,619	3,146,687	1,825,509	12,306,992	91,048	31,534,335
Including: Inter-branch net interest income	(3,583,214)	1,353,775	208,214	347,630	1,124,770	544,890	3,935	-
Service charge and commission income	441,062	97,445	309,110	143,904	130,540	647,029	25,458	1,794,548
Including: Inter-branch service charge and commission income	-	-	-	-	-	-	-	-
Other income	176,872	6,532	32,254	25,199	11,151	55,656	10,152	317,816
2. Operating expense	5,832,821	625,142	1,280,054	820,700	779,570	3,340,512	-	12,678,799
3. Operating profit (loss)	1,111,392	1,213,208	3,306,826	1,840,482	941,732	6,810,997	107,372	15,332,009
4. Supplementary information								
Depreciation and amortization costs	429,862	35,913	92,239	58,946	49,581	266,016	-	932,557
Capital expenditures	332,662	37,279	165,504	136,330	87,921	982,953	-	1,742,649
31 December 2008								
5. Total assets	552,133,327	48,413,724	126,600,352	81,571,174	48,597,480	446,949,811	5,159,574	1,309,425,442
6. Total liabilities	524,206,253	47,202,290	123,296,051	79,729,226	48,096,950	440,150,180	5,042,693	1,267,723,643

45. Business taxes and surcharges

Items	2009	2008
Business tax	2,554,625	2,361,123
City maintenance and construction tax	173,700	160,405
Educational surcharge	97,486	91,102
Total	2,825,811	2,612,630

Note: The taxes and surcharges applicable to the Company and the rates thereof have been disclosed in Note IV.



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46. Business and management expense

Items	2009	2008
Staff payroll and bonus	6,685,419	7,179,325
Expense paid for staffs	1,221,445	893,768
General administrative expense	4,153,587	3,571,261
Depreciation and amortisation charges	1,055,594	932,557
Tax	137,435	101,888
Total	13,253,480	12,678,799

47. Impairment loss

Items	2009	2008
Provision for credit losses	3,052,663	3,471,415
Bad debts provision	101,288	157,969
Provision for Available-for-sale investments	464	85,293
Provisions for impairment of settled assets	27,745	3,791
Total	3,182,160	3,718,468

48. Non-operating income

Items	2009	2008
Income from disposal of settled assets	131,715	158
Surplus of fixed assets, and net income from disposal	2,188	4,792
Income from settlement penalty	-	15
Others	37,643	16,405
Total	171,546	21,370

49. Income tax

Items	2009	2008
Current year income tax expense	4,246,737	3,202,417
Deferred income tax expense	(165,850)	(414,793)
Total	4,080,887	2,787,624

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The differences between income tax expense reflected in the financial statements and the amounts calculated at the statutory tax rate were as follows:

Items	2009	2008
Profit before tax	17,296,025	15,303,455
Income tax by tax rate	4,324,006	3,825,864
Adjustment of over provision in prior years	20,244	(891,703)
Non-deductible expense	112,883	109,390
Non-assessable income	(378,228)	(256,003)
Applicable tax loss in prior years	(76)	-
Unrealized tax loss	2,058	76
Tax expense calculated at the effective tax rate	4,080,887	2,787,624

50. Earnings per share

Ordinary equity shareholders by the weighted average number of ordinary shares outstanding during the year. New issued ordinary shares are calculated since the transaction day (generally the share issue day).

The calculations of basic earnings per share and diluted earnings per share are detailed as follows:

Items	2009	2008
Current year net profit attributable to ordinary shareholders	13,216,581	12,515,968
Weighted average number of outstanding ordinary shares (thousand)(note)	8,151,926	7,925,887
Earnings per share (RMB)	1.62	1.58

Note1: The Company distributed share dividend on June 2009, and therefore the earnings per share are based on the adjusted shares for the comparative period.

Note2: At the year end there are no potentially diluted ordinary shares.



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Notes to the Financial Statements for the Year Ended 31 December 2009 (Unit: RMB '000)

51. Off balance sheet items

Items	31 December 2009	31 December 2008
Banker's acceptance	228,097,040	204,069,015
Confirmed letters of credit	2,561,475	3,877,599
Guarantees issued (Note1)	42,767,812	38,765,376
Irrevocable letters of credit issued	13,670,055	9,388,058
Loan commitment (Note2)	15,000	20,000
Balance of credit cards without being consumed	13,716,390	15,863,833

Note 1: As of December 31, 2009, the Company provides irrevocable guarantee that the balance of the specific account under "the Special Asset Management Plan with Proceeds backed by Assets under Pudong Construction BT Project" will achieve the promised amount on the promised day in the aforesaid contract.

Note 2: The Company provides customers with certain credit and has loan commitments at any time. These loan commitments contains loans to customers with contracted loans.

Note 3: Commitments of treasury bonds

The Company issued voucher treasury bonds ("VTB") in delegation of the Ministry of Finance. The VTB can be redeemed before the maturity day, and the Company should fulfill the responsibility of redemption. The redeemed value include the principal and the interest yields upto the redemption date. As at 31 December 2009, the balance of immature unredeemed VTB issued by the Company was RMB3,379,578 thousand (31 December 2008:RMB3,578,333 thousand). The Ministry of Finance does not redeem the unmatured VTB, but only redeems the principal and interest on maturity date. The management believed that the VTB that would be redeemed by the Company before maturity date was not significant.

52. Risk position of the financial instruments

(1) Credit risk

Credit risk represents the potential loss that may arise from the failure of a debtor to meet its obligation or commitment to the bank. Credit risk is greater when counterparties are concentrated in a single industry or geographic location, because a group of otherwise unrelated counterparties could be adversely affected in their ability to repay their obligations due to economic developments affecting their common industry or location.

Concentration of credit risk exists if a number of clients are engaged in similar activities, or are located in the same geographic location or have comparable economic characteristics such that their ability to meet contractual obligations would be similarly affected by changes in economic or other conditions. Concentrations of credit risk indicate the relative sensitivity of the Company's performance to developments affecting a particular industry or geographic location.

The Group conducts credit evaluation before granting facilities to individual customers, and regularly examines the credit limit. The means of credit risk management include obtaining mortgages and guarantors. For off balance sheet credit commitments, the Group generally requires for guarantee deposits to mitigate credit risk.



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Notes to the Financial Statements for the Year Ended 31 December 2009 (Unit: RMB '000)

A. On balance sheet assets

a. Loans grouped by industry in which the borrowers operate

Industry	2009-12-31		2008-12-31	
	Amount	(%)	Amount	(%)
Agriculture	3,689,480	0.40	2,687,475	0.39
Excavating	20,364,955	2.19	17,045,222	2.44
Manufacturing	202,455,266	21.80	174,664,004	25.04
Public utilities	48,228,710	5.19	48,263,787	6.92
Constructions	48,253,345	5.19	37,965,782	5.44
Geological prospecting, irrigation	106,028,023	11.41	51,050,352	7.32
Transportation and communications	69,334,300	7.46	50,608,676	7.26
Wholesale, retails and catering	88,315,983	9.51	69,121,358	9.91
Real estate	80,904,211	8.72	63,952,620	9.17
Social service	64,659,539	6.96	46,677,950	6.69
Sanitation,gym and social benefit	5,837,902	0.63	3,254,900	0.47
Education/culture and broadcasting	16,665,918	1.79	11,365,885	1.63
Scientific research and technologies	1,451,141	0.16	600,518	0.09
Others, primarily conglomerate and government related parties	172,665,977	18.59	120,306,141	17.23
Total	928,854,750	100.00	697,564,670	100.00
Less: Provision for credit losses	18,346,725		16,298,102	
Net	910,508,025		681,266,568	

b. Loans grouped by geographical area in which borrowers are located

Area	2009-12-31		2008-12-31	
	Amount	(%)	Amount	(%)
Shanghai	128,080,037	13.79	115,632,997	16.58
Beijing	46,954,159	5.06	40,436,711	5.80
Zhejiang Province	155,426,138	16.73	116,582,601	16.72
Jiangsu Province	101,759,926	10.96	73,114,654	10.48
Guangdong province	57,084,642	6.15	43,973,116	6.30
Other districts of PRC	434,093,535	46.72	305,289,033	43.76
Off-shore Banking	5,456,313	0.59	2,535,558	0.36
Total	928,854,750	100.00	697,564,670	100.00
Less: Provision for credit losses	18,346,725		16,298,102	
Net	910,508,025		681,266,568	



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B. Off balance sheet assets

As at 31 December 2009, the Company has RMB3,008 billion credit commitments of which 7.81%, 22.53%, 11.83%, 2.45% and 5.27% are related to customers domiciled in Shanghai, Zhejiang Province, Jiangsu Province, Beijing and Guangdong Province respectively. The remaining credit commitments were relating to customers located elsewhere throughout the PRC.

C. Derivative instruments

The Company uses derivatives as part of its asset/liability management activities. When there is a mismatch of interest rates between the Company's assets and liabilities, i.e. when the Company purchases assets at fixed rates funded by deposits at floating rates, it subjects itself to fair value fluctuations as market interest rates change. These fluctuations in fair value are managed by entering into interest rate contracts which exchange the fixed rate instrument into a variable rate instrument.

The Company uses the following derivative financial instruments for trading or hedging purposes:

Swaps: Swaps are commitments to exchange one set of cash flow for another for a pre-determined period.

Interest rate swap contracts generally represent the contractual exchange of fixed and floating rate payments of a single currency, based on a notional amount and an interest reference rate. The two parties make the deal as: swap fixed interest rate to floating interest rate or one kind of floating interest rate to another in the same amount expressed in the same currency, pay interest to the counterparty at the negotiated interest rate when the period expires.

Cross currency interest rate swap contracts generally involve the exchange of payments which are based on the interest reference rates available at the inception of the contract on the principal balances of the two different currencies that are being exchanged. The principal balances are re-exchanged on a future date at a specified rate.

Forwards: Forwards are contractual obligations to buy or sell a financial instrument on a future date at a specified price.

Options: Options are contracts that allow the holder to buy or sell a specific amount of currency, security or interest rate index at a specified foreign exchange rate or interest rate during a specified period of time. The holder has the right but not obligation to exercise the contract, while the seller is responsible for fulfilling the terms of the contract if the option is exercised.

Foreign currency option contracts give the owner the right but not obligation to buy or sell foreign currency on a future date at a specific price.

The credit risk of financial derivatives hold by the company is whether the counterparty can perform contract on time under the contract terms. The fair value is the amount of corresponding assets exchange or repayment of liabilities.

To reduce credit risk arising from derivative financial instruments, the company has signed derivative products trading master agreement with a number of counterparties. The assessment of derivative credit risk and relevant control standards are higher than that on risk control for other trading activities.

D. Credit risk gap

The following shows the maximum credit risk positions of balance sheet items, contingent liabilities and commitments. The maximum positions represent the credit risk exposures without considering any collateral and guarantees.



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Notes to the Financial Statements for the Year Ended 31 December 2009 (Unit: RMB '000)

Items	2009-12-31	2008-12-31
Due from the central bank	201,294,317	159,505,178
Due from banks	143,554,116	54,129,305
Inter-bank placements	24,122,347	23,643,909
Precious metals	213,212	-
Held-to-maturity investments	136,745,989	110,600,017
Reverse repurchase agreements	53,057,497	171,471,733
Loans and advances	910,508,025	681,266,568
Available-for-sale investments	89,214,803	57,365,149
Loans and receivables investments	33,657,198	23,261,377
Derivative assets	607,340	2,287,774
Other assets	13,855,378	12,153,752
Total assets	1,606,830,222	1,295,684,762
Loan Commitments	13,731,390	15,883,833
Other commitments	287,096,382	256,100,048
Total Commitments	300,827,772	271,983,881
Total credit risk gap	1,907,657,994	1,567,668,643

Financial assets valued at fair value as shown above represent the credit exposures as at the balance sheet date without considering the future changes in fair value.

E. Collateral and other credit enhancement

The types and value of collateral are determined based on the counterparty's credit risk valuation. The acceptance and value of the collateral form the basis to determine the execution standard by the Company.

The Company accepts the major types of collateral as below:

- (i) Reverse repurchase agreements: bills, bonds, and loans etc
- (ii) Corporate loan: real estate, machineries, land use rights, deposits, and impawned stocks, etc;
- (iii) Retail loan: real estates, and deposits etc

The management examines the value of the collateral periodically and requires counterparties to increase the collateral if necessary.



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The aging analysis of overdue but not impaired financial assets and neither overdue nor impaired financial assets are shown as following:

2009-12-31	Neither overdue nor impaired	Overdue not impairment				Total
		Less than three month	3 month to six months	Six months to one year	Over one year	
Due from banks and Inter-bank placement	167,667,463	-	-	-	9,000	167,676,463
Corporate loans	751,964,867	86,334	448	-	-	752,051,649
Credit card	5,167,551	192,132	-	-	-	5,359,683
Comsumer loans	4,528,352	18,638	-	-	-	4,546,990
Housing loans	101,377,219	789,083	-	-	-	102,166,302
Other loans	43,664,058	162,094	-	-	-	43,826,152
Reverse repurchase agreements	53,057,497	-	-	-	-	53,057,497
Bonds	259,617,990	-	-	-	-	259,617,990
Total	1,387,044,997	1,248,281	448	-	9,000	1,388,302,726

2008-12-31	Neither overdue nor impaired	Overdue not impairment				Total
		Less than three month	3 month to six months	Six months to one year	Over one year	
Due from banks and Inter-bank placement	77,699,442	-	-	-	9,000	77,708,442
Corporate loans	579,433,636	227,081	12,951	-	300	579,673,968
Credit card	3,812,539	181,544	-	-	-	3,994,083
Comsumer loans	2,358,341	14,703	-	-	-	2,373,044
Housing loans	66,897,188	1,221,140	-	-	-	68,118,328
Other loans	32,024,712	188,280	-	-	-	32,212,992
Reverse repurchase agreements	171,471,733	-	-	-	-	171,471,733
Bonds	191,226,543	-	-	-	-	191,226,543
Total	1,124,924,134	1,832,748	12,951	-	9,300	1,126,779,133

Impaired loans and advances

If there is objective evidence that one or more events occur after the initial recognition of a loan which has an impact on the estimated future cash flows of the loan that can be reliably estimated, then the loan is regarded as impaired.

Re-structured assets

The re-structured assets as at 31 December 2009 is as follows:

	2009-12-31	2008-12-31
Loans and advance	209,188	399,274

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(2) Market risk

Market risk is the risk of loss arising from movements in observable market variables such as interest rates, exchange rates and equity markets. Market risks not only exist in non-transaction business, but also in transaction business.

The Company established a framework and specific team to manage market risks. The monitoring and management of market risk are primarily performed by the Market Risk Management Department. The department is also responsible to draft the company policies relating to market risk management and submit to Market Risk Management Committee. Under the current framework, the responsibility of Market Risk Department mainly includes the management of transaction business's Market market risk of trading business and currency risk. The market risk coming from trading business was due to the market maker business, finance business in delegation of clients and other short term market businesses.

The Company measured the market risk with consideration of the established benchmarks and management ability, the main methods of which composed sensitivity analysis and stress tests, etc. The market risk of new product and business should be recognized before its commencement in compliance with relevant company policies.

The Company's Market risk is mainly from currency risk and interest risk.

A. Currency risk

The Company is incorporated and operates in the PRC, with RMB as its reporting currency. The major foreign currency in which the Company transacts is USD.

From 21 July 2005 onwards, the PBOC reforms the exchange rate regime by moving into a managed floating exchange rate regime based on market supply and demand with reference to a basket of currencies, which resulted in the appreciation of RMB against USD gradually.

Below is a breakdown of relevant assets and liabilities by currencies:

Items	2009-12-31				Total in RMB
	RMB	USD into RMB	HKD into RMB	Others into RMB	
Assets:					
Cash on hand	3,511,843	122,847	46,907	143,033	3,824,630
Due from the central bank and other banks	336,525,669	4,786,675	1,917,789	1,618,300	344,848,433
Precious metals	213,212	-	-	-	213,212
Loans and advances	889,416,195	19,362,658	824,635	904,537	910,508,025
Inter-bank placements and reverse repurchase agreements	67,966,497	6,871,376	616,210	1,725,761	77,179,844
Available-for-sale investments	88,708,171	506,632	-	-	89,214,803
Held-to-maturity Investments	136,406,076	339,913	-	-	136,745,989
Loans and receivables investments	33,657,198	-	-	-	33,657,198
Equity investments	1,302,602	68,270	-	-	1,370,872
Other assets	21,461,039	3,394,328	8,849	290,738	25,154,954
Total assets	1,579,168,502	35,452,699	3,414,390	4,682,369	1,622,717,960

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Below is a breakdown of relevant assets and liabilities by currencies: (Continued)

Items	2009-12-31				Total in RMB
	RMB	USD into RMB	HKD into RMB	Others into RMB	
Liabilities:					
Due to central bank	48,000	-	-	-	48,000
Deposits from customers	1,257,475,095	27,778,635	4,056,840	6,031,772	1,295,342,342
Inter-bank borrowings and repurchase agreements	4,454,883	565,958	-	18,491	5,039,332
Due to banks	204,505,938	888,927	28,891	511,656	205,935,412
Debts issued and long-term payables	18,800,000	-	-	-	18,800,000
Other liabilities	28,720,898	308,363	10,536	425,632	29,465,429
Total liabilities	1,514,004,814	29,541,883	4,096,267	6,987,551	1,554,630,515
Net long position	65,163,688	5,910,816	(681,877)	(2,305,182)	68,087,445
2008-12-31					
Items	2008-12-31				Total in RMB
	RMB	USD into RMB	HKD into RMB	Others into RMB	
Assets:					
Cash on hand	2,771,493	125,984	46,419	152,184	3,096,080
Due from the central bank and other banks	205,238,492	6,900,477	543,891	951,623	213,634,483
Loans and advances	670,371,026	10,245,570	190,788	459,184	681,266,568
Inter-bank placements and reverse repurchase agreements	183,970,106	6,290,381	953,798	3,901,357	195,115,642
Available-for-sale investments	56,870,230	494,919	-	-	57,365,149
Held-to-maturity Investments	110,600,017	-	-	-	110,600,017
Loans and receivables investments	23,261,377	-	-	-	23,261,377
Equity investments	859,751	68,255	-	-	928,006
Other assets	10,970,532	10,045,783	454,732	2,687,073	24,158,120
Total assets	1,264,913,024	34,171,369	2,189,628	8,151,421	1,309,425,442
Liabilities:					
Deposits from customers	919,978,749	21,207,179	1,181,095	4,926,558	947,293,581
Inter-bank borrowings and repurchase agreements	30,092,401	122,859	-	-	30,215,260
Due to banks	218,727,498	3,370,086	95,383	247,846	222,440,813
Debts issued and long-term payables	24,800,000	-	-	-	24,800,000
Other liabilities	40,972,257	1,193,097	459,369	349,266	42,973,989
Total liabilities	1,234,570,905	25,893,221	1,735,847	5,523,670	1,267,723,643
Net long position	30,342,119	8,278,148	453,781	2,627,751	41,701,799

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The Group measured the possible effect, on net interest foreign exchange gain or loss income which caused by the foreign interest rate exchange rates' fluctuated fluctuation through the sensitivity analysis. The table below shows the result of sensitivity analysis on balance sheet date.

Annualized profit/Equity increase/(decrease)	2009-12-31		2008-12-31	
	Exchange rate fluctuation %		Exchange rate fluctuation %	
	-1%	+1%	-1%	+1%
USD	228,129	(228,129)	167,197	(167,197)
Other Currency	(3,528)	3,528	(23,272)	23,272

The sensitivity analysis was based on all assets and liabilities characteristic of static currency risk structure. The hypothesis was shown as below: (1) exchange rate sensitivity represents the exchange gain or loss caused by the 1% fluctuation in absolute value of relevant currency exchange rates (middle) on balance sheet date; (2) different currency rate's fluctuation was simultaneous and in same direction; (3) foreign currency position has contained spot exchange position and forward exchange position.

Based on the above-mentioned hypothesis, the actual exchange gain or loss may differ from the sensitivity analysis result.

B. Interest rate risk

Interest rate risk refers to adverse movements in interest rates, resulting in potential losses to banks, including interest rate risk of bank account and transaction account. Interest rate risk of bank account refers to the risk of the overall income and economic value lossess for the bank account resulting from the adverse changes of interest rates, term structure and other factors, which are further divided into re-pricing risks, baseline risks, yield curve risks and options risks. Since the interest rate for most of balance sheet account are controlled by the PBOC regulatory rate, the Group's interest rate risk results from the the re-pricing risk of bank account. There is mismatch between the maturity dates and revaluation dates of the interest-generating assets and interest-paid liabilities. The Group has established a relatively perfect system of internal funds transfer pricing, through internal funds transfer pricing system, the Group's bank account interest rate risk is centralized managed.

As at 31 December 2009, the Group's financial assets and financial liabilities categorized by the earlier of the contractual re-pricing date and the maturity dates are as follows:

	2009-12-31							Total
	< 1 year	1-2 years	2-3 years	3-4 years	4-5 years	> 5 years	Overdue/ non-interest	
Assets								
Cash on hand and due from central bank	201,294,317	-	-	-	-	-	3,824,630	205,118,947
Due from banks and inter-bank placements	167,667,463	-	-	-	-	-	9,000	167,676,463
Precious metals	-	-	-	-	-	-	213,212	213,212
Reverse repurchase agreements	53,057,497	-	-	-	-	-	-	53,057,497
Loans and advances	884,305,119	5,591,478	5,995,519	1,854,187	2,189,051	8,734,167	1,838,504	910,508,025
Available-for-sale investments	70,655,046	3,639,094	4,345,707	1,556,539	2,872,464	6,145,953	-	89,214,803
Held-to-maturity investments	41,851,189	43,907,343	35,268,824	5,516,807	4,729,432	5,472,394	-	136,745,989

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As at 31 December 2009, the Group's financial assets and financial liabilities categorized by the earlier of the contractual re-pricing date and the maturity dates are as follows: (Continued)

	2009-12-31							Total
	< 1 year	1-2 years	2-3 years	3-4 years	4-5 years	> 5 years	Overdue/ non-interest	
Loan and receivable investments	22,477,105	108,737	9,583,081	24,085	119,721	1,344,469	-	33,657,198
Long-term Equity investment	-	-	-	-	-	-	1,370,872	1,370,872
Other assets	266,827	-	-	-	-	-	24,888,127	25,154,954
Total assets	1,441,574,563	53,246,652	55,193,131	8,951,618	9,910,668	21,696,983	32,144,345	1,622,717,960
Liabilities								
Due to central bank	48,000	-	-	-	-	-	-	48,000
Due to banks and inter-bank borrowings	202,859,862	5,300,000	200,000	1,350,000	-	-	-	209,709,862
Repurchase agreements	1,264,882	-	-	-	-	-	-	1,264,882
Financial liabilities at fair value through profit or loss	-	-	-	-	-	-	237,326	237,326
Deposits from customers	1,192,566,799	45,476,145	27,962,156	16,622,723	10,048,699	969,324	1,696,496	1,295,342,342
Dividend payable	-	-	-	-	-	-	17,920	17,920
Debts issued & long-term payables	7,000,000	2,600,000	1,000,000	8,200,000	-	-	-	18,800,000
Other liabilities	-	-	-	-	-	-	29,210,183	29,210,183
Total liabilities	1,403,739,543	53,376,145	29,162,156	26,172,723	10,048,699	969,324	31,161,925	1,554,630,515
Interest rate risk gap	37,835,020	(129,493)	26,030,975	(17,221,105)	(138,031)	20,727,659	982,420	68,087,445

As at 31 December 2008, the Group's financial assets and financial liabilities categorized by the earlier of the contractual re-pricing date and the maturity dates are as follows:

	2008-12-31							Total
	< 1 year	1-2 years	2-3 years	3-4 years	4-5 years	> 5 years	Overdue/ non-interest	
Assets								
Cash on hand and due from central bank	159,505,178	-	-	-	-	-	3,096,080	162,601,258
Due from banks and inter-bank placements	77,699,442	-	-	-	-	-	73,772	77,773,214
Reverse repurchase agreements	171,471,733	-	-	-	-	-	-	171,471,733
Loans and advances	662,704,592	4,673,978	2,301,905	2,168,695	2,379,337	5,316,909	1,721,152	681,266,568
Available-for-sale investments	47,585,327	1,448,783	1,084,755	416,906	1,378,734	5,450,644	-	57,365,149
Held-to-maturity investments	44,225,671	26,792,782	32,293,006	1,201,788	3,348,282	2,738,488	-	110,600,017
Loan and Receivable investments	-	22,139,970	101,816	308,403	19,983	691,205	-	23,261,377
Long-term Equity investment	-	-	-	-	-	-	928,006	928,006
Other assets	2,357,401	-	-	-	-	-	21,800,719	24,158,120
Total assets	1,165,549,344	55,055,513	35,781,482	4,095,792	7,126,336	14,197,246	27,619,729	1,309,425,442

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Notes to the Financial Statements for the Year Ended 31 December 2009 (Unit: RMB '000)

As at 31 December 2008, the Group's financial assets and financial liabilities categorized by the earlier of the contractual re-pricing date and the maturity dates are as follows: (Continued)

	2008-12-31							Total
	< 1 year	1-2 years	2-3 years	3-4 years	4-5 years	> 5 years	Overdue/ non-interest	
Liabilities								
Due to central bank	222,473,672	3,100,000	2,300,000	3,500,000	1,600,000	-	-	232,973,672
Due to banks and inter-bank borrowings	19,682,401	-	-	-	-	-	-	19,682,401
Deposits from customers	848,211,556	33,375,711	23,626,353	24,369,828	13,405,595	1,135,355	3,169,184	947,293,582
Dividend payable	-	-	-	-	-	-	11,935	11,935
Debts issued & long-term payables	11,000,000	2,000,000	2,600,000	1,000,000	8,200,000	-	-	24,800,000
Other liabilities	-	-	-	-	-	-	42,962,053	42,962,053
Total liabilities	1,101,367,629	38,475,711	28,526,353	28,869,828	23,205,595	1,135,355	46,143,172	1,267,723,643
Interest rate risk gap	64,181,715	16,579,802	7,255,129	(24,774,036)	(16,079,259)	13,061,891	(18,523,443)	41,701,799

The Group measured the possible effect on profit before tax and equity which caused by the interest rate fluctuated through the sensitivity analysis. The table below showed the result of sensitivity analysis on balance sheet date.

	2009-12-31		2008-12-31	
	Interest rate fluctuation (Basis Point)			
	-100	+100	-100	+100
Annualized interest income profit before tax increase/ (decrease)	(1,992,491)	1,992,491	(1,461,079)	1,461,079
Equity increase/ (decrease)	698,446	(683,382)	628,840	(577,170)

The sensitivity analysis was performed on the basis of static characteristics of the interest risk of the assets and liabilities. In the relevant analysis, the fluctuation was only measured during one year, which reflected the effect on the annualized interest income given re-pricing the assets and liabilities.

The Hypothesis was shown as below:

(1) all assets and liabilities re-priced again at the beginning of the period for within 3 months and 3-12months (i.e. All assets and liabilities re-priced or matured within three months re-priced or matured nowadays ; all assets and liabilities re-priced or matured at three to twelve months re-priced or matured in 3 months);

(2) The yield curve moved in parallel with interest rate;

(3) there was no other changes for the portfolio of assets and liabilities.

Due to the hypothesis above mentioned, the actual interest income may be different with the sensitivity analysis result.



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Notes to the Financial Statements for the Year Ended 31 December 2009 (Unit: RMB '000)

C. Fair values

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties at an arm's length transaction. Subject to the existence of an active market (e.g. authorised securities exchange), the market value is the best reflection of the fair values of financial instruments. As there is no available market value for certain financial assets and liabilities held and issued by the Group, the present value or other valuation methods described below are adopted to determine the fair value of these assets and liabilities. However, the value determined by such method is subject to the impact of future cash flows, time assumption and discount rates used.

The following methods and assumptions have been used in estimating fair value:

(i) Financial assets at fair value through profit or loss including trading assets, derivatives and other transactions performed for trading purposes are measured at fair value by reference to the quoted market prices if available. If quoted market prices are not available, then fair values are estimated on the basis of pricing models or discounted cash flows. Fair value is the carrying amount of these items.

(ii) The fair value of held-to-maturity securities investments is determined by reference to the market value if available. If quoted market prices are not available, then fair values are estimated on the basis of pricing models or discounted cash flows.

(iii) The fair value of loan and receivable investments are estimated on the basis of pricing models or discounted cash flows.

(iv) The fair value of liquid assets and liabilities maturing within 12 months is assumed to be approximately equal to their carrying amount.

(v) The fair value of fixed rate loans is estimated by comparing the market interest rates when the loans were granted with the current market rates offered on similar loans. Changes in the credit quality of loans within the portfolio are not taken into account in determining gross fair values as the impact of credit risk is recognized separately by deducting the amount of the impairment provision from both carrying amount and fair values.

(vi) The interest rate of customer deposits might either be floating or fixed depending on the types of products. The fair values of savings accounts and deposits without maturity date are the amount payable on demand to customers. The fair values of deposits with fixed terms are determined by the discounted cash flow method. The discount rate adopted is the current interest rate of deposits with the same maturity as the remaining maturity of those deposits.

All the above-mentioned assumptions and methods provide a consistent base for the calculation of the fair value of the Company's assets and liabilities. However, other institutions may use different assumptions and methods, and therefore the fair values disclosed by different financial institutions may not be entirely comparable.

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Notes to the Financial Statements for the Year Ended 31 December 2009 (Unit: RMB '000)

As of 31 December 2009 and 31 December 2008, the valuation techniques and methods used for financial instruments(fair value measured) are listed as follows:

	Quoted prices in active markets	Valuation techniques based on observable market data	Valuation techniques not based on observable market data	Total
2009-12-31				
Available-for-sale financial assets	-	89,214,803	-	89,214,803
Derivative financial assets	-	607,340	-	607,340
Total financial assets	-	89,822,143	-	89,822,143
Financial liabilities at fair value through profit or loss	-	237,326	-	237,326
Derivative financial liabilities	-	605,504	-	605,504
Total financial liabilities	-	842,830	-	842,830
2008-12-31				
Available-for-sale financial assets	-	57,365,149	-	57,365,149
Derivative financial assets	-	2,287,774	-	2,287,774
Total financial assets	-	59,652,923	-	59,652,923
Financial liabilities at fair value through profit or loss	-	-	-	-
Derivative financial liabilities	-	2,378,205	-	2,378,205
Total financial liabilities	-	2,378,205	-	2,378,205

The majority of the Group's RMB loans and advances were made at fixed rates and most of the USD loans and advances were made at floating rates. Deposits are made at fixed rates or floating rates depending on their nature. Management estimates that the difference between the fair values and carrying amounts of loans and advances and deposits was not material as at 31 December 2009. The fair value of loans and advances is estimated by comparing market interest rates when the loans and advances were granted with current market rates offered on similar loans and advances. The fair value of deposits is estimated along the same concept.

As of 31 December 2009 and 31 December 2008, the financial assets and liabilities with different fair values and book values are listed as follows:

	2009-12-31		2008-12-31	
	Book value	fair value	Book value	fair value
Financial assets:				
Held-to-maturity Investments	136,745,989	137,267,446	110,600,017	114,405,196
Loans and receivables investments	33,657,198	33,835,933	23,261,377	24,125,204
Financial liabilities:				
Debts issued and long-term payables	18,800,000	18,401,379	24,800,000	25,245,907



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Notes to the Financial Statements for the Year Ended 31 December 2009 (Unit: RMB '000)

(3) Liquidity risk

Liquidity risk is the risk that funds will not be available to meet liabilities as they fall due, and it results from amount and maturity mismatches of assets and liabilities. Liquidity risk management system of the Company includes plan before-event, manage during-event, and adjust after-event and all cycles of the emergency plan. In accordance with the Company's situation, according to the regulatory index systems, the series of the daily liquidity system was designed to monitor the execution of the relevant ratio limits, manage the index system's grading, and adjust the different level in different ways.

The maturity analysis of assets and liabilities of the Group as at 31 December 2009 is as follows:

Items	2009-12-31							Total RMB'000
	Overdue RMB'000	Repayable on demand RMB'000	Due within 3 months RMB'000	3 and 12 months RMB'000	Due between 1 and 5 years RMB'000	Due after 5 years RMB'000		
Assets:								
Cash balances with central bank	-	205,118,947	-	-	-	-	-	205,118,947
Due from banks and other financial institutions	9,000	13,838,233	61,987,138	91,842,092	-	-	-	167,676,463
Precious metals	-	213,212	-	-	-	-	-	213,212
Derivative financial Assets	-	-	66,758	123,410	246,665	170,507	-	607,340
Reverse repurchase Agreements	-	-	39,253,953	13,803,544	-	-	-	53,057,497
Loans and advances to customers	1,838,504	-	120,979,118	376,981,393	208,832,790	201,876,220	-	910,508,025
Available-for-sale Investment	-	-	56,221,469	14,074,454	11,623,249	7,295,631	-	89,214,803
Held-to-maturity Investment	-	-	13,892,938	20,684,346	93,767,800	8,400,905	-	136,745,989
Loans and receivables Investments	-	-	303,580	22,173,525	9,835,624	1,344,469	-	33,657,198
Long-term equity Investment	-	-	-	-	-	1,370,872	-	1,370,872
Fixed assets	-	-	-	-	-	7,074,942	-	7,074,942
Other assets	696,427	9,343,404	2,690,937	1,915,222	2,426,428	400,254	-	17,472,672
Total assets	2,543,931	228,513,796	295,395,891	541,597,986	326,732,556	227,933,800	-	1,622,717,960
Liabilities:								
Due to the centralBank	-	48,000	-	-	-	-	-	48,000
Due to banks and other financial institutions	-	59,107,598	65,100,102	74,613,402	10,888,760	-	-	209,709,862
Financial liabilities at fair value through profit or loss	-	237,326	-	-	-	-	-	237,326
Derivative financial liabilities	-	137,421	22,952	31,042	243,581	170,508	-	605,504
Repurchase agreements	-	-	1,264,882	-	-	-	-	1,264,882
Due to customers	-	619,819,996	179,850,786	357,466,951	135,159,832	3,044,777	-	1,295,342,342
Bonds issued	-	-	-	2,000,000	16,800,000	-	-	18,800,000
Other liabilities	611,528	16,227,917	5,000,401	3,047,792	3,374,128	360,833	-	28,622,599
Total liabilities	611,528	695,578,258	251,239,123	437,159,187	166,466,301	3,576,118	-	1,554,630,515
Net position	1,932,403	(467,064,462)	44,156,768	104,438,799	160,266,255	224,357,682	-	68,087,445
Commitment	12,645,714	59,678,793	77,761,628	127,740,574	18,439,445	4,561,618	-	300,827,772

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Notes to the Financial Statements for the Year Ended 31 December 2009 (Unit: RMB '000)

Items	2008-12-31						Total RMB'000
	Overdue	Repayable	Due within	3 and 12	Due between	Due after	
	RMB'000	on demand RMB'000	3 months RMB'000	months RMB'000	1 and 5years RMB'000	5 years RMB'000	
Assets							
Cash on hand and due from the central bank	-	162,601,258	-	-	-	-	162,601,258
Due from banks and inter-bank placements	73,772	21,275,648	23,964,036	32,459,748	10	-	77,773,214
Derivative financial assets	-	-	155,410	339,106	1,407,618	385,640	2,287,774
Reverse repurchase agreements	-	-	137,598,139	33,873,594	-	-	171,471,733
Loans and advances	1,721,152	-	140,141,118	332,877,859	110,328,956	96,197,483	681,266,568
Available-for-sale investments	-	-	12,849,840	31,548,608	5,329,111	7,637,590	57,365,149
Held-to-maturity Investments	-	-	17,834,070	14,145,519	75,881,942	2,738,486	110,600,017
Loans and receivables investments	-	-	-	-	22,570,172	691,205	23,261,377
Equity investments	-	-	-	-	-	928,006	928,006
Fixed assets and construction in progress	-	-	-	-	-	6,259,847	6,259,847
Other assets	601,020	9,442,485	2,486,539	953,131	1,749,261	378,063	15,610,499
Total Assets	2,395,944	193,319,391	335,029,152	446,197,565	217,267,070	115,216,320	1,309,425,442
Liabilities							
Due to other banks and inter-bank borrowings	-	80,649,033	47,106,188	93,382,797	11,835,654	-	232,973,672
Derivative financial Liabilities	-	-	154,332	231,040	1,546,784	446,049	2,378,205
Repurchase agreements	-	-	13,635,097	6,047,304	-	-	19,682,401
Deposits from customers	-	454,585,026	102,181,384	284,490,241	102,478,952	3,557,979	947,293,582
Debts issued and long-term payables	-	-	-	6,000,000	18,800,000	-	24,800,000
Other liabilities	429,664	16,569,412	7,246,821	10,089,994	6,043,740	216,152	40,595,783
Total Liabilities	429,664	551,803,471	170,323,822	400,241,376	140,705,130	4,220,180	1,267,723,643
Net position	1,966,280	(358,484,080)	164,705,330	45,956,189	76,561,940	110,996,140	41,701,799
Commitment	7,564,733	51,107,239	76,020,892	115,405,251	19,016,420	2,869,345	271,983,880

53. Capital management

The Group takes sufficient measures of capital management, fully in accordance with the requirements of the authorities, to cover the inherent risks in its business. The primary objectives of the Group's capital management are to ensure that the Group not only complies with imposed regulatory capital requirements, but also maintains healthy ratios to maximize shareholders' value. Given the change of the economic environment and risk characteristics, the Group will actively adjust the capital structure. Generally, the measures of adjusting the capital structure contain the change of the allocation of dividend, stock dividend and issuances of new bonds. There is no material change from the previous year with respects to the objectives and measures of the Group's capital management.

The Group calculated the capital adequacy ratio and core capital adequacy ratio in accordance with the "Capital



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Notes to the Financial Statements for the Year Ended 31 December 2009 (Unit: RMB '000)

Adequacy Ratio of Commercial Banks Management Policy”and the calculation methods agreed by the regulatory authorities.

The core capital included the capital stock, capital reserve, surplus reserve and retained earnings. The affiliated capital included general reserve and long-term subordinated debts. Pursuant to relevant regulations, the deducting items mainly include the capital investment of unconsolidated financial institution.

	2009-12-31
Core Capital	65,901,667
subordinate Capital	33,112,318
Net Capital	97,579,554
Weighted risk assets and market risk capital adjustment	944,106,955
Core Capital adequacy rate	6.90%
Capital adequacy rate	10.34%

54. Other comprehensive income

Items	2009	2008
1. Unrealised gain or loss of available-for-sale investments	(761,806)	1,235,407
minus: Income tax effect of available-for-sale investments	190,567	(308,852)
Subtotal	(571,239)	926,555
2. Share of other comprehensive income of associates		
according to equity method	(5,393)	8
minus: Income tax effect of share of other comprehensive income of associates according to equity method	-	-
Subtotal	(5,393)	8
3. Others	145,456	847,757
minus: Income tax effect of other item	(36,364)	(211,939)
Subtotal	109,092	635,818
Total	(467,540)	1,562,381

55. Cash and Cash equivalents

Nature	2009-12-31	2008-12-31
Cash on hand	3,824,630	3,096,080
General deposits with the central bank	55,598,869	58,560,151
Demand deposit in other banks	52,994,336	21,276,793
Bank placements with original maturity less than 3 months	21,704,580	13,004,392
Total	134,122,415	95,937,416

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Notes to the Financial Statements for the Year Ended 31 December 2009 (Unit: RMB '000)

56. Cash flows from operating activities

Reconciliation of net profit to cash flows from operating activities

	2009	2008
Profit after tax	13,215,137	12,515,831
Add: Provision for impairment of assets	3,182,160	3,718,468
Depreciation of fixed assets	737,038	629,757
Amortization of intangible assets	65,868	73,610
Amortization of deferred assets	247,047	220,930
Losses/(gains) on disposal of fixed assets, intangible assets and other long-term assets	3,135	14,854
Losses/(gains) on change of fair value	(12,416)	(297,325)
Interest payable for bonds issued	907,604	1,041,342
Losses/(gains) on change of fair value	(409,405)	(132,428)
Deferred tax liability/(assets)	(165,850)	(414,793)
Increase in operating receivables	(202,930,297)	(292,029,335)
Increase in operating payables	288,641,869	380,163,091
Net cash flows from operating activities	103,481,890	105,504,002

VII. Related parties

1. The Company

	Registered district	legal representative	Business nature	Registered Capital
Shanghai Pudong Development Bank	Shanghai	Ji Xiaohui	Banking	RMB 8.83billion

2. Subsidiary Companies

For subsidiary companies information, please refer to Note V. Consolidation scope of consolidated report

3. Main financial information of associated enterprise and joint venture

For associated enterprise and joint venture information, please refer to Notes VI. 13(3).



The Financial Statements (by Domestic Auditor)

Notes to the Financial Statements for the Year Ended 31 December 2009 (Unit: RMB '000)

4. Related parties without effective control

(1) Related parties without effective control

Name	Relationship with the Company
Shanghai International Group Co., Ltd.	Shareholder of the Company
Shanghai International Trust Investment Company	Shareholder of the Company
First Sino Bank	Associate of the Company
AXA SPDB Investment Managers Co., Ltd.	Affiliated company
Bailian Group Co., Ltd.	Enterprises that are significantly influenced by the Company's key management personnel
China National Tobacco Corporation Jiangsu Province	Enterprises that are significantly influenced by the Company's key management personnel
Shanghai Guoxin investment development Co.,Ltd	Enterprises that are significantly influenced by the Company's key management personnel
Shanghai Postal Corporation	Enterprises that are significantly influenced by the Company's key management personnel
Shanghai Bailian Group Co., Ltd.	Enterprises that are significantly influenced by the Company's key management personnel
Shanghai Aijian Co., Ltd.	Enterprises that are significantly influenced by the Company's key management personnel
Bailian (Hongkong) Co., Ltd.	Enterprises that are significantly influenced by the Company's key management personnel

Note: Shanghai Bailian Group Co., Ltd., Shanghai Aijian Co., Ltd. and Bailian (Hongkong) Co.,Ltd. , are new related parties of the Company.

(2) Transactions with related parties without effective control

Name	2009	2008
Interest income from		
Shanghai International Group Co., Ltd.	25,506	26,192
First Sino Bank	1,035	6,305
Bailian Group Co., Ltd.	15,085	1,631
Shanghai Bailian Group Co., Ltd.	5,727	N/A
Interest expense to First Sino Bank	122	98
AXA SPDB Investment Managers Co., Ltd.	292	-
Shanghai International Trust Investment Company	4,229	-

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Notes to the Financial Statements for the Year Ended 31 December 2009 (Unit: RMB '000)

(3) Balance of loans and inter-bank placements with to related parties without effective control

Name	31 December 2009	31 December 2008
Shanghai International Group Co., Ltd.	400,000	400,000
Bailian Group Co., Ltd.	240,000	300,000
Shanghai Bailian Group Co., Ltd.	100,000	NA
First Sino Bank	-	37,540

Note: The loans made to the above-mentioned related parties were transacted at the normal commercial terms and the interest charged on loans and inter-bank placement to these related parties were based on market rates set by the PBOC.

(4) Balance of due from related parties without effective control

Name	31 December 2009	31 December 2008
First Sino Bank	15,914	15,435
AXA SPDB Investment Managers Co., Ltd.	65,813	-
Shanghai International Trust Investment Company	224,047	-

(5) Unsettled letters of credit of related parties

Name	31 December 2009	31 December 2008
AXA SPDB Investment Managers Co., Ltd.	100	100
First Sino Bank	-	12,641
Bailian Group Co., Ltd.	341,350	204,765

(6) Trust investment of related parties

There was no trust investment of related parties for the group.

VIII. Fees and remuneration paid to directors, supervisors and key management personnel

Fees and remuneration paid by the Company to the directors, supervisors and key management personnel during the current financial year are as follows:

	2009	2008
Total remuneration	Note	27,763

Note: For the year of 2009, pursuant to relevant regulations, fees and remuneration paid by the Company to the directors, supervisors and key management personnel will be announced subsequently once approved by the local government. The fees and remuneration payable doesn't have a significant impact on the financial statements of 2009.

IX. Contingencies

As at the date on which the financial statements were approved, there is no material pending litigation in which the Company acts as a defendant.



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Notes to the Financial Statements for the Year Ended 31 December 2009 (Unit: RMB '000)

X. Leasing

Be Lessee

As at 31 December 2009, under the lease contract signed with the lessor, irrevocable minimum lease payment, a lease payment of business premises and machinery and equipment rental which were signed by the Group were as follows:

Maturity date for rentals	31 December 2009	31 December 2008
Within 1 year	697,763	541,502
1-5 years	1,989,622	1,504,905
Over 5 years	925,699	742,122
Total	3,613,084	2,788,529

XI. Commitments

As at 31 December 2009, the major capital commitment of the Company which had been approved yet not honored is RMB739,556 (thousand) (RMB314,791 thousand as at 31 December 2008).

XII. Unadjusting issues after the balance sheet date

Privately offer RMB ordinary shares

On March 10 2010, subject to the resolution of the eighth meeting of the fourth Board of Directors, the Company will privately offer up to 2,207,511,410 ordinary shares to China Mobile Group Guangdong Co., Ltd. and plan to raise funds of RMB 39,801,430,722.30 at the price of RMB18.03 per share. On March 30 2010, the First extraordinary General Assembly was held. But this resolution still needs the approval of the relevant regulatory authorities.

XIII. Debt restructuring

As at the date of the balance sheet, there exists no significant debt restructuring that needs to be disclosed.

XIV. Non-monetary transactions

As at the date of the balance sheet, there was no significant non-monetary transaction that needs to be disclosed.

XV. Other matters and events that need disclosure

1. There was no other important matters to be disclosed as at 31 December 2009 for the group.

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Notes to the Financial Statements for the Year Ended 31 December 2009 (Unit: RMB '000)

2. Assets and liabilities at fair value

Items	2008-12-31	Income/(Loss) from fair value change	Accumulated fair value change recorded in Equity	Impairment	2009-12-31
Financial assets					
Precious metals		(359)			213,212
Financial assets for trading	-	(462)	-	-	-
Derivative assets	2,287,774	(1,680,434)	-	-	607,340
Available for sale investments	57,365,149	-	138,630	(463)	89,214,803
Total financial assets	59,652,923	(1,681,255)	138,630	(463)	90,035,355
Financial liabilities					
Financial liabilities at fair value through profit or loss	-	(17,800)	-	-	237,326
Derivative liabilities	2,378,205	1,711,471	-	-	605,504
Total financial liabilities	2,378,205	1,693,671	-	-	842,830

3. Financial assets and liabilities with foreign currency

Items	2008-12-31	Income/(Loss) from fair value change	Accumulated fair value change recorded in Equity	Impairment	2009-12-31
Financial assets					
Derivative assets	2,283,955	(1,676,615)	-	-	607,340
Loans and advances	-	-	-	-	-
Available for sale investments	494,919	-	(2,609)	(463)	373,972
Held-to-maturity investments	-	-	-	-	29,169
Total Financial assets	2,778,874	(1,676,615)	(2,609)	(463)	1,010,481
Financial liabilities					
Derivative liabilities	2,374,386	1,707,652	-	-	605,504
Total financial liabilities	2,374,386	1,707,652	-	-	605,504



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Notes to the Financial Statements for the Year Ended 31 December 2009 (Unit: RMB '000)

XVI. Notes to key items of the Company's financial statements

1. Long-term Equity Investment

2009	Cost	31 December 2008	Addition	31 December 2009
Equity method				
Associated enterprise				
First Sino Bank	363,414	468,336	78,893	547,229
Joint venture				
AXA SPDB Investment Managers Co., Ltd.	102,000	70,926	(14,027)	56,899
Cost method:				
Shenlian Investment Co., Ltd.	288,303	288,303	-	288,303
China Unionpay Co., Ltd.	80,000	105,000	-	105,000
Mianzhu SPD Rural Bank	27,500	27,500	-	27,500
Laishang Bank	378,000	-	378,000	378,000
Gongyi SPD Rural Bank	25,500	-	25,500	25,500
Fengxian SPD Rural Bank	34,500	-	34,500	34,500
Liyang SPD Rural Bank	25,500	-	25,500	25,500
Zixing SPD Rural Bank	25,500	-	25,500	25,500
Banan SPD Rural Bank	25,500	-	25,500	25,500
Less: Provision of long-term equity investment		4,559		4,559
Net value		955,506		1,534,872
<hr/>				
2008	Cost	2007-12-31	Addition	2008-12-31
Equity method				
Associated enterprise				
First Sino Bank	363,414	396,959	71,377	468,336
Joint venture				
AXA SPDB Investment Managers Co., Ltd.	102,000	93,153	(22,227)	70,926
Cost method:				
Shenlian Investment Co., Ltd.	288,303	288,303	-	288,303
China Unionpay Co., Ltd.	80,000	80,000	25,000	105,000
Mianzhu SPD Rural Bank	27,500	-	27,500	27,500
Less: Provision of long-term equity investment		4,559		4,559
Net value		853,856		955,506

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Notes to the Financial Statements for the Year Ended 31 December 2009 (Unit: RMB '000)

2. Investment income

	2009	2008
Income from long term equity investment under equity method	70,245	53,797
Income from equity investment under cost method	28,945	37,022
Income from bonds	310,216	41,609
Gain on gold trading	3,710	27,313
Total	413,116	159,741

Note: There are no major restrictions of remitting back of income from investment in 2009.

XVII. Comparative figure

The comparative figures have been restated to conform to the presentation requirements for the current year.

XVIII. Approval of Financial Statements

The financial statements and notes related there to were approved for issue by the Board of Directors on 2 April 2010.

According to the Company's articles of association, the financial statements will be submitted for the approval by the general meeting of shareholders



The Financial Statements (by Domestic Auditor)

Notes to the Financial Statements for the Year Ended 31 December 2009 (Unit: RMB '000)

Appendix 1: Supplementary Information to the Financial Statements

1. Return on equity and earnings per share

2009 year	Return on equity		Earnings per share	
	Fully diluted	Weighted average	Basic	Diluted
Net profit attributable to the Company's ordinary shareholders	19.45%	19.45%	1.621	1.621
Net profit attributable to the Company's ordinary shareholders after deducting non-recurring profit and loss	19.32%	25.68%	1.610	1.610

2008 year	Return on equity		Earnings per share	
	Fully diluted	Weighted average	Basic	Diluted
Net profit attributable to the Company's ordinary shareholders	30.03%	36.71%	1.579	1.579
Net profit attributable to the Company's ordinary shareholders after deducting non-recurring profit and loss	29.12%	35.60%	1.531	1.531

The Company has no dilutive potential ordinary share.

Net profit attributable to the Company's ordinary shareholders, after deducting non-recurring profit and loss:

	2009	2008
Net profit attributable to the Company's ordinary stock shareholders	13,216,581	12,515,968
plus/(less): Non-recurring profit and loss items		
Profit and loss arising from the disposal of non-current assets	(127,896)	4,696
Sporadic tax refund	-	(378,593)
Reversal of impairment for individually assessed account receivable	-	(1,769)
Loans received that are not written-off by tax authorities	(3,131)	(28,614)
Other non-operating expense/income	10,246	23,858
Effect of the non-recurring profit and loss on income tax	30,195	457
Net profit attributable to the Company's ordinary shareholders after deducting non-recurring profit and loss	13,125,995	12,136,003

The Company recognizes non-recurring profit and loss items, according to the Explanatory Notice No.1 for information disclosure of listed company- non-recurring profit and loss (CSRC Accounting, No. 43, [2008]).

Net assets attribute to the company's ordinary shareholders:

	2009	2008
Net assets attribute to the Company's ordinary shareholders	67,953,026	41,679,436
Weighted average net assets attribute to the Company's ordinary shareholders	51,109,566	34,091,331

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The Financial Statements (by International Auditor)



Huhehaote-Grass land
Huhehaote Branch

The Financial Statements (by International Auditor)

Notes to the Financial Statements for the Year Ended 31 December 2009 (Unit: RMB '000)

Independent Auditors' Report

The Directors of Shanghai Pudong Development Bank Co., Ltd.:

We set out below our report on the financial information (the "Financial Information") of Shanghai Pudong Development Bank Co., Ltd. (the "Company") and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2009. The financial information includes consolidated and the Company's consolidated statements of financial position as at 31 December 2009, consolidated and the Company's statements of comprehensive income, statements of changes in equity, statement of cash flow, important accounting policy and other notes to the financial statements for the year 2009.

The Directors's Responsibility of Financial Statements

The directors of the Company are responsible for the preparation and the true and fair presentation of the Financial Information in accordance with IFRS, which includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' Responsibility

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

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

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

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

Opinion

In our opinion, the financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2009 and of the Group's profit and cash flows for the year then ended in accordance with.



Hong Kong Certified Public Accountants

2 April 2010



The Financial Statements (by International Auditor)

Notes to the Financial Statements for the Year Ended 31 December 2009 (Unit: RMB '000)

Consolidated Statement of Comprehensive Income

	Notes	2009 RMB '000	2008 RMB '000
Interest income	5	60,190,044	55,721,300
Interest expense	5	(26,651,656)	(24,186,964)
Net interest income	5	33,538,388	31,534,336
Fee and commission income	6	2,720,419	2,334,955
Fee and commission expense		(513,453)	(540,406)
Net fee and commission income		2,206,966	1,794,549
Net trading income/(expense)	7	12,416	297,325
Other operating income, net	8	1,161,051	892,429
OPERATING INCOME		36,918,821	34,518,639
Impairment losses on loans and advances	9	(3,052,663)	(3,471,415)
NET OPERATING INCOME		33,866,158	31,047,224
Personnel expenses	10	(7,906,864)	(8,073,093)
General and administrative expenses	11	(4,764,704)	(3,981,842)
Depreciation	28	(1,013,503)	(882,948)
Business tax and surcharges		(2,825,811)	(2,612,630)
Impairment (losses)/reversals on other assets	12	(129,497)	(247,053)
OPERATING EXPENSES		(16,640,379)	(15,797,566)
OPERATING PROFITS		17,225,779	15,249,658
Share of net profit of associates		84,271	76,025
Share of net profit of joint ventures		(14,026)	(22,228)
PROFITS BEFORE TAX		17,296,024	15,303,455
Income tax expense	13	(4,080,887)	(2,787,624)
PROFIT FOR THE YEAR		13,215,137	12,515,831
Profit attributable to owners of the parent company	14	13,216,581	12,515,968
Minority interests		(1,444)	(137)

The accompanying notes from page 188 to 255 form an integral part of these financial statements.



The Financial Statements (by International Auditor)

Notes to the Financial Statements for the Year Ended 31 December 2009 (Unit: RMB '000)

Consolidated Statement of Comprehensive Income (Continued)

	Notes	2009 RMB '000	2008 RMB '000
OTHER COMPREHENSIVE INCOME			
Share of other comprehensive income of associates, after tax		(5,393)	8
Unrealised gain or loss of available for sale investments			
-Changes in fair value recorded in other comprehensive income		(761,806)	2,276,979
-Income tax effect	13	190,567	(569,245)
Unamortised gain or loss of held-to-maturity investments			
-Changes in unamortized gain or loss for the year		145,456	(193,815)
-Income tax effect	13	(36,364)	48,454
OTHER COMPREHENSIVE INCOME, AFTER TAX		(467,540)	1,562,381
TOTAL COMPREHENSIVE INCOME		12,747,597	14,078,212
Owners of the parent company		12,749,041	14,078,349
Minority interests		(1,444)	(137)
EARNINGS PER SHARE			
Basic and diluted earnings per share (RMB)		1.62	1.58

The accompanying notes from page 188 to 255 form an integral part of these financial statements.

The Financial Statements (by International Auditor)

Notes to the Financial Statements for the Year Ended 31 December 2009 (Unit: RMB '000)

Consolidated Statement of Financial Position

	Notes	31 December 2009 RMB '000	31 December 2008 RMB '000
ASSETS			
Cash and balances with the central bank	15	205,118,947	162,601,258
Due from banks and other financial institutions	16	167,676,463	77,773,214
Reverse repurchase agreements	17	53,057,497	171,471,733
Precious metal	18	213,212	-
Derivative financial assets	19	607,340	2,287,774
Accounts receivable	20	3,460,720	1,008,690
Loans and advances to customers	21	910,508,026	681,266,568
Available-for-sale investments	22	89,982,423	57,754,770
Held-to-maturity financial assets	23	136,745,989	110,600,017
Equity investment in associates	24	546,353	467,460
Equity investment in joint ventures	25	56,899	70,926
Loans and receivables investments	26	33,657,198	23,261,377
Construction in progress	27	-	-
Property and equipment	28	8,047,670	6,968,505
Prepaid lease rental	29	104,592	110,055
Intangible assets	30	2,029	678
Deferred tax assets	31	3,108,660	2,788,607
Other assets	32	9,823,942	10,993,810
TOTAL ASSETS		1,622,717,960	1,309,425,442
LIABILITIES			
Due to the central bank	33	48,000	-
Due to banks and other financial institutions	34	209,709,862	232,973,672
Repurchase agreements	35	1,264,882	19,682,401
Financial liabilities at fair value through profit or loss		237,326	-
Derivative financial liabilities	19	605,504	2,378,205
Due to customers	36	1,295,342,342	947,293,581
Dividends payable	37	17,920	11,935
Income tax payable		1,727,446	2,061,347
Bonds issued	38	18,800,000	24,800,000
Other liabilities	39	26,877,233	38,522,502
TOTAL LIABILITIES		1,554,630,515	1,267,723,643

The accompanying notes from page 188 to 255 form an integral part of these financial statements.



The Financial Statements (by International Auditor)

Notes to the Financial Statements for the Year Ended 31 December 2009 (Unit: RMB '000)

Consolidated Statement of Financial Position (Continued)

	Notes	31 December 2009 RMB '000	31 December 2008 RMB '000
EQUITY			
Share capital	40	8,830,046	5,661,348
Capital reserve	41	24,250,512	10,333,405
Reserves	42	17,588,576	13,263,514
Unrealised gain/(loss) on available-for-sale investments		104,088	675,327
Unrealised gain/(loss) on held-to-maturity investments		(36,269)	(145,361)
Retained profits	43	17,216,073	11,891,203
Total equity attributable to owners of the parent company		67,953,026	41,679,436
Minority interests	44	134,419	22,363
TOTAL EQUITY		68,087,445	41,701,799
TOTAL EQUITY AND LIABILITIES		1,622,717,960	1,309,425,442

The accompanying notes from page 188 to 255 form an integral part of these financial statements.



The Financial Statements (by International Auditor)

Notes to the Financial Statements for the Year Ended 31 December 2009 (Unit: RMB '000)

Consolidated Statement of Changes in Equity

	Attributable to owner of the parent company								
	Share capital (note 40) RMB'000	Capital reserve (note 41) RMB'000	Reserves (note 42) RMB'000	Unrealised gain on available -for-sale investments RMB'000	Unamortised /(loss) on held-to- maturity investments RMB'000	Retained profits (note 43) RMB'000	Total RMB'000	Minority interests RMB'000	Total RMB'000
1/1/2009	5,661,348	10,333,405	13,263,514	675,327	(145,361)	11,891,203	41,679,436	22,363	41,701,799
Other comprehensive income	-	(5,393)	-	(571,239)	109,092	-	(467,540)	-	(467,540)
Profit for the year	-	-	-	-	-	13,216,581	13,216,581	(1,444)	13,215,137
Total comprehensive income for the year	-	(5,393)	-	(571,239)	109,092	13,216,581	12,749,041	(1,444)	12,747,597
Capital injection by shareholders	904,159	-	-	-	-	-	904,159	-	904,159
Share premium	-	13,922,500	-	-	-	-	13,922,500	-	13,922,500
Increase of minority equity due to the establishment of subsidiaries	-	-	-	-	-	-	-	113,500	113,500
Transfer to reserves (note 42)	-	-	4,325,062	-	-	(4,325,062)	-	-	-
Dividends of 2008 (note43(a))	2,264,539	-	-	-	-	(3,566,649)	(1,302,110)	-	(1,302,110)
12/31/2009	8,830,046	24,250,512	17,588,576	104,088	(36,269)	17,216,073	67,953,026	134,419	68,087,445
1/1/2008	4,354,883	10,333,397	10,912,145	(1,032,407)	-	3,729,850	28,297,868	-	28,297,868
Other comprehensive income	-	8	-	1,707,734	(145,361)	-	1,562,381	-	1,562,381
Profit for the year	-	-	-	-	-	12,515,968	12,515,968	(137)	12,515,831
Total comprehensive income for the year	-	8	-	1,707,734	(145,361)	12,515,968	14,078,349	(137)	14,078,212
Increase of minority equity due to the establishment of subsidiaries	-	-	-	-	-	-	-	22,500	22,500
Transfer to reserves (note 42)	-	-	2,351,369	-	-	(2,351,369)	-	-	-
Dividends of 2008 (note43(a))	1,306,465	-	-	-	-	(2,003,246)	(696,781)	-	(696,781)
12/31/2008	5,661,348	10,333,405	13,263,514	675,327	(145,361)	11,891,203	41,679,436	22,363	41,701,799

The accompanying notes from page 188 to 255 form an integral part of these financial statements.

The Financial Statements (by International Auditor)

Notes to the Financial Statements for the Year Ended 31 December 2009 (Unit: RMB '000)

Consolidated Statement of Cash Flow

	Notes	2009 RMB '000	2008 RMB '000
NET CASH FLOWS GENERATED FROM OPERATING ACTIVITIES			
Profit before tax		17,296,024	15,303,455
Adjustment for:			
Depreciation and amortization		1,013,652	883,026
Amortisation of prepaid rental		5,463	18,557
Impairment loss on loans and advances		3,052,663	3,471,415
Impairment loss on other assets		129,497	247,053
Interest expense		26,651,656	24,186,964
Interest income		(60,190,044)	(55,721,300)
Loss/(gain) on disposal of items of property and equipment		3,135	3,070
Dividend income		(28,945)	(37,022)
Share of net profit from associates		(84,271)	(76,025)
Share of net profit from joint ventures		14,026	22,228
Unrealised net gain on derivatives		(31,037)	(293,293)
Gain on disposal of debt investments		(310,216)	(41,609)
Exchange loss from investing and financing activities		(128)	89,365
Net decrease/(increase) in operating assets:			
Restricted deposit from the central bank		(44,750,421)	(13,526,038)
Due from banks and other financial institutions		(49,485,518)	(38,872,355)
Reserve repurchase agreements		118,414,236	(90,479,642)
Precious metals		(213,212)	-
Trading securities		-	3,816,224
Accounts receivable		(2,452,030)	(99,376)
Loans and advances to customers		(232,035,141)	(148,851,869)
Other assets		1,224,086	1,257,616
Net increase/(decrease) in operating liabilities:			
Due to the central bank		48,000	(10,000)
Due to banks and other financial institutions		(23,263,798)	166,826,828
Repurchase agreements		(18,417,519)	16,876,291
Due to customers		348,048,760	183,820,688
Financial liabilities at fair value through profit or loss		237,326	-
Other liabilities		(11,649,083)	7,883,575
Cash inflow from operating activities		73,227,161	76,697,826

The accompanying notes from page 188 to 255 form an integral part of these financial statements.

The Financial Statements (by International Auditor)

Notes to the Financial Statements for the Year Ended 31 December 2009 (Unit: RMB '000)

Consolidated Statement of Cash Flow (Continued)

	Notes	2009 RMB '000	2008 RMB '000
Interest received		60,517,883	52,596,606
Interest paid		(25,596,801)	(19,236,382)
Income tax paid		(4,580,364)	(4,233,480)
Net cash inflow from operating activities		103,567,879	105,824,570
CASH FLOWS FROM INVESTING ACTIVITIES			
Dividends received		28,945	37,022
Proceeds from disposal of items of property and equipment		41,778	17,889
Purchase of items of property and equipment		(2,123,399)	(1,725,282)
Purchase of items of intangible assets		(1,500)	-
Payments for construction in progress		-	(11,611)
Payments for equity investments		-	(400,500)
Purchase of available-for-sale investments		(179,328,775)	(52,804,698)
Purchase of held-to-maturity investments		(65,518,560)	(88,560,553)
Purchase of loans and receivables investments		(10,583,273)	(876,467)
Proceeds from redemption of held-to-maturity investments		39,242,372	52,367,715
Proceeds from redemption and disposal of available-for-sale investments		146,339,157	11,807,330
Net cash outflow from investing activities		(71,903,255)	(80,149,155)
CASH FLOWS FROM FINANCING ACTIVITIES			
Cash received from issuance of bonds		-	8,200,000
Cash received from minority equity investment		14,940,159	22,500
Repayment for debt issued		(6,000,000)	(7,000,000)
Cash payment for interest on bonds issued		(1,123,658)	(1,096,096)
Dividends paid		(1,296,125)	(723,331)
Net cash (outflow)/inflow from financing activities		6,520,376	(596,927)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		38,185,000	25,078,488
Cash and cash equivalents, beginning of year		95,937,415	70,858,927
Cash and cash equivalents, end of year		134,122,415	95,937,415
COMPONENTS OF CASH AND CASH EQUIVALENTS			
Cash on hand	15	3,824,630	3,096,080
Non-restricted deposit in the central bank	15	55,598,869	58,560,151
Deposit from banks and other financial institutions		52,994,336	21,276,792
Bank placements with original maturity of less than three months		21,704,580	13,004,392
		134,122,415	95,937,415

The accompanying notes from page 188 to 255 form an integral part of these financial statements.



The Financial Statements (by International Auditor)

Notes to the Financial Statements for the Year Ended 31 December 2009 (Unit: RMB '000)

Statement of Comprehensive Income of the Company

	Notes	2009 RMB '000	2008 RMB '000
Interest income		60,182,480	55,721,274
Interest expense		(26,659,590)	(24,186,970)
Net interest income		33,522,890	31,534,304
Fee and commission income		2,720,325	2,334,955
Fee and commission expense		(513,385)	(540,406)
Net fee and commission income		2,206,940	1,794,549
Net trading income/(expense)		12,416	297,325
Other operating income, net		1,161,455	892,429
OPERATING INCOME		36,903,701	34,518,607
Impairment losses on loans and advances		(3,047,873)	(3,471,415)
NET OPERATING INCOME		33,855,828	31,047,192
Personnel expenses		(7,903,575)	(8,073,093)
General and administrative expenses		(4,756,765)	(3,981,506)
Depreciation		(1,012,592)	(882,948)
Business tax and surcharges		(2,825,430)	(2,612,630)
Impairment (losses)/reversal on other assets		(129,497)	(247,053)
OPERATING EXPENSES		(16,627,859)	(15,797,230)
OPERATING PROFITS		17,227,969	15,249,962
Share of net profit of associates		84,271	76,025
Share of net profit of joint ventures		(14,026)	(22,228)
PROFITS BEFORE TAX		17,298,214	15,303,759
Income tax expense		(4,079,863)	(2,787,624)
PROFIT FOR THE YEAR		13,218,351	12,516,135
OTHER COMPREHENSIVE INCOME			
Share of other comprehensive income of associates, after tax		(5,393)	8
Unrealised gain or loss of available for sale investments			
-Changes in fair value recorded in other comprehensive income		(761,806)	2,276,979
-Income tax effect		190,567	(569,245)
Unamortised gain or loss of held-to-maturity investments			
-Changes in unamortized gain or loss for the year		145,456	(193,815)
-Income tax effect		(36,364)	48,454
OTHER COMPREHENSIVE INCOME, AFTER TAX		(467,540)	1,562,381
TOTAL COMPREHENSIVE INCOME		12,750,811	14,078,516
EARNINGS PER SHARE			
Basic and diluted earnings per share (RMB)		1.62	1.58

The accompanying notes from page 188 to 255 form an integral part of these financial statements.

The Financial Statements (by International Auditor)

Notes to the Financial Statements for the Year Ended 31 December 2009 (Unit: RMB '000)

Statement of Financial Position of the Company

	Notes	31 December 2009 RMB '000	31 December 2008 RMB '000
ASSETS			
Cash and balances with the central bank		204,896,082	162,600,398
Due from banks and other financial institutions		167,615,725	77,772,063
Reverse repurchase agreements		53,057,497	171,471,733
Precious metal		213,212	-
Derivative financial assets		607,340	2,287,774
Accounts receivable		3,460,720	1,008,690
Loans and advances to customers		910,034,919	681,266,568
Available-for-sale investments		89,982,423	57,754,770
Held-to-maturity financial assets		136,745,989	110,600,017
Equity investment in associates		546,353	467,460
Equity investment in joint ventures		56,899	70,926
Equity investment in subsidiaries	48	164,000	27,500
Loans and receivables investments		33,477,198	23,261,377
Construction in progress		-	-
Property and equipment		8,027,197	6,968,388
Prepaid lease rental		104,592	110,055
Intangible assets		2,029	678
Deferred tax assets		3,108,660	2,788,607
Other assets		9,621,390	10,993,288
TOTAL ASSETS		1,621,722,225	1,309,450,292
LIABILITIES			
Due to the central bank		48,000	-
Due to banks and other financial institutions		210,822,906	233,023,672
Repurchase agreements		1,264,882	19,682,401
Financial liabilities at fair value through profit or loss		237,326	-
Derivative financial liabilities		605,504	2,378,205
Due to customers		1,293,373,546	947,290,689
Dividends payable		17,920	11,935
Income tax payable		1,727,446	2,061,347
Bonds issued		18,800,000	24,800,000
Other liabilities		26,869,732	38,522,440
TOTAL LIABILITIES		1,553,767,262	1,267,770,689

The accompanying notes from page 188 to 255 form an integral part of these financial statements.



The Financial Statements (by International Auditor)

Notes to the Financial Statements for the Year Ended 31 December 2009 (Unit: RMB '000)

Statement of Financial Position of the Company (Continued)

	Notes	31 December 2009 RMB '000	31 December 2008 RMB '000
EQUITY			
Share capital		8,830,046	5,661,348
Capital reserve		24,250,511	10,333,405
Reserves		17,588,576	13,263,514
Unrealised gain/(loss) on available-for-sale investments		104,089	675,327
Unamortised loss		(36,269)	(145,361)
Retained profits		17,218,010	11,891,370
TOTAL EQUITY		67,954,963	41,679,603
TOTAL EQUITY AND LIABILITIES		1,621,722,225	1,309,450,292

The accompanying notes from page 188 to 255 form an integral part of these financial statements.



The Financial Statements (by International Auditor)

Notes to the Financial Statements for the Year Ended 31 December 2009 (Unit: RMB '000)

Statement of Changes in Equity of the Company

	Share capita (note 40) RMB '000	Capital Reserve (note 41) RMB '000	Reserves (note 42) RMB '000	Unrealised gain on available -for-sale investments RMB '000	Unamortised gain/(loss) on held-to -maturity investments RMB '000	Retained profits (note43) RMB '000	Total RMB '000
2009-1-1	5,661,348	10,333,405	13,263,514	675,327	(145,361)	11,891,370	41,679,603
Other comprehensive income	-	(5,393)	-	(571,239)	109,092	-	(467,540)
Profit for the year	-	-	-	-	-	13,218,351	13,218,351
Total comprehensive income	-	(5,393)	-	(571,239)	109,092	13,218,351	12,750,811
Capital injection by shareholders	904,159	-	-	-	-	-	904,159
Share premium	-	13,922,500	-	-	-	-	13,922,500
Transfer to reserves (note 42)	-	-	4,325,062	-	-	(4,325,062)	-
Dividends of 2008 (note 43(a))	2,264,539	-	-	-	-	(3,566,649)	(1,302,110)
2009-12-31	8,830,046	24,250,512	17,588,576	104,088	(36,269)	17,218,010	67,954,963
2008-1-1	4,354,883	10,333,397	10,912,145	(1,032,407)	-	3,729,850	28,297,868
Other comprehensive income	-	8	-	1,707,734	(145,361)	-	1,562,381
Profit for the year	-	-	-	-	-	12,516,135	12,516,135
Total comprehensive income	-	8	-	1,707,734	(145,361)	12,516,135	14,078,516
Capital injection by shareholders	-	-	2,351,369	-	-	(2,351,369)	-
Share premium	-	-	-	-	-	-	-
Transfer to reserves	1,306,465	-	-	-	-	(2,003,246)	(696,781)
2008-12-31	5,661,348	10,333,405	13,263,514	675,327	(145,361)	11,891,370	41,679,603

The accompanying notes from page 188 to 255 form an integral part of these financial statements.

The Financial Statements (by International Auditor)

Notes to the Financial Statements for the Year Ended 31 December 2009 (Unit: RMB '000)

Statement of Cash Flow of the Company

	Notes	2009 RMB '000	2008 RMB '000
NET CASH FLOWS GENERATED FROM OPERATING ACTIVITIES			
Profit before tax		17,298,214	15,303,759
Adjustment for:			
Depreciation and amortization		1,012,742	883,026
Amortisation of prepaid rental		5,463	18,557
Impairment loss on loans and advances		3,047,873	3,471,415
Impairment loss on other assets		129,497	247,053
Interest expense		26,659,590	24,186,970
Interest income		(60,182,480)	(55,721,274)
Loss on disposal of items of property and equipment		3,135	3,070
Dividend income		(28,945)	(37,022)
Share of net profit from associates		(84,271)	(76,025)
Share of net profit from joint ventures		14,026	22,228
Unrealised net gain on derivatives		(31,037)	(293,293)
Gain on disposal of debt investments		(310,216)	(41,609)
Exchange loss from investing and financing activities		(128)	89,365
Net increase in operating assets:			
Restricted deposit from the central bank		(44,586,525)	(13,526,040)
Due from banks and other financial institutions		(49,485,524)	(38,872,355)
Reverse repurchase agreements		118,414,236	(90,479,642)
Precious metals		(213,212)	-
Trading securities		-	3,816,224
Accounts receivable		(2,452,030)	(99,376)
Loans and advances to customers		(231,562,034)	(148,851,869)
Other assets		1,244,415	1,258,140
Net decrease in operating liabilities:			
Due to the central bank		48,000	(10,000)
Due to banks and other financial institutions		(22,200,766)	166,876,828
Repurchase agreements		(18,417,519)	16,876,291
Due to customers		346,082,857	183,817,796
Financial liabilities at fair value through profit or loss		237,326	-
Other liabilities		(11,655,150)	7,883,512
Cash inflow from operating activities		72,987,537	76,745,729

The accompanying notes from page 188 to 255 form an integral part of these financial statements.

The Financial Statements (by International Auditor)

Notes to the Financial Statements for the Year Ended 31 December 2009 (Unit: RMB '000)

Statement of Cash Flow of the Company (Continued)

	Notes	2009 RMB '000	2008 RMB '000
Interest received		60,499,625	52,596,580
Interest paid		(25,594,717)	(19,236,382)
Income tax paid		(4,579,615)	(4,233,480)
Net cash inflow from operating activities		103,312,830	105,872,447
CASH FLOWS FROM INVESTING ACTIVITIES			
Dividends received		28,945	37,022
Proceeds from disposal of items of property and equipment		41,778	17,889
Purchase of items of property and equipment		(2,116,051)	(1,725,164)
Purchase of items of intangible assets		(1,500)	-
Payments for construction in progress		-	(11,611)
Payments for equity investments		-	(400,500)
Payments for subsidiaries investments		(136,500)	(27,500)
Purchase of available-for-sale investments		(179,328,775)	(52,804,698)
Purchase of held-to-maturity investments		(65,518,560)	(88,560,553)
Purchase of loans and receivables investments		(10,203,273)	(876,467)
Proceeds from redemption of held-to-maturity investments		39,242,371	52,367,715
Proceeds from redemption and disposal of available-for-sale investments		146,339,157	11,807,330
Net cash outflow from investing activities		(71,652,408)	(80,176,537)
CASH FLOWS FROM FINANCING ACTIVITIES			
Cash received from issuance of bonds		-	8,200,000
Cash received from minority equity investment		14,826,659	-
Repayment for debt issued		(6,000,000)	(7,000,000)
Cash payment for interest on bonds issued		(1,123,658)	(1,096,096)
Dividends paid		(1,296,125)	(723,331)
Net cash (outflow)/inflow from financing activities		6,406,876	(619,427)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS			
Cash and cash equivalents, beginning of year		95,935,410	70,858,927
Cash and cash equivalents, end of year		134,002,708	95,935,410
COMPONENTS OF CASH AND CASH EQUIVALENTS			
Cash on hand		3,813,245	3,095,219
Non-restricted deposit in the central bank		55,551,284	58,560,151
Deposit from banks and other financial institutions		52,933,599	21,275,648
Bank placements with original maturity of less than three months		21,704,580	13,004,392
		134,002,708	95,935,410

The accompanying notes from page 188 to 255 form an integral part of these financial statements.



The Financial Statements (by International Auditor)

Notes to the Financial Statements for the Year Ended 31 December 2009 (Unit: RMB '000)

1. CORPORATE INFORMATION

Shanghai Pudong Development Bank Co., Ltd. (the "Company" or the "Bank") is a joint-stock commercial bank approved by the People's Bank of China ("PBOC") via an approval document designated as "Yin Fu [1992] No. 350" on 28 August 1992. The Company's business license was issued on 19 October 1992 by the Shanghai Municipal Administration of Industry and Commerce. The Company commenced its business on 9 January 1993 and was listed on the Shanghai Stock Exchange on 10 November 1999.

The Company's original registered capital and paid-in capital are both RMB5,661,348,000. In April 2009, in accordance with the resolution of the shareholders' meeting in 2008, the Company has distributed 2,264,539,000 shares as stock dividends. After the distribution, the Company's paid-in capital increased to RMB7,925,887,000, which has been verified by Ernst & Young Hua Ming Certified Public Accountants via verification report EYHM(2009) No.60468058_B01.

On September 18, 2009, upon the approval of the China Securities Regulatory Commission ("CSRC"), who issued approval document [2009] No. 950, the Company was approved to issue additionally no more than 1,137 million A shares non-publicly. The Company eventually issued 904 million A shares with an issue price of RMB 16.59 per share, and raised capital of RMB 15 billion. The non-public offer was accomplished on 28 September 2009, and verified by Ernst & Yong Hua Ming Certified Public Accountants via issued verification report EYHM (2009) No.60468058_B04. The share capital of the Company increased to RMB 8.83 billion.

The Company's scope of business includes commercial banking business such as RMB and foreign deposits, loans, settlement, inter-bank lending, etc., as approved by the PBOC and the China Banking Regulatory Commission (the "CBRC").

The Company's principal place of business is located at No. 12, Zhong Shan Dong Yi Road, Shanghai, the People's Republic of China (the "PRC") with its geographical business scope within China and headquarter located in Shanghai.

2.1 BASIS OF PREPARATION

The consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards ("IFRSs"). IFRSs comprise standards and interpretations promulgated by the International Accounting Standards Board ("IASB").

The financial statements have been prepared on a historical cost basis except for derivative financial instruments, financial assets and liabilities at fair value through profit or loss and available-for-sale financial assets that have been measured at fair value. The financial statements are presented in Renminbi ("RMB"), rounded to the nearest thousand except when otherwise indicated.

The Company maintains its books and prepares its statutory financial statements in accordance with the relevant financial regulations and accounting principles applicable to financial institutions and joint-stock limited companies established by the Ministry of Finance of the PRC. Following the Company's adoption of the "Accounting Standard of Business Enterprises" for Business Enterprises" effective from 1 January 2007 according to the Notice Cai Kuai [2006] No.3 ("PRC GAAP"), there are no material differences between the accounting policies and basis of preparation under PRC GAAP and the IFRS.

Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries. Consolidated financial statements are prepared using uniform reporting dates and accounting policies. The Company and its subsidiaries are collectively referred to as the "Group".

The Financial Statements (by International Auditor)

Notes to the Financial Statements for the Year Ended 31 December 2009 (Unit: RMB '000)

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

2.2 IMPACT OF NEW OR REVISED IFRS

For the purpose of this Financial Information, the Group has adopted, at the beginning of the Relevant Periods, all the new and revised IFRSs applicable to the Relevant Periods. As for the purpose of the accountants' report, based on Auditing Guideline 3.340, the financial information in the report should be stated on the basis of the current accounting policies. There is no significant impact on the Group's financial statement due to the adoption of these new and revised rules.

IFRS 1 and IAS 27 Amendments	First-time Adoption of International Financial Reporting IAS 27 Consolidated and Separate Financial Statements amendments: cost of an investment in a Subsidiary, Jointly Controlled Entity or Associate (Amendments to IFRS 1 and IAS27)
IFRS 2 Amendments	Amendment to IFRS 2 Share-based Payment – Vesting Conditions and Cancellations
IFRS 7 Amendments	Amendment to IFRS 7 Financial Instruments: Disclosures- Improving Disclosures about Financial Instruments
IFRS 8	Operating Segments
IFRS 1 (Revised)	Presentation of Financial Statements
IAS 18 Amendments *	Appendix to IAS 18 amended for Annual Improvements to IFRSs 2009. It now provides guidance for determining whether an entity is acting as a principal or as an agent.
IFRS 23 (Revised)	Borrowing Costs
IAS 32 and IAS 1 Amendments	Puttable Financial Instruments and Obligations Arising on
Liquidation	
IFRIC 9 and IAS 39 Amendments	Reassessment of Embedded Derivatives
IFRIC 13	Customer Loyalty Programmes
IFRIC 15	Agreements for the Construction of Real Estate
IFRIC 16	Hedges of a Net Investment in a Foreign Operation
IFRIC 18	Transfers of assets from customers
Improvements to IFRSs (May 2008) **	Improvements to IFRSs – a collection of amendments to several International Financial Reporting Standards

* Included in the Improvements to IFRSs 2009, which was released in April 2009.

** The group applied all the Improvements to IFRSs, which was released in May 2008, except for the IFRS 5- Non-current Assets Held for Sale and Discontinued Operations- Subsidiary Acquired Exclusively With a View to Resale, which was applicable since 1st July 2009.



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Notes to the Financial Statements for the Year Ended 31 December 2009 (Unit: RMB '000)

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

The amended IFRS 7 requires additional disclosures about fair value measurement and liquidity risk. Fair value measurements related to items recorded at fair value are to be disclosed by sources of inputs using a three-level fair value hierarchy, by class, for all financial instruments recognised at fair value. In addition, a reconciliation between the beginning and ending balance for level 3 fair value measurements is now required, as well as significant transfers between levels in the fair value hierarchy. The fair value measurement disclosures are presented in Note 50, and the amendment for the revised liquidity risk disclosures have had no significant impact to the financial statement disclosure of the Company.

IFRS 8 replaces IAS 14 Segment Reporting. The Company concluded that the segments determined in accordance with IFRS 8 are the same as the segments previously identified under IAS 14. It did not have significant impact on the disclosure to the notes to financial statements of the Company.

The revised IAS 1 separates owner and non-owner changes in equity. The statement of changes in equity includes only details of transactions with owners, with non-owner changes in equity presented in a reconciliation of each component of equity. In addition, the standard introduces the statement of comprehensive income: it presents all items of recognised income and expense, together with all other items of recognised income and expense recognised directly in equity, either in one single statement, or in two linked statements. The Company has selected to present one single statement.

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

IFRIC 13 requires customer loyalty credits to be accounted for as a separate component of the sales transaction in which they are granted. A portion of the fair value of the consideration received is allocated to the award credits and deferred. This is then recognized as revenue over the period that the award credits are redeemed. IFRIC 13 has no specific provisions on transition. The Company should apply the changes retrospectively and restate prior year financial information, in accordance with IAS 8. The interpretation had no significant impact on the financial position or operating results of the Company.

2.3 SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The adoption of the Group's accounting policies requires management to make assumptions and estimates of the effects of uncertain future events on the financial statements. The major assumptions and other uncertain estimates made by management at the end of each reporting period are set out below. Actual results may differ from these assumptions and estimates to certain extents and hence the differences may require significant adjustment to be made on the carrying amounts of assets and liabilities in future accounting years.

Classification of financial assets

Management has to make significant judgement on classification of financial assets. Classification using different measurement methods would influence the financial situation of the Group.



The Financial Statements (by International Auditor)

Notes to the Financial Statements for the Year Ended 31 December 2009 (Unit: RMB '000)

Impairment losses of loans and advances

The Group determines periodically whether there is any objective evidence that an impairment loss on loans and advances has been incurred. If any such evidence exists, the Group assesses the amount of impairment losses. The amount of impairment losses is measured as the difference between the carrying amount and the present value of the estimated future cash flows. Assessing the amount of impairment losses involves significant judgments as to whether objective evidence for impairment exists and requires significant estimations of the present value of the expected future cash flows.

Income tax

Determining income tax provisions requires the Group to make judgments on the tax treatment of certain transactions. The Group carefully evaluates the tax implications of transactions in accordance with the prevailing tax regulations and makes tax provisions accordingly.

Deferred tax assets are only recognised to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences can be utilised. This requires significant judgments on the tax treatments of certain transactions and also significant assessment on the probability that adequate future taxable profits will be available for the deferred tax assets to be recovered.

Fair value of financial instruments

If an active market for a financial instrument does not exist, the Group applies valuation techniques to determine the fair value of the financial instrument. These techniques include using prices on arm's length transactions entered between knowledgeable, willing parties, or reference to the current fair value of similar instruments (if observable), or discounted cash flow analysis and option pricing models. The valuation techniques applied by the Group make the maximum use of market information; when market information is not observable, certain parameters such as credit risk (the Group and the counterparty), volatility and correlations require management's estimates. Any changes in the basis of these parameters will have an effect on the fair value of financial instruments.

Impairment loss of assets

The assessment of asset impairment occurs at least annually. It requires the estimation of the distributed value in use of the cash generating units. In assessing value in use, the estimated future cash flows from the cash-generating units need to be estimated and meanwhile, a proper discount rate needs to be selected to calculate the current value of the cash flows.

2.4 IMPACT OF NEW OR REVISED IFRS ISSUED BUT NOT YET EFFECTIVE

The Group has not adopted the following new and revised IFRS, IAS and IFRIC interpretations, which have been issued but are not yet effective.

IFRS 1 (Revised)	First-time Adoption of International Financial Reporting Standards (1)
IFRS 1 Amendments	First-time Adoption of International Financial Reporting Standards-Other Exceptional Situations (2)
IFRS 1 Amendments	Limited Exemption from comparatives IFRS 7 Disclosures for First-time adopters(4)
IFRS 2 Amendments	Group Cash-settled Share-based Payment Transactions (2)
IFRS 3 (Revised)	Business Combination (1)
IFRS 9	Financial Instruments (6)
IAS 24 (Revised)	Related Parties Disclosures (5)



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Notes to the Financial Statements for the Year Ended 31 December 2009 (Unit: RMB '000)

IAS 27 (Revised)	Consolidated and Separate Financial Statements (1)
IAS 32 Amendments	Financial Instruments: Presentation-Classification of Share Right Offering (3)
IAS 39 Amendments	Eligible Hedged Items (1)
IFRIC - Interpretation 14	Amendments Prepayments for Minimum Funding Requirements (5)
IFRIC - Interpretation 17	Distributions of Non-cash Assets to Owners (1)
IFRIC - Interpretation 19	Extinguishing Financial Liabilities with Equity Instruments(4)
Amendments to IFRS 5 included in Improvements to IFRSs issued in October 2008	Amendments to IFRS 5 Non-current Assets Held for Sale and Discontinued Operations-Plan to sell the controlling interest in a Subsidiary

(1) Effective for annual periods beginning on or after 1 July 2009

(2) Effective for annual periods beginning on or after 1 January 2010

(3) Effective for annual periods beginning on or after 1 February 2010

(4) Effective for annual periods beginning on or after 1 July 2010

(5) Effective for annual periods beginning on or after 1 January 2011

(6) Effective for annual periods beginning on or after 1 January 2013

Apart from the above, the International Accounting Standards Board has issued Improvements to IFRSs 2009 which sets out amendments to a number of IFRSs primarily with a view to removing inconsistencies and clarifying wording. The amendments to IFRS 2, IAS 36, IFRIC-Int 9 and IFRIC-Int 16 are effective for annual periods beginning on or after 1 July 2009 while the amendments to IFRS 5, IFRS 8, IAS 1, IAS 7, IAS 36 and IAS 39 are effective for annual periods beginning on or after 1 January 2010 although there are separate transitional provisions for each standard or interpretation.

The Group is currently assessing the impact of initial adoption of these new and revised IFRSs and IFRIC interpretations. Other than as further explained below regarding the impact of IFRS 9, the adoption of these new and revised IFRSs has had no significant financial effect on these financial statements and there have been no significant changes to the accounting policies applied in these financial statements.

IFRS 9 issued in November 2009 is the first part of phase 1 of a comprehensive project to entirely replace IAS 39 Financial Instruments: Recognition and Measurement. This phase focuses on the classification and measurement of financial assets. Instead of classifying financial assets into four categories, an entity shall classify financial assets as subsequently measured at either amortised cost or fair value, on the basis of both the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. This aims to improve and simplify the approach for the classification and measurement of financial assets compared with the requirements of IAS 39. IAS 39 is aimed to be replaced by IFRS 9 in its entirety by the end of 2010.

2.5 SIGNIFICANT ACCOUNTING POLICIES

Consolidated financial statements

The scope of consolidation of the consolidated financial statements is determined based on control, and includes the financial statements of the Company and its subsidiaries. A subsidiary is an entity that is controlled by the Company.

Consolidated financial statements are prepared using uniform reporting dates and accounting policies. All significant intercompany transactions and balances within the Group are eliminated on consolidation.

For any subsidiaries consolidated by the Group, the portion of the profit or loss and net assets of such a subsidiary attributable to equity interests that are not owned directly or indirectly by the Group is separately presented as minority interest in the consolidated financial statements.

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Notes to the Financial Statements for the Year Ended 31 December 2009 (Unit: RMB '000)

With respect to subsidiaries acquired through business combinations, the operating results and cash flows of the acquiree shall be included in the consolidated financial statements from the day that the Company gains control until the Company ceases the control of it. While preparing the consolidated financial statements, the acquirer should adjust the subsidiary's financial statements, on the basis of the fair values of the identifiable assets, liabilities and contingent liabilities recognised on the acquisition date.

Associates

An associate is an entity, not being a subsidiary or a jointly-controlled entity, over which it is in a position to exercise significant influence. The Group adopted equity method to record the investment of associates.

Equity method requires that the Group's interests in associates are stated in the consolidated statement of financial position at the Group's share of net assets under the equity method of accounting, less any impairment losses. Goodwill arising from the acquisition of associates is included as part of the Group's interests in associates and is not amortised. After adopting equity method, the Group needs to test for additional impairment for the net investment in associates. The results of associates are included in the Group's income statement to the extent of dividends received and receivable. The Group's share of the post-acquisition results and reserves of associates is included in the consolidated income statement and consolidated reserves, respectively. The profit or loss due to transactions between the Group and its associates is eliminated by shares the Group possessed.

The adopted method should be changed into equity method if the Group's right over the invested company changes from control to significant influence. The original cost is the accumulated cost from the equity investment. When equity method is first adopted, the Group recognize its retained earning and other reserves in associates by the shares it owned during the period the Group exercising significant influence.

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

Jointly-controlled entities

A jointly-controlled entity is a joint venture that is subject to joint control, resulting in none of the participating parties having unilateral control over the economic activity of the jointly-controlled entity.

The Group's interests in jointly-controlled entities are stated in the consolidated statement of financial position at the Group's share of net assets under the equity method of accounting, less any impairment losses. The Group's share of the post-acquisition results and reserves of jointly-controlled entities is included in the consolidated income statement and consolidated reserves, respectively. Goodwill arising from the acquisition of jointly-controlled entities is included as part of the Group's interests in jointly-controlled entities.

Precious metals

Precious metals held by the group mainly include metals that trade in domestic market. Precious metals are recorded at cost when recognised initially, and then measured at fair value at the end of each reporting period; the fair value gain or loss is recognised in profit/loss.

Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Group and the revenue can be measured reliably, on the following basis:

(a) Interest income is recognised as it accrues (using the effective interest method by applying the rate that exactly discounts estimated future cash receipts through the expected life of a financial instrument to the net carrying amount of the financial asset). Once a financial asset or a group of similar financial assets has been written down as a result of an impairment loss, interest income is thereafter recognised using the interest rate used to discount the future cash flows for the purpose of measuring the impairment loss;



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Notes to the Financial Statements for the Year Ended 31 December 2009 (Unit: RMB '000)

(b) Fee and commission income is recognised when the services have been rendered and the proceeds can be reasonably estimated; and fee and commission income during a certain period is recognised during the period, while the fee and commission income for the specific transaction is recognised when the transaction has been finished. If the income is related to the performance the transaction incurred, the relevant fee and commission income would be recognised once the real contract items have been carried out.

(c) Dividend income is recognised when the shareholders' rights to receive payment has been established.

Income tax

Current tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

Deferred tax

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- where the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax credits and unused tax losses can be utilised, except:

- where the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised.

Conversely, previously unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.



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Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at by the end of the reporting period.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Recognition of financial instruments

A financial asset or financial liability is recognised when the Group becomes the party to the financial instrument contract.

Financial assets

The Group classifies its financial assets into four categories: financial assets at fair value through profit or loss; held-to-maturity financial investments; loans and receivables; and available-for-sale financial assets. When financial assets are recognised initially, they are measured at fair value, plus, in the case of financial assets not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial assets.

Financial assets at fair value through profit or loss

The financial assets at fair value through profit and loss are financial assets which are either classified as held for trading or designated by management as fair value through profit or loss upon initial recognition. Financial assets are classified as held for trading if they are acquired for the purpose of sale in the near term. Derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

A financial asset, other than one held-for-trading, may be designated as financial assets at fair value through profit or loss upon initial recognition, if it meets any of the criteria set out below, and is so designated by management:

- eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise from measuring the financial assets or financial liabilities or recognising the gains and losses on them on different basis;
- applies to a group of financial assets, financial liabilities or both that is managed and its performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy, and where information about that group of financial instruments is provided internally on that basis to the key management personnel; or
- relates to financial instruments containing one or more embedded derivatives that shall be separated from those financial instruments.

After initial recognition, these financial assets are measured at their fair values. All related realised and unrealised gains or losses are recognised in profit or loss.

Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and a fixed maturity that the Group has the positive intention and ability to hold to maturity. These investments are carried at amortised cost using the effective interest method, less any allowance for impairment in value. Gains and losses are recognised in the profit or loss when the held-to-maturity investments are derecognised or impaired, as well as through the amortisation process.

The Group shall not classify any financial assets as held-to-maturity if the Group has, during the current financial year or during the two preceding financial years, sold or reclassified more than an insignificant amount of held-to-maturity investments before maturity (more than insignificant in relation to the total amount of held-to-maturity investments) other than sales or reclassifications that:



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- are so close to maturity or the financial asset's call date (for example, less than three months before maturity) that changes in the market rate of interest would not have a significant effect on the financial asset's fair value;
- occur after the Group has collected substantially all of the financial asset's original principal through scheduled payments or prepayments; or
- are attributable to an isolated event that is beyond the Group's control, is non-recurring and could not have been reasonably anticipated by the entity.

Loan and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and the Group has no intention of trading the assets immediately or in the near term. Loans and receivables are measured at amortised cost using the effective interest method, less provision for impairment in value. Gains and losses are recognised in the profit or loss when loans and receivables are derecognised or impaired, as well as through the amortisation process.

Available-for-sale financial assets

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

If, as the result of a change in intention or ability or in the rare circumstance that a reliable measure of fair value is no longer available or because the "two preceding financial years" referred to note "Held-to-maturity investments" have passed, it becomes appropriate to carry a financial asset or financial liability at amortised cost rather than at fair value, the fair value carrying amount of the financial asset or the financial liability on that date becomes its new amortised cost, as applicable.

In the case of a financial asset with a fixed maturity, the gain or loss shall be amortised to profit or loss over the remaining life of the financial asset using the effective interest rate method. Any difference between the new amortised cost and maturity amount shall also be amortised to the profit or loss over the remaining life of the financial asset using the effective interest rate method.

In the case of a financial asset that does not have a fixed maturity, the gain or loss shall remain in equity until the financial asset is sold or otherwise disposed of, when it shall be recognised in the profit or loss.

Derecognition of financial assets

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

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

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Notes to the Financial Statements for the Year Ended 31 December 2009 (Unit: RMB '000)

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

If the continuing involvement is committed by selling and/or holding an option (including cash settlement options and similar terms), the extent of continuing involvement is the amount of the transferred asset which will be possibly repurchase. On the other hand, if the continuing involvement is committed by selling put options (including cash settlement options and similar terms) which are measured at fair value, the extent of continuing involvement is the lower of fair value of the transferred assets and the exercise price.

Asset-backed security ("ABS")

As a part of the Group's business, certain financial assets are securitised by selling them to a special purpose vehicle, which then issues asset-backed securities to investors. Some or all of these financial assets transferred may meet the derecognition criteria, as separately stated in the respective derecognition of financial assets accounting policy. The asset-backed securities retained by the Group mainly related to subordinated classes, with gain/loss arising being recognised in profit or loss. The gain/loss arising from the asset-backed securities is the difference between the carrying value of the asset derecognised and the asset retained and the fair value at the date of derecognition.

Fair value measurement

For investments and derivatives quoted in an active market, fair value is determined by reference to quoted market prices. Bid prices are used for assets and offer prices are used for liabilities.

The estimated fair value of deposits with no stated maturity, which includes non-interest bearing deposits, is the amount payable on demand.

The fair value of forward exchange contracts is calculated by reference to forward exchange rates with similar maturities.

For unquoted financial instruments, fair value is normally based on the expected cash flows discounted at current rates applicable for items with similar terms and risk characteristics. The fair value of unquoted derivatives is determined either by discounted cash flows or internal pricing models. Investments in equity investments that do not have a quoted market price in an active market and whose fair value can not be reliably measured are measured at cost less provision for impairment loss.

Impairment of financial assets

An assessment is made at the end of each reporting period to determine whether there is objective evidence of impairment of financial assets as a result of one or more events that occur after the initial recognition of those assets ("loss event") and whether the loss event has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Financial assets carried at amortised cost

If there is objective evidence that an impairment loss on loans and receivables or held-to-maturity investments carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. In case that a floating rate prevails, the future cash flows shall be discounted at the current actual rate according to the terms of the contract. The carrying amount of the asset is reduced through the use of an impairment provision account and the amount of the loss is recognised in the income statement.



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Notes to the Financial Statements for the Year Ended 31 December 2009 (Unit: RMB '000)

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

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

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

When a loan and receivable is uncollectible, it is written off against the related provision for impairment losses. Such loans and receivables are written off after all the necessary procedures have been completed and the amount of the loss has been determined. Subsequent recoveries of the amounts previously written off decrease the amount of the provision for loan impairment and credit into profit or loss.

Available-for-sale financial assets

If an available-for-sale asset is impaired, an amount comprising the difference between its cost (net of any principal repayment and amortisation) and its current fair value, less any impairment loss previously recognised in comprehensive income, is transferred from equity to profit or loss.

Reversals in respect of equity instruments classified as available-for-sale are not recognised in the income statement. Reversals of impairment losses on debt instruments classified as available-for-sale are reversed through the income statement, if the increase in fair value of the instrument can be objectively related to an event occurring after the impairment losses was recognised in the income statement.

Financial assets carried at cost

If there is objective evidence that an impairment loss on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured has been incurred, the amount of impairment loss is measured as the difference between the carrying amount of that financial asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Impairment losses on these assets are not reversed.

Derivative instruments

Derivative instruments include currency forward contracts, cross-currency interest rate swaps, interest rate swaps and currency options. The derivative instruments are initially measured based on the fair value exists on the contract date and subsequently carried at fair value. A derivative instrument is carried as an asset when fair value is positive and as a liability when fair value is negative.

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



The Financial Statements (by International Auditor)

Notes to the Financial Statements for the Year Ended 31 December 2009 (Unit: RMB '000)

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

The fair value of forward currency contracts is calculated by reference to current forward exchange rates for contracts with similar maturity profiles. The fair value of interest rate swap contracts is determined by reference to market values for similar instruments, or otherwise an internal pricing model such as the discounted cash flow method.

Certain derivative transactions, while providing effective economic hedges under the Group's risk management positions, do not qualify for hedge accounting under the specific rules in IAS 39 and are therefore treated as derivatives held for trading with fair value gains or losses recognised in profit or loss.

Reverse repurchase and repurchase transactions

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

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

Financial liabilities

Financial liabilities are classified as either financial liabilities at fair value through profit or loss or deposits, debts issued or other financial liabilities.

Financial liabilities at fair value through profit or loss

The Group classifies financial liabilities at fair value through profit or loss either as financial liabilities held-for-trading or, as financial liabilities at fair value through profit or loss upon initial recognition based on the criteria stated in the note relating to financial assets designated as fair value through profit or loss upon initial recognition. Gains and losses from changes in fair value are recognised in profit or loss.

Deposits and other financial liabilities

Deposits other than those designated as trading liabilities or at fair value through profit or loss and other financial liabilities are carried at amortised cost.

Derecognition of financial liabilities

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

Debt issued

Debt issued is initially measured at fair value less any directly attributable transaction cost. Subsequent measurement is at amortised cost, using the effective interest rate method.



The Financial Statements (by International Auditor)

Notes to the Financial Statements for the Year Ended 31 December 2009 (Unit: RMB '000)

Offsetting

Assets and liabilities are offset only when the Group has a legal right to offset amounts with the same counterparty and transactions are expected to be settled on a net basis.

Earnings per share

Basic earnings per share is calculated by dividing the net profit for the year attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the year.

The calculation of diluted earnings per share amounts is based on the profit for the year attributable to ordinary equity holders of the Group, adjusted to reflect the interest on the convertible bonds, where applicable. The weighted average number of ordinary shares used in the calculation is the number of ordinary shares in issue during the year, as used in the basic earnings per share calculation, and the weighted average number of ordinary shares assumed to have been issued at no consideration on the deemed exercise or conversion of all dilutive potential ordinary shares into ordinary shares.

Operating leases

Leases where substantially all the risks and rewards associated with the ownership of assets remain with the lessor are accounted for as operating leases. Where the Group is the lessor, the assets leased by the Group under the operating leases are included in non-current assets, and rentals receivable under the operating leases are credited to profit or loss on the straight-line basis over the lease terms. Where the Group is the lessee, rentals payable under the operating leases are charged to profit or loss on a straight-line basis over the lease terms.

Prepaid lease rental

Prepaid lease rental represents the cost of land use rights less accumulated amortisation and impairment losses. The cost of land use rights is amortised using straight-line basis over the period of the leases. When the prepaid land lease payments cannot be allocated reliably between land and building elements, the entire lease payments are included in the cost of the properties and buildings as finance leases in property and equipment.

Property and equipment

Property and equipment are stated at cost less accumulated depreciation and accumulated impairment loss. The cost of an asset comprises its purchase price and any directly attributable costs of bringing the asset to its present working condition and location for its intended use. Expenditure incurred after the asset has been put into operation, such as repair and maintenance, is normally charged to profit or loss in the period in which it is incurred. In situations where it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of the asset, the expenditure is capitalised as an additional cost of the asset.

When there is evidence that the carrying amount of the Group's property and equipment is impaired, the Group is required to assess whether the carrying amount of the impaired asset is higher than its recoverable amount. If the carrying amount exceeds the recoverable amount, provision for impairment will be made for the asset.

Depreciation is provided to write off the costs of property and equipment less residual value on a straight-line basis over their estimated useful lives at the following rates per annum:

Buildings	3.17-3.23%
Motor vehicles	19.0%-19.4%
Computers and software	19.0%-32.33%
Electronic appliances & office equipment	19.0%-19.4%
Leasehold improvements	Shorter of the economic applicable period and rental period

The Financial Statements (by International Auditor)

Notes to the Financial Statements for the Year Ended 31 December 2009 (Unit: RMB '000)

If the main components of some property and equipment have different tenures of use, the costs are divided in different components on reasonable basis. The depreciation of every component is accrued separately.

An item of property and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising from derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss for the year the asset is derecognised.

Construction in progress

Construction in progress includes office premises, furniture and fixtures and is stated at cost less impairment but not depreciated. Construction in progress comprises direct costs of construction during the period of construction. Construction in progress is reclassified to the appropriate category of property and equipment when completed and ready for use.

Intangible assets

Intangible assets are stated at cost less accumulated amortisation. Intangible assets are amortised, using the straight-line basis, over the effective useful lives of the rights. The useful lives and amortisation methods of intangible assets are reviewed at the end of each reporting period by the Group's management. If there is evidence that an intangible asset is impaired, the Group will assess the amount of impairment loss accordingly.

Settled assets

Settled assets are carried at the lower of the carrying amount of the loans and advances and interest receivables (or reduced by the compensation received as well as other measurable receipts) being settled, and fair value of the related repossessed assets less costs to sell. In addition, related provision for credit losses are transferred to the provision for impairment losses of settled assets. At the end of each reporting period, the Group's management assesses the recoverability of the settled assets. A provision should be made to write down the settled assets to the fair value less carrying amount.

Foreign currency translation

The Group's functional and presentation currency is RMB. The Group maintains separate financial records for assets and liabilities and transactions denominated in foreign currencies. Transactions in foreign currencies are translated into RMB using the average market exchange rate of the year. At the end of each reporting period, monetary items denominated in foreign currencies are translated to RMB at the rate of exchange ruling at the end of each reporting period. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated into RMB using the exchange rates at the date of the initial transaction. Non-monetary items measured at fair value in a foreign currency are translated into RMB using the exchange rates at the date when the fair value was determined. Exchange differences arising from the latter are recognised either directly in equity or in profit or loss according to the accounting treatment of the fair value changes.

For a monetary available-for-sale financial asset, exchange differences resulting from changes in its amortised cost are recognised in profit or loss and other changes in carrying amount are recognised directly in equity.

The exchange difference on foreign currency non-monetary items that is recognised directly in equity includes the related foreign exchange component. For non-monetary items which are measured at fair values and the changes in fair values are recognised in profit or loss, the exchange differences are recognised in profit or loss. The exchange differences on non-monetary items such as available-for-sale equity investments are recognised directly in equity.

Financial guarantee contracts

The Group issues letters of credit, letters of guarantee and bill acceptances. These financial guarantee contracts require the Group to make specified payments to reimburse the holder for a loss it incurs when a guaranteed party defaults under the original or modified terms of a contract.



The Financial Statements (by International Auditor)

Notes to the Financial Statements for the Year Ended 31 December 2009 (Unit: RMB '000)

Financial guarantee contracts are treated as financial liabilities and are initially measured at fair value plus any transaction costs that are directly attributable to the purchase or issuance of such contracts. Financial guarantee contracts stated at fair value are amortised over the period of the contract on a time proportion basis and recognised as fee and commission income.

At subsequent date, the financial guarantee contracts are measured at the higher of :(i) the amount determined in accordance with IAS37 Provisions, Contingent Liabilities and Contingent Assets, and (ii) the amount initially recognised less, when appropriate, cumulative amortisation in accordance with IAS18 Revenue.

Fiduciary activities

Where the Group acts in a fiduciary capacity such as nominee, trustee or agent, assets arising thereon together with related undertakings to return such assets to customers are excluded from the statement of financial position.

The Group grants entrusted loans on behalf of third-party lenders, which are recorded off-statement of financial position. The Group, as an agent, grants such entrusted loans to borrowers under the direction of those third-party lenders who fund these loans. The Group has been contracted by those third-party lenders to manage the administration and collection of these loans on their behalf. Those third-party lenders determine both the underwriting criteria for and the terms of all entrusted loans including their purposes, amounts, interest rates, and repayment schedules. The Group charges a commission related to its activities in connection with entrusted loans which are recognised ratably over the period in which the service is provided. The risk of loss is borne by those third-party lenders.

Cash and cash equivalents

Cash and cash equivalents represent cash, non-restricted deposits in the central bank, deposits from banks and other financial institutions, and inter-bank placements with original maturity of less than three months and highly liquid short-term investments with original maturity of less than three months which are readily convertible to known amounts of cash and is subject to an insignificant risk of change in value.

Related parties

A party is considered to be related to the Group if:

- (a) the party directly or indirectly through one or more intermediaries, (i) controls, is controlled by, or is under common control with, the Group; (ii) has an interest in the Group that gives it significant influence over the Group; or (iii) has joint control over the Group;
- (b) the party is an associate of the Group;
- (c) the party is a joint venture in which the Group is a venturer;
- (d) the party is a member of the key management personnel of the Group or its parent;
- (e) the party is a close member of the family of any individual referred to in (a) or (d);
- (f) the party is an entity that is controlled, joint venture or significantly influenced by or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (d) or (e); or
- (g) the party is a post-employment benefit plan for the benefit of the employees of the Group, or of any entity that is a related party of the Group.



The Financial Statements (by International Auditor)

Notes to the Financial Statements for the Year Ended 31 December 2009 (Unit: RMB '000)

Employee benefits

(a) Short term employee benefits

Staff salaries, social security welfare and other short term employee benefits are recognised as expense for periods in which services are rendered by the employees of the Group.

(b) Statutory retirement benefit

According to the statutory retirements in the PRC, the Group is required to provide certain staff retirement benefits and pensions. The Group is obliged to contribute a fixed percentage of staff salaries to the employee benefit and retirement welfare scheme as governed by the Labor Department of the Municipal People's government. All contributions are recognised as expense when incurred.

(c) Supplemental retirement benefit

The Group participates in a corporate pension fund scheme managed by an insurance group. The Group pays a fixed contribution to the corporate pension fund under the arrangement of the scheme. The Group does not have a legal or constructive obligation to pay further amounts in respect of the employee benefits relating to the services in the current and prior periods. All contributions are recognised as expense when incurred.

Provisions

The Group recognises a provision if all the following criteria have been met:

- the Group has a present legal or constructive obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits will be required to settle the obligations; and
- the amount of the obligation can be reliably estimated.

Contingent liabilities

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events but is not recognised because it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation or the amount of the obligation cannot be measured with sufficient reliability.

A contingent liability is not recognised in the financial statements. It is disclosed in the notes to the financial statements. If the situation changes and the possibility of the outflow of resources embodying economic benefits become probable, a relevant liability is recognised in the statement of financial position.

Dividend on ordinary shares

Dividends on ordinary shares are recognised as a liability and deducted from equity when they are approved by the Group's shareholders. Interim dividends are deducted from the equity when they are declared and no longer at the discretion of the Group. Dividends for the year that are approved after the end of each reporting period are disclosed as an event after the end of each reporting period.



The Financial Statements (by International Auditor)

Notes to the Financial Statements for the Year Ended 31 December 2009 (Unit: RMB '000)

3. THE SCOPE OF THE CONSOLIDATED FINANCIAL STATEMENTS

The information of the subsidiary companies is as follows:

Name of subsidiary	Nature of business	Registered capital	Amount of investment	% Equity interest		% Voting interest	Remarks
				Direct	Indirect		
Mianzhu Pufa Rural Bank Co., Ltd	Commercial bank	50million	27.5million	55%	-	55%	note
Liyang Pufa Rural Bank Co., Ltd	Commercial bank	50million	25.5million	51%	-	51%	note
Gongyi Pufa Rural Bank Co., Ltd	Commercial bank	50million	25.5million	51%	-	51%	note
Fengxian Pufa Rural Bank Co., Ltd	Commercial bank	50million	34.5million	69%	-	69%	note
Zixing Pufa Rural Bank Co., Ltd	Commercial bank	50million	25.5million	51%	-	51%	note
Banan Chongqing Pufa Rural Bank Co., Ltd	Commercial bank	50million	25.5million	51%	-	51%	note

Note: All the subsidiary companies are acquired through initial establishment, and are all contained in the consolidated financial statements.

4. SEGMENT REPORTING

The Group's principal business activities are commercial lending and public deposits taking. The Group's main source of funding for its consumer and corporate lending business is from customer deposits. The Group operates in Mainland China and the segment report is presented according to the organisation structure, regulatory requirements and internal reporting regulations and is determined based on the geographical locations: Shanghai, Zhejiang Province, Beijing, Jiangsu Province, Guangdong Province and others.

The Group analyses the geographical segments of interest income, interest expense, depreciation and amortisation, operating income, assets, liabilities, loans and advances, customer deposits and capital expenditure.

The geographical segment report is presented based on segments adopted in the management reporting.

There was no single customer who contributed 10% or more of the Group's total revenue during the year in 2008 and 2009.

	Year ended 31 December 2009									
	Revenue		Interest income External		Interest income Internal		Interest income Total		Interest expense	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
Shanghai	58,192,621	158	11,093,536	18	51,448,593	60	62,542,129	104	57,112,734	214
Zhejiang	10,736,571	29	9,234,405	15	4,704,117	6	13,938,522	23	8,340,243	31
Beijing	7,197,474	19	4,462,159	7	5,340,985	6	9,803,144	16	8,034,677	30
Jiangsu	10,120,704	27	6,063,387	10	6,073,321	7	12,136,708	20	8,316,388	31
Guangdong	4,716,547	13	4,849,331	8	2,470,162	3	7,319,493	12	5,259,725	20
Others	31,100,249	85	24,487,226	42	15,108,167	18	39,595,393	66	24,733,234	93
Elimination	(85,145,345)	(231)	-	-	(85,145,345)	(100)	(85,145,345)	(141)	(85,145,345)	(319)
Total	36,918,821	100	60,190,044	100	-	-	60,190,044	100	26,651,656	100

The Financial Statements (by International Auditor)

Notes to the Financial Statements for the Year Ended 31 December 2009 (Unit: RMB '000)

Year ended 31 December 2009										
	Fee and commission income		Fee and commission income		Net trading income		Other net income		Depreciation and amortization	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
Shanghai	748,844	28	253,963	49	12,416	100	807,335	70	419,519	41
Zhejiang	365,855	13	26,004	5	-	-	94,326	8	99,092	10
Beijing	123,497	5	56,918	11	-	-	21,443	2	34,926	3
Jiangsu	207,821	8	23,477	5	-	-	42,719	4	66,713	7
Guangdong	208,094	8	51,039	10	-	-	29,562	3	61,369	6
Others	1,066,308	38	102,052	20	-	-	165,666	13	332,033	33
Total	2,720,419	100	513,453	100	12,416	100	1,161,051	100	1,013,652	100

Year ended 31 December 2008										
	Revenue		Interest income External		Interest income Internal		Interest income Total		Interest expense	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
Shanghai	23,708,497	69	16,760,509	30	15,244,100	50	32,004,609	57	24,796,003	103
Zhejiang	7,662,738	22	8,402,198	15	2,178,106	7	10,580,304	19	5,502,685	23
Beijing	7,529,317	22	2,952,616	5	5,533,399	18	8,486,015	15	6,608,141	27
Jiangsu	5,510,599	16	5,023,687	9	2,159,587	7	7,183,274	13	4,036,587	17
Guangdong	3,750,407	11	2,750,006	5	1,767,850	6	4,517,856	8	2,692,347	11
Others	16,792,246	48	19,832,284	36	3,552,123	12	23,384,407	42	10,986,366	45
Elimination	(30,435,165)	(88)	-	-	(30,435,165)	(100)	(30,435,165)	(54)	(30,435,165)	(126)
Total	34,518,639	100	55,721,300	100	-	-	55,721,300	100	24,186,964	100

Year ended 31 December 2008										
	Fee and commission income		Fee and commission income		Net trading income		Other net income		Depreciation and amortization	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
Shanghai	692,146	30	251,084	46	297,325	100	517,404	58	417,360	47
Zhejiang	339,577	15	30,467	6	-	-	97,903	11	75,462	9
Beijing	134,249	6	36,804	7	-	-	20,599	2	35,913	4
Jiangsu	173,350	7	29,446	5	-	-	60,421	7	58,415	7
Guangdong	176,273	8	45,733	8	-	-	26,508	3	48,594	5
Others	819,360	34	146,872	28	-	-	169,594	19	247,282	28
Total	2,334,955	100	540,406	100	297,325	100	892,429	100	883,026	100



The Financial Statements (by International Auditor)

Notes to the Financial Statements for the Year Ended 31 December 2009 (Unit: RMB '000)

	2009-12-31									
	Total asset		Total liability		Loans and advances		Custome deposits		Capital expenditure	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
Shanghai	627,618,655	39	574,951,669	37	133,536,350	14	237,031,347	18	448,762	21
Zhejiang	169,773,469	10	166,551,016	11	155,426,138	17	170,873,313	13	234,455	11
Beijing	58,230,908	4	57,383,813	4	46,954,159	5	92,159,987	7	40,264	2
Jiangsu	109,625,476	7	107,725,687	7	101,759,926	11	132,191,533	10	175,422	8
Guangdong	88,683,164	5	87,536,971	6	57,084,642	6	91,562,021	7	131,352	6
Others	568,786,288	35	560,481,359	35	434,093,536	47	571,524,141	45	1,108,563	52
Total	1,622,717,960	100	1,554,630,515	100	928,854,751	100	1,295,342,342	100	2,138,818	100

	2008-12-31									
	Total asset		Total liability		Loans and advances		Custome deposits		Capital expenditure	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
Shanghai	552,133,326	42	524,206,253	41	115,632,997	17	184,794,704	20	332,662	19
Zhejiang	126,600,352	10	123,296,051	10	116,582,601	17	133,118,852	14	165,504	9
Beijing	48,413,724	4	47,202,290	4	40,436,711	6	84,547,323	9	37,279	2
Jiangsu	81,571,174	6	79,729,226	6	73,114,654	10	96,150,027	10	136,330	8
Guangdong	48,597,480	4	48,096,950	4	43,973,116	6	66,735,015	7	87,921	5
Others	452,109,386	34	445,192,873	35	307,824,591	44	381,947,660	40	982,951	57
Total	1,309,425,442	100	1,267,723,643	100	697,564,670	100	947,293,581	100	1,742,647	100

5. NET INTEREST INCOME

	2009 RMB'000	2008 RMB'000
Interest income:		
Interest earned on loans and advances	46,442,076	44,258,163
Interest income on impaired loans (note 21(c))	254,190	228,467
Interest earned on due from the central bank	2,399,561	2,483,390
Interest earned on deposits and placements to banks and other financial institutions	3,286,485	1,177,466
Interest earned on reverse repurchase agreements	1,944,801	2,507,532
Interest income from debt investments	4,912,778	5,029,800
Amortisation of premium on debt investments	950,153	36,482
	60,190,044	55,721,300

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Notes to the Financial Statements for the Year Ended 31 December 2009 (Unit: RMB '000)

5. NET INTEREST INCOME (Continued)

	2009 RMB'000	2008 RMB'000
Interest expense:		
Customer deposits	19,370,458	19,034,602
Interest expense on due to the central bank	241	48
Amounts due to banks and borrowings from other financial institutions	6,039,011	3,688,061
Interest expense on repurchase agreements	334,342	422,911
Debt issued	907,604	1,041,342
	26,651,656	24,186,964
Net interest income	33,538,388	31,534,336

6. FEE AND COMMISSION INCOME

	2009 RMB'000	2008 RMB'000
Guarantee and commitment fees	596,125	480,840
Clearing and settlement fees	208,040	192,793
Agency brokerage fees	197,698	150,655
Bank card related income	524,414	438,354
Consultation and financial advisory fees	597,045	483,013
Loan related fees	168,924	175,915
Fund related fees	212,224	242,894
Entrusted loan commission	47,291	44,501
Trust	10,426	10,750
Others	158,232	115,240
	2,720,419	2,334,955

7. NET TRADING INCOME

	2009 RMB'000	2008 RMB'000
Precious metals	(359)	-
Net gain/(loss) on financial liabilities/trading financial assets at fair value through profit/(loss)	(18,262)	4,032
Net gain/(loss) on derivative instruments	31,037	293,293
	12,416	297,325



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8. NET OTHER INCOME

	2009 RMB'000	2008 RMB'000
Net foreign exchange gains	430,627	456,800
Net gain/(loss) on disposal of disposal of bond investments	310,216	41,609
Net gain/(loss) on disposal of items of property and equipment	(3,135)	(3,070)
Income from leasing of properties	72,581	60,386
Net gain/(loss) on disposal of settled assets	131,033	(1,626)
Dividends from financial investments (note 1)	28,945	37,022
Gain on gold trading	3,710	27,313
Other income	187,074	273,995
	1,161,051	892,429

Note 1: Dividends from financial investments are all from shares of unlisted companies.

9. IMPAIRMENT PROVISION ON LOANS AND ADVANCES

	2009 RMB'000	2008 RMB'000
Corporate loans	2,252,103	3,139,296
Consumer loans	17,861	(9,910)
Mortgage loans	629,254	219,825
Others	153,445	122,204
Total (note 21(c))	3,052,663	3,471,415

10. PERSONNEL EXPENSES

	2009 RMB'000	2008 RMB'000
Salaries and bonuses	6,670,194	7,169,422
Insurance and social security contributions	574,567	424,491
Retirement benefit plan	459,888	282,128
Other personnel expenses	202,215	197,052
	7,906,864	8,073,093

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11. GENERAL AND ADMINISTRATIVE EXPENSES

	2009 RMB'000	2008 RMB'000
Lease rental	810,196	657,466
Cash consignment fees	169,285	134,285
Property and equipment maintenance	71,386	71,010
Computer equipment maintenance	242,333	257,915
Telecommunication and postage	187,985	182,462
Administration	732,629	805,512
Entertainment	1,582,742	1,089,662
Traveling	101,101	111,664
Professional services fees	100,722	92,363
Low value consumables	53,640	47,891
Tax	137,435	101,888
Donations	14,589	26,711
CBRC supervision fees	163,209	126,642
Amortisation of intangible assets (note 30)	149	78
Other expenses	397,303	276,293
	4,764,704	3,981,842
Including:		
Auditors' remuneration- Financial audit fees	3,500	6,000

12. IMPAIRMENT PROVISIONS ON OTHER ASSETS

	2009 RMB'000	2008 RMB'000
Impairment provisions on other assets:		
Other receivables	101,288	157,969
Available-for-sale investments	464	85,293
Settled assets	27,745	3,791
	129,497	247,053



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13. INCOME TAX

The components of the Group's income tax expense were as follows:

	2009 RMB'000	2008 RMB'000
Income statement		
Charge for the year	4,226,493	4,094,120
Adjustment of income tax in prior years	20,244	(891,703)
Deferred tax (note 31)	(165,850)	(414,793)
Income tax expense	4,080,887	2,787,624

	2009 RMB'000	2008 RMB'000
Statement of changes in equity		
Deferred tax related to items recognised directly in equity:		
Deferred tax on changes in fair value of available-for-sale investments (note 31)	190,567	(569,245)
Amortisation on the unrealised gain/loss on held-to-maturity investments (note 31)	(36,364)	48,454

The differences between income tax expense reflected in the financial statements and the amounts calculated at the statutory tax rate of 25% (2008:25%;) were as follows:

	2009 RMB'000	2008 RMB'000
Profit before tax	17,296,024	15,303,455
Income tax at statutory tax rate	4,324,006	3,825,864
Increase/(decrease) resulting from:		
Reversal of over-provision in prior years	20,244	(891,703)
Non-deductible expenses	112,883	109,390
Non-assessable income	(378,228)	(256,003)
Unrealised tax loss	2,058	76
Deductible loss from previous years	(76)	-
	4,080,887	2,787,624

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Notes to the Financial Statements for the Year Ended 31 December 2009 (Unit: RMB '000)

14. EARNINGS PER SHARE

Earnings per share and weighted average number of common shares outstanding calculation were based on the following data:

	2009	2008
Earnings per share calculation:		
Net profit for the year (RMB'000)	13,216,581	12,515,968
Weighted average number of common shares outstanding (Unit'000) (note 1)	8,151,926	7,925,887
Basic and diluted earnings per share (RMB)	1.62	1.58

Note 1: The Company distributed a dividend in April 2009 and issued new A shares non-publicly in September 2009. The earnings per share have been recalculated based on the adjusted number of shares.

The Group has no potential diluted ordinary shares at the year end of 2008 and 2009 respectively.

15. CASH AND BALANCES WITH THE CENTRAL BANK

	2009-12-31 RMB'000	2008-12-31 RMB'000
Cash on hand	3,824,630	3,096,080
Non-restricted deposits in the central bank	55,598,869	58,560,151
Mandatory reserve deposits	145,513,230	100,833,092
Fiscal deposits	182,218	111,935
	205,118,947	162,601,258

The Group and the Company placed mandatory reserve deposits with the PBOC. The statutory deposit reserve rate was 13.5% as at 31 December 2009 (31 December 2008: 13.5%) on customer deposits denominated in RMB and 5% (31 December 2008: 5%) of customer deposits denominated in foreign currency.

Fiscal deposits represent the requisite deposits to place with the central bank which followed from the Ministry of Finance and related regulations. Fiscal deposits are not available for use in the Group and the Company's daily operations.

16. DUE FROM BANKS AND OTHER FINANCIAL INSTITUTIONS

	2009-12-31 RMB'000	2008-12-31 RMB'000
Domestic banks	140,480,030	50,867,460
Foreign banks	3,074,086	3,261,845
Due from banks:	143,554,116	54,129,305
Domestic banks	19,609,141	13,221,548
Domestic non-banking financial institutions	909,000	224,908
Foreign banks	3,604,206	10,348,589
Inter-bank placements:	24,122,347	23,795,045
Impairment provision	-	(151,136)
Net inter-bank placements	24,122,347	23,643,909
Total	167,676,463	77,773,214

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The component of due from banks and other financial institutions comprises no structured deposits with embedded derivative instruments.

For the Group, the balances of deposits with banks and placements with original maturity of less than three months are RMB52,994,336,000 and RMB21,704,580,000 respectively, (31 December 2008: RMB21,276,792,000 and RMB13,004,392,000) which was included in cash and cash equivalents in the statement of cash flows.

17. REVERSE REPURCHASE AGREEMENTS

	2009-12-31 RMB'000	2008-12-31 RMB'000
Reverse repurchase agreements by collateral type:		
Discounted bills	13,962,826	98,679,433
Securities	36,494,671	65,197,300
Credit assets	2,600,000	7,595,000
	53,057,497	171,471,733
Reverse repurchase agreements by counterparty:		
Domestic banks	26,638,619	38,987,700
Other financial institutions	26,418,878	132,484,033
	53,057,497	171,471,733

18. Precious metals

	2009-12-31 RMB'000	2008-12-31 RMB'000
Precious metals	213,212	-

19. DERIVATIVE INSTRUMENTS

The Group mainly entered into derivative transactions for customers, the transactions were deal with customers to enable them to transfer, modify or reduce current or expected risks. The Group uses derivatives as part of its asset/liability management activities. When there is a mismatch of interest rates between the Group's assets and liabilities, for example, when the Group purchases assets at fixed rates funded by deposits at floating rates, it subjects itself to fair value fluctuations as market interest rates change. These fluctuations in fair value are managed by entering into interest rate contracts which exchange the fixed rate instrument into a variable rate instrument.

The Group uses the following derivative financial instruments for trading or hedging purposes:

Swaps: Swaps are commitments to exchange one set of cash flows for another for a pre-determined period.

Interest rate swap contracts generally represent the contractual exchange of fixed and floating rate payments of a single currency, based on a notional amount and an interest reference rate.

Cross currency interest rate swap contracts generally involve the exchange of payments which are based on the interest reference rates available at the inception of the contract on the principal balances of the two different currencies that are being exchanged. The principal balances are re-exchanged on a future date at a specified rate.

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Notes to the Financial Statements for the Year Ended 31 December 2009 (Unit: RMB '000)

Forwards: Forwards are contractual obligations to buy or sell a financial instrument on a future date at a specified price.

Options: Options are contracts that allow the holder to buy or sell a specific amount of currency, security or interest rate index at a specified foreign exchange rate or interest rate during a specified period of time. The holder has the right but not the obligation to exercise the contract, while the seller is responsible for fulfilling the terms of the contract if the option is exercised.

Foreign currency option contracts give the owner the right but not obligation to buy or sell foreign currency on a future date at a specific price.

The Group uses the following derivative financial instruments for trading or hedging purposes (continued):

Forward interest rate agreement:

Forward interest rate agreement refers to a financial agreement in which interest will be exchanged between both parties on a future date on a certain amount of notional principal based on the interest rate under the contract and the reference interest rate, respectively. In accordance with the agreed period and principle on the future exercise date, the agreed rate and the differential is paid by one party according to the changes of the market rates for reference. The notional principle is not included.

Notional amount of a derivative represents the amount of underlying asset or reference index upon which changes in the value of derivatives are measured. It provides an indication of the volume of business transacted by the Company but does not provide any measure of risk.

The fair value is the amount for which an asset could be exchanged, or a liability could be settled, between knowledgeable, willing parties in an arm's length transaction.

The following table provides the notional amount and the fair value of the Group and the Company's derivative instruments:

	31 December 2009		
	Notional amount	Fair value	
		RMB'000	Assets RMB'000
Derivatives held for trading:			
Interest rate swaps	20,056,168	412,010	549,561
Currency forwards	7,438,115	28,228	21,065
Cross-currency swaps	17,246,334	167,102	34,878
Precious metals forwards	461,637	-	-
Total derivative assets/liabilities		607,340	605,504



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Notes to the Financial Statements for the Year Ended 31 December 2009 (Unit: RMB '000)

	31 December 2008		
	Notional amount	Fair value	
		RMB'000	Assets RMB'000
Derivatives held for trading:			
Interest rate swaps	23,004,162	1,797,077	1,996,892
Currency forwards	9,232,563	160,601	201,001
Cross-currency swaps	9,219,086	326,381	176,597
Options	101,090	3,402	3,402
Interest forwards	160,000	313	313
Precious metals forwards	381,609	-	-
Total derivative assets/liabilities		2,287,774	2,378,205

20. ACCOUNTS RECEIVABLE

	2009-12-31	2008-12-31
	RMB'000	RMB'000
Accounts receivable with respect to making payments on behalf of customers	3,460,720	1,008,690

21. LOANS AND ADVANCES TO CUSTOMERS

(a) The composition of the loan portfolio by type of exposure and impairment provision at the end of each reporting period was as follows:

	2009-12-31	2008-12-31
	RMB'000	RMB'000
Corporate loans	730,839,811	563,691,887
Consumer loans	5,188,032	2,851,332
Mortgage loans	138,979,717	94,908,952
Discounted bills	39,840,812	25,774,701
Factoring	426,347	276,938
Others	13,580,032	10,060,860
Total	928,854,751	697,564,670
Impairment provision (note 21(c))	(18,346,725)	(16,298,102)
	910,508,026	681,266,568

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Notes to the Financial Statements for the Year Ended 31 December 2009 (Unit: RMB '000)

(b) The composition of loans and advances by type of collateral at the end of each reporting period was as follows:

	2009-12-31 RMB'000	2008-12-31 RMB'000
Loans and advances:		
Guaranteed	261,019,592	204,439,541
Secured by mortgages and other collateral	415,901,312	288,380,361
Unsecured	208,198,977	175,995,645
Trade finance:		
Import and export advances	3,467,711	2,697,484
Factoring	426,347	276,938
Discounted bills	39,840,812	25,774,701
	928,854,751	697,564,670

As at 31 December 2009, the balance of credit assets pledged under repurchase agreements is nil (31 December 2008: nil) and the balance of discounted bills pledged under repurchase agreements amounted to RMB1,264,882,000 (31 December 2008: 15,907,001,000). The repurchase date is from 5 January 2010 to 8 January 2010. As at 31 December 2009, the discounted bills pledged under due to central bank amounted to RMB 48,000,000 (31 December 2008: Nil).

Loan derecognition

In September 2007, the Company transferred a portfolio of floating rate loans to a special purpose trust ("SPT") with a face value amounting to RMB4,383,260,000. The trustee of the SPT, Huabao Trust Co., Ltd., subsequently issued a prime tranche of RMB4,229,846,000 and a subordinated tranche of RMB153,414,000 of asset-backed securities to other investors and the Company, respectively. Being the holder of the subordinated tranche, the Company bears, within the limit of the face value of the subordinated asset-backed securities which the Company holds, the potential future loss of principle and interest on the floating rate loan portfolio transferred. Management believes that the Company has not transferred substantially all risks and rewards of the financial assets. Therefore, based on the degree of continuing involvement, the Company recognised associated assets and liability according to the face value of the subordinated tranche held by the Company.

(c) Impairment provision

(i) Analysis by individual and collective assessment:

	31 December 2009		
	Individual RMB'000	Collective RMB'000	Total RMB'000
At beginning of year	4,487,491	11,810,611	16,298,102
Charge during the year (note 9)	(757,033)	3,809,696	3,052,663
Write-off	(641,723)	(172,015)	(813,738)
Transfer out	-	(5,248)	(5,248)
Interest income on impaired loans (note 5)	(189,977)	(64,213)	(254,190)
Recovery of loans previously written off	68,770	366	69,136
At end of year (note 21(a))	2,967,528	15,379,197	18,346,725

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Notes to the Financial Statements for the Year Ended 31 December 2009 (Unit: RMB '000)

	31 December 2008		
	Individual RMB'000	Collective RMB'000	Total RMB'000
At beginning of year	4,925,967	10,404,765	15,330,732
Charge during the year (note 9)	1,697,465	1,773,950	3,471,415
Write-off	(448,073)	(150,723)	(598,796)
Transfer out	(1,578,744)	(157,302)	(1,736,046)
Interest income on impaired loans (note 5)	(168,051)	(60,416)	(228,467)
Recovery of loans previously written off	58,927	337	59,264
At end of year (note 21(a))	4,487,491	11,810,611	16,298,102

(ii) Analysis by types of loan

	2009-12-31				
	Corporate loans RMB'000	Consumer loans RMB'000	Mortgage Loans RMB'000	Others RMB'000	Total RMB'000
At beginning of year	14,639,868	93,761	1,369,369	195,104	16,298,102
Charge during the year (note 9)	2,252,103	17,861	629,254	153,445	3,052,663
Interest income on impaired Loans (note 5)	(243,159)	(288)	(9,371)	(1,372)	(254,190)
Write-off	(802,021)	(6,276)	(5,419)	(23)	(813,739)
Disposal	(5,247)	-	-	-	(5,247)
Recovery of loans previously written off	68,771	279	-	86	69,136
At end of year(note 21(a))	15,910,315	105,337	1,983,833	347,240	18,346,725
Provision charged individually	2,967,528	-	-	-	2,967,528
Provision charged collectively	12,942,787	105,337	1,983,833	347,240	15,379,197
Total	15,910,315	105,337	1,983,833	347,240	18,346,725
Total of individual impaired loans	5,264,969	-	-	-	5,264,969

	2008-12-31				
	Corporate loans RMB'000	Consumer loans RMB'000	Mortgage Loans RMB'000	Others RMB'000	Total RMB'000
At beginning of year	13,984,795	106,571	1,162,975	76,391	15,330,732
Charge during the year (note 9)	3,139,296	(9,910)	219,825	122,204	3,471,415
Interest income on impaired Loans (note 5)	(219,589)	(870)	(7,563)	(445)	(228,467)
Write-off	(587,516)	(2,030)	(6,204)	(3,046)	(598,796)
Disposal	(1,736,046)	-	-	-	(1,736,046)
Recovery of loans previously written off	58,928	-	336	-	59,264
At end of year(note 21(a))	14,639,868	93,761	1,369,369	195,104	16,298,102
Provision charged individually	4,487,491	-	-	-	4,487,491
Provision charged collectively	10,152,377	93,761	1,369,369	195,104	11,810,611
Total	14,639,868	93,761	1,369,369	195,104	16,298,102
Total of individual impaired loans	8,490,012	-	-	-	8,490,012

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The appraisal value of the collateral for the impaired loans under individual impairment assessment was RMB6,754,499,000 at the end of 2009 year (31 December 2008: RMB 6,155,621,000). The collateral included deposits, real estate and land, etc.

The Group's repossessed assets included real estate, land, etc., with fair value of RMB38,129,000 in 2009. The Group is planning to realise the repossessed assets in settlement of the related outstanding debts.

22. AVAILABLE-FOR-SALE INVESTMENTS

	2009-12-31 RMB'000	2008-12-31 RMB'000
Available-for-sale equity investments:		
Equity instruments, unlisted (note 22(a))	771,303	393,303
Impairment provision	(3,683)	(3,683)
	767,620	389,620
	2009-12-31 RMB'000	2008-12-31 RMB'000
Available-for-sale investments:		
The PBOC bills	61,915,823	39,139,979
-unlisted	61,915,823	39,139,979
Government bonds in RMB	12,103,693	9,495,923
-listed outside Hong Kong	11,107,577	7,669,929
-unlisted	996,116	1,825,994
Government bonds in foreign currencies	175,362	228,983
-unlisted	175,362	228,983
Other financial bonds in RMB	14,821,315	8,234,328
-listed outside Hong Kong	212,406	-
-unlisted	14,608,909	8,234,328
Others	198,610	265,937
-unlisted	198,610	265,937
Total securities	89,214,803	57,365,150
Total available-for-sale investments	89,982,423	57,754,770

The available-for-sale bond investments included structural bonds with embedded derivatives with a face value of RMB34,135,000 (31 December 2008: RMB34,128,000). The economic characteristics and risks of all the embedded derivatives are closely related to the economic characteristics and risks of the host contracts.

The government bonds pledged under repurchase agreements but not classified as available-for-sale investments amounted to Nil as at 31 December 2009 (31 December 2008: RMB3,775,400,000).

As at 31 December 2009, government bonds with a face value of RMB 1,100,000,000 were pledged to the PBOC as collateral for the Group's small amount settlement system with the PBOC. (31 December 2008: RMB1,100,000,000).



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22a. Unlisted equity investments at the end of each reporting period were as follow:

Company name	2009-12-31 Shareholding	2009-12-31 RMB'000	2008-12-31 RMB'000
Shanghai United International Investment Ltd.	16.5%	288,303	288,303
China Union Pay Co., Ltd.	3.7%	105,000	105,000
Laishang Bank	18%	378,000	-
Total		771,303	393,303

Certain available-for-sale unlisted equity investments which do not have any quoted market prices and whose fair values cannot be measured reliably are stated at cost less any impairment losses. There is no active market for these investments and the Group has the intention to hold the investments for the long term.

23. HELD-TO-MATURITY INVESTMENTS

	2009-12-31 RMB'000	2008-12-31 RMB'000
Held-to-maturity financial investments, at amortised cost:		
Government bonds in RMB	43,966,921	31,471,088
-listed outside Hong Kong	43,966,921	31,471,088
The PBOC bills	47,922,949	61,211,351
-unlisted	47,922,949	61,211,351
Bonds in foreign currencies	339,913	-
-unlisted	339,913	-
Other bonds in RMB	44,516,206	17,917,578
-listed outside Hong Kong	11,618,739	-
-unlisted	32,897,467	17,917,578
Total	136,745,989	110,600,017

24. INVESTMENT IN AN ASSOCIATE

	2009-12-31 RMB'000	2008-12-31 RMB'000
Share of net assets of an associate	547,229	468,336
Impairment provision	(876)	(876)
	546,353	467,460

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Particulars of the associate are as follows:

The company's name	The registered address	The nature of business	The registered capital	The proportion held by the Group	
				31 December 2009	31 December 2008
First Sino Bank	Shanghai China	Commercial bank	RMB 1.1 Billion	30%	30%

The following table illustrates the summarised financial information of the Group's associate extracted from its financial statements:

	2009-12-31 RMB'000	2008-12-31 RMB'000
Total assets	21,555,926	15,895,310
Total liabilities	(19,664,068)	(14,266,377)
Net assets	1,891,858	1,628,933

	2009 RMB'000	2008 RMB'000
Operating income	527,435	546,252
Net profit	275,151	253,415

25. INVESTMENT IN A JOINT VENTURE

	2009-12-31 RMB'000	2008-12-31 RMB'000
Share of net assets of joint venture	56,899	70,926

The Group obtained the approval of CBRC Yinjianfu [2007]9 to set up Puyin Ansheng Fund Management Co., Ltd. ("Puyin Ansheng"), together with Ansheng France, Shengrong Shanghai as the joint venture, and the Group holds 51% of the total equity of Puyin Ansheng.

In accordance with the articles of association and related regulations, despite the fact that the Group owned 51% of the equity rights, it only has 50% of the voting rights and jointly controls Puyin Ansheng with Ansheng France and Shengrong Shanghai. The Group treats the investment in Puyin Ansheng as a joint venture and accounts for it using the equity method of accounting.

Particulars of the joint venture are as follows:

The company's name	The registered address	The nature of business	The registered capital	The proportion held by the Group	
				31 December 2009	31 December 2008
Puyin Ansheng Fund Management Co., Ltd	Shanghai China	Fund management	RMB 0.2 Billion	51%	51%



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The following table illustrates the summarised financial information of the Group's joint venture:

	2009-12-31	2008-12-31
	RMB'000	RMB'000
Total assets	124,366	153,737
Total liabilities	(12,800)	(14,668)
Net assets	111,566	139,069
	2009	2008
	RMB'000	RMB'000
Operating income	28,419	12,162
Net loss	(29,868)	(45,335)

26. LOANS AND RECEIVABLES INVESTMENTS

	2009-12-31	2008-12-31
	RMB'000	RMB'000
Government bonds in RMB	1,791,264	1,072,290
-unlisted	1,791,264	1,072,290
Central bank bills issued by tender	30,341,465	21,497,882
-unlisted	30,341,465	21,497,882
Other bonds in RMB	1,524,469	691,205
-unlisted	1,524,469	691,205
	33,657,198	23,261,377

27. CONSTRUCTION IN PROGRESS

	2009-12-31	2008-12-31
	RMB'000	RMB'000
At beginning of the year	-	29,019
Additions	-	17,365
Transferred to property and equipment (note 28)	-	(46,326)
Transferred out to others	-	(58)
At the end of the year	-	-

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28. PROPERTY AND EQUIPMENT

	Buildings RMB'000	Motor Vehicles RMB'000	Computers & software RMB'000	Electronic appliances & office equipment RMB'000	Leasehold Improvements RMB'000	Total RMB'000
2009						
Cost						
2009-1-1	6,001,444	238,058	2,552,821	528,423	1,786,009	11,106,755
Additions	820,805	41,219	599,764	164,550	510,980	2,137,318
Transfer from construction in progress (note 27)	-	-	-	-	-	-
Disposal/write-off	-	(13,661)	(183,196)	(20,127)	(34,127)	(251,111)
2009-12-31	6,822,249	265,616	2,969,389	672,846	2,262,862	12,992,962
Accumulated depreciation:						
2009-1-1	1,159,949	140,658	1,407,355	256,451	1,173,837	4,138,250
Depreciation	198,743	29,768	484,383	84,892	215,717	1,013,503
Disposal/write-off	-	(12,762)	(174,190)	(18,830)	(679)	(206,461)
2009-12-31	1,358,692	157,664	1,717,548	322,513	1,388,875	4,945,292
Net book value:						
2009-1-1	4,841,495	97,400	1,145,466	271,972	612,172	6,968,505
2009-12-31	5,463,557	107,952	1,251,841	350,333	873,987	8,047,670
2008						
Cost						
2008-1-1	5,361,880	214,759	2,194,672	412,445	1,476,291	9,660,047
Additions	597,321	44,995	627,253	141,258	314,455	1,725,282
Transfer from construction in progress (note 27)	42,243	-	-	1,223	2,860	46,326
Disposal/write-off	-	(21,696)	(269,104)	(26,503)	(7,597)	(324,900)
2008-12-31	6,001,444	238,058	2,552,821	528,423	1,786,009	11,106,755
Accumulated depreciation:						
2008-1-1	980,470	137,231	1,235,643	213,179	986,706	3,553,229
Depreciation	179,479	24,085	426,976	65,177	187,231	882,948
Disposal/write-off	-	(20,658)	(255,264)	(21,905)	(100)	(297,927)
2008-12-31	1,159,949	140,658	1,407,355	256,451	1,173,837	4,138,250
Net book value:						
2008-1-1	4,381,410	77,528	959,029	199,266	489,585	6,106,818
2008-12-31	4,841,495	97,400	1,145,466	271,972	612,172	6,968,505



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As at 31 December 2009, the property and equipment with an original cost of RMB733,569,000 (31 December 2008: RMB324,319,000) and net book value of RMB703,684,000 (31 December 2008: RMB306,906,000) were in use but the related legal ownership registrations are in progress.

The carrying value of leasehold improvements is analysed based on the remaining terms of the leases as follows:

	2009-12-31	2008-12-31
The Group		
On short-term lease (less than 10 years)	841,789	609,301
On medium-term lease (10-30 years)	32,198	2,871
Total	873,987	612,172

In the opinion of management, no impairment is required for property and equipment as at 31 December 2009.

29. PREPAID LEASE RENTAL

The carrying value of the prepaid lease rental is analysed based on the remaining terms of the leases as follows:

	2009-12-31	2008-12-31
The Group		
On medium-term lease (10-30 years)	82,006	82,175
On long-term lease (over 30 years)	22,586	27,880
Total	104,592	110,055

30. INTANGIBLE ASSETS

2009	Franchise RMB'000	Others RMB'000	Total RMB'000
Net book value at the beginning of year	-	678	678
Addition during the year	-	1,500	1,500
Amortisation (note 11)	-	(149)	(149)
Net book value at the end of year	-	2,029	2,029

Remaining useful life	0 year	0-4 year	Total
2009-12-31			
Cost	38,410	4,634	43,044
Accumulated amortisation	(38,410)	(2,605)	(41,015)
Net book value	-	2,029	2,029

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Notes to the Financial Statements for the Year Ended 31 December 2009 (Unit: RMB '000)

2008	Franchise RMB'000	Others RMB'000	Total RMB'000
Net book value at the beginning of year	-	756	756
Amortisation (note 11)	-	(78)	(78)
Net book value at the end of year	-	678	678

Remaining useful life	0 year	0-4 year	Total
2008-12-31			
Cost	38,410	3,133	41,543
Accumulated amortisation	(38,410)	(2,455)	(40,865)
Net book value	-	678	678

31. DEFERRED TAX ASSETS

Main components of the Group's deferred income tax assets were as follows:

	2009-12-31 RMB'000	2008-12-31 RMB'000
Allowances for impairment losses on loans and advances	2,231,520	2,042,598
Allowances for impairment losses on other assets	239,400	241,721
Changes in fair value of precious metals	90	-
Changes in fair value of financial liabilities at fair value through profit or loss	4,450	-
Changes in fair value of trading securities and derivative financial instruments	(36,844)	(29,200)
Changes in fair value of available-for-sale investments	(34,542)	(225,109)
Depreciation and others	10,398	17,571
Employees' salaries	660,659	671,249
Unamortised gain or loss on held-to-maturity investments	12,090	48,454
Provision of available-for-sale investments	21,439	21,323
	3,108,660	2,788,607



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Notes to the Financial Statements for the Year Ended 31 December 2009 (Unit: RMB '000)

The movement of the Group's deferred income tax assets was as follows:

	Allowance for Impairment losses on loans and advances	Allowance for Impairment losses on other assets	Changes in fair value of precious metals	Changes in fair value of financial liabilities through profit or loss	Changes in fair value of trading securities and derivative financial instruments	Changes in fair value of available-for-sale investments	Depreciation and others	Salaries	Unamortised gain/loss on held-to-maturity investments	Provision of AFS investments	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
2009-1-1	2,042,598	241,721	-	-	(29,200)	(225,109)	17,571	671,249	48,454	21,323	2,788,607
Charged/(credited) to income statement during the year (note 13)	188,922	(2,321)	90	4,450	(7,644)	-	(7,173)	(10,590)	-	116	165,850
Charged/(debited) to equity during the year	-	-	-	-	-	190,567	-	-	(36,364)	-	154,203
2009-12-31	2,231,520	239,400	90	4,450	(36,844)	(34,542)	10,398	660,659	12,090	21,439	3,108,660

	Allowance for Impairment losses on loans and advances	Allowance for Impairment losses on other assets	Changes in fair value of precious metals	Changes in fair value of financial liabilities through profit or loss	Changes in fair value of trading securities and derivative financial instruments	Changes in fair value of available-for-sale investments	Depreciation and others	Salaries	Unamortised gain/loss on held-to-maturity investments	Provision of AFS investments	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
2008-1-1	2,173,254	314,907	-	-	45,663	344,136	16,645	-	-	-	2,894,605
Charged/(credited) to income statement during the year (note 13)	(130,656)	(73,186)	-	-	(74,863)	-	926	671,249	-	21,323	414,793
Charged/(debited) to equity during the year	-	-	-	-	-	(569,245)	-	-	48,454	-	(520,791)
2008-12-31	2,042,598	241,721	-	-	(29,200)	(225,109)	17,571	671,249	48,454	21,323	2,788,607

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Notes to the Financial Statements for the Year Ended 31 December 2009 (Unit: RMB '000)

32. OTHER ASSETS

	2009-12-31 RMB'000	2008-12-31 RMB'000
Interest receivable	5,435,920	5,055,230
Working capital	3,731	1,285
Settlement and clearing	816,624	533,931
Advance payment for office renovation	1,039,705	653,878
Staff housing loans	66,827	2,357,401
Settled assets	1,179,090	1,362,296
Sub-prime ABS (note 1)	153,414	153,414
Securitised credit assets (note 1)	153,414	153,414
Other receivables	2,387,553	1,983,265
	11,236,278	12,254,114
Impairment loss on settled assets	(674,354)	(777,946)
Impairment loss on other receivables	(737,982)	(482,358)
	9,823,942	10,993,810

Note 1: Under certain circumstances, the Group and the Company established special purpose trust vehicles ("SPV") to meet its securitisation plan and issue asset-backed securities. The controlled SPV will be consolidated. The control assessment is made based on the risks and rewards the Company bears for the SPV and whether the Company can exercise influence over the operations and decision making of the SPV. Since the Company had neither retained nor transferred all risks and rewards of the underlying transferred asset, and the Company had retained control, the related assets had been derecognised entirely and the amount retained, and the associated asset and liability to the extent of the continuing involvement were recorded on the statement of financial position.

33. DUE TO THE CENTRAL BANK

	2009-12-31 RMB'000	2008-12-31 RMB'000
Bills rediscount	48,000	-

34. DUE TO BANKS AND OTHER FINANCIAL INSTITUTIONS

	2009-12-31 RMB'000	2008-12-31 RMB'000
Due to domestic banks	205,935,412	222,440,813
Inter-bank borrowings from domestic banks	3,726,662	10,450,953
	209,662,074	232,891,766
Inter-bank borrowings from overseas banks	47,788	81,906
Total	209,709,862	232,973,672



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35. REPURCHASE AGREEMENTS

	2009-12-31 RMB'000	2008-12-31 RMB'000
Analysed by mortgage:		
Bills	1,264,882	15,907,001
Securities	-	3,775,400
	1,264,882	19,682,401
Analysed by counterparties:		
Domestic commercial banks	1,264,882	19,023,263
Other financial institutions	-	659,138
	1,264,882	19,682,401

36. DUE TO CUSTOMERS

	2009-12-31 RMB'000	2008-12-31 RMB'000
Demand deposits:		
Company deposits	523,106,254	350,196,732
Personal deposits	62,140,148	46,351,149
Time deposits:		
Company deposits	420,268,506	303,113,552
Personal deposits	154,596,942	105,133,721
Guaranteed deposits	133,513,247	140,573,274
Entrusted deposits (note 46)	281	23,661
Deposits from the Ministry of Finance	179,719	479,789
Inward remittances	1,537,245	1,421,703
	1,295,342,342	947,293,581

Guaranteed deposits represent margin deposits received from customers for banking facilities granted by the Company.

Included in customer deposits of the Group and the Company are structured deposits amounting to RMB20,245,884,000 (31 December 2008: RMB2,743,578,000). The embedded derivatives are mainly interest rate swaps, early redeemed options and options linked to commodity prices. A nominal amount Nil (31 December 2008: RMB103,103,000) contained embedded derivatives that are not closely related to the host contract. Therefore, the Group separated them from the deposits, whose fair value has been included in the balance of the derivatives.

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37. DIVIDENDS PAYABLE

	2009-12-31 RMB'000	2008-12-31 RMB'000
Unpaid prior years' dividends	17,920	11,935

38. BOND ISSUED

	2009-12-31 RMB'000	2008-12-31 RMB'000
Fixed term subordinated bond (note 38(a))	-	6,000,000
2005 SPDB subordinated bond (note 38(b))	2,000,000	2,000,000
2006 SPDB subordinated bond (note 38(c))	2,600,000	2,600,000
2007 SPDB subordinated bond (note 38(d))	6,000,000	6,000,000
2008 SPDB subordinated bond (note 38(e))	8,200,000	8,200,000
	18,800,000	24,800,000

38a. Term sub-prime bond

The tenor of the bond is five years and one month, and the maturity date was on 8 July 2009. The interest rate is the deposit rate of one year published by the PBOC plus 2.62% and the interest is payable on a yearly basis. The principal and interest repayment of the subordinated bond rank after the Company's customer deposits and other liabilities, but are in priority to the Company's shareholders' funds.

The interest rate of the fixed term subordinated bond for the year 2009 is set at 4.87%. (2008: 4.87% to 6.76%)

38b. 2005 SPDB subordinated bond

The Company issued a RMB 2 billion subordinated bond at par via private placement in the inter-bank bond market, with a maturity date is 28 December 2015, and a fixed interest rate at 3.60%. The tenor of the bond is 10 years and the Company has an option to early redeem the entire bond at the end of the fifth year at par. If the Company does not exercise this option, the annual coupon rate will increase by 3% thereafter.

The principal and interest repayment of this subordinated bond rank is after the Company's customer deposits and other liabilities, but in priority to the Company's shareholders' funds.

38c. 2006 SPDB subordinated bond

The subordinated bond maturing on 30 June 2016 bears a fixed interest rate with a tenor of 10 years, amounting to RMB2.6 billion. The coupon rate is 3.75% per year. The Company has an early redemption option to all the bonds on 30 June 2011. If the Company does not exercise this option, the annual coupon rate will increase by 3% thereafter.

The principal and interest repayment of this subordinated bond rank is after the Company's customer deposits and other liabilities, but in priority to the Company's shareholders' equity.

38d. 2007 SPDB subordinated bond

The bonds maturing on 28 December 2017 with a tenor of 10 years were separated into two types, with fixed interest rate and a floating rate, which were issued in the amount of RMB1 billion and 5 billion, respectively.



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The coupon rate of the bond with fixed rate is 6.0% per year. The Company has an option to early redeem the entire bond or part thereof at par at the end of the fifth year, i.e., 28 December 2012. If the Company does not exercise this option, the annual coupon rate will increase by 3% thereafter. The coupon rate of the bond with a floating rate is 5.94% per year, of which the base interest rate is 4.14% and the base spread is 1.8%. The Company has an option to early redeem the entire bond or part of the bond at par at 28 December 2012. If the Company doesn't exercise the option, the base spread rate will increase 3.0%. The base interest rate is still the rate of the one year term deposit issued by the PBOC which is applicable to the start day of every interest-bearing year.

The principal and interest repayment ranks after the Company's customer deposits and other liabilities, but in priority to the Company's shareholders' equity.

The coupon rate of the bond with floating rate is 4.05%~5.94% for the current year (2008: 4.05%~5.94%).

38e. 2008 SPDB subordinated bond

On 26 December 2008, as approved by YinShiChangXuZhunYuZi [2008] No. 54 the "PBOC's Decision to Grant Administrative Permission" and YinJianFu [2008] No. 510 the "CBRC's Reply to Issuance of Subordinated Bonds of SPDB", the Company issued RMB8.2 billion subordinated bonds in the inter-bank bond market publicly. The bond issuance was completed on 26 December 2008.

The tenor of the bond is 10 years and the Company has an option to early redeem part of or the entire bond at par at the end of the fifth year, i.e., 26 December 2013. The bond bears a fixed interest rate by subsection at 3.95% per annum from years one to five calculated from 26 December 2008. If the Company doesn't exercise the early redemption option, the interest rate will be adjusted to 6.95% per annum from years six to ten. Interest is calculated and payable on a yearly basis with simple interest rather than compound interest adopted. No interest will be calculated when overdue.

The principal and interest repayment ranks after the Company's customer deposits and other liabilities, but in priority to the Company's shareholders' equity.

39. OTHER LIABILITIES

	2009-12-31	2008-12-31
	RMB'000	RMB'000
Interest payable	8,302,293	8,359,986
Bank drafts payable	2,760,936	3,830,782
Staff welfare payable and bonus payable	6,905,170	6,887,180
Interest payable for securitised loans	172,850	937,008
Settlement and clearing	1,372,295	816,862
Deferred interest income on discounted bills	338,231	253,858
Settlement and temporary payable	800,898	567,175
Taxes payable - business tax and surcharges	1,285,421	1,357,346
Dormant customer deposit accounts	106,227	94,900
Outward remittances	1,910,101	4,459,058
Continuing involvement liabilities	153,414	153,414
Payables for wealth management products (note 1)	954,400	8,813,400
Others	1,814,997	1,991,533
	26,877,233	38,522,502

Note 1: Payable for wealth management products represents cash received from customers for purchasing financial products issued by the special purpose trust. As the Group retained the risks and rewards as well as control over the trust, the trust is consolidated into the financial statements and the related financial assets and liabilities are also reflected in the consolidated statement of financial position.

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40. SHARE CAPITAL

	2009-12-31		2008-12-31	
	Quantity '000 shares	Amount RMB'000	Quantity '000 shares	Amount RMB'000
Authorised capital:				
Ordinary shares of RMB1 each	8,830,046	8,830,046	5,661,348	5,661,348

Paid-up capital by nature:

	2009-1-1		Movement Trading				2009-12-31	
	Number of shares Unit'000	Percentage %	Share dividend Unit'000	Percentage %	Restricted Shares newly issued Unit'000	Percentage %	Number of shares Unit'000	Percentage %
Shares with Trading restrictions								
-Shares owned by the state	-	-	-	-	-	-	-	-
-Shares owned by State								
-owned legal persons	649,173	11.47	259,669	11.47	211,247	23.36	1,120,089	12.68
-Shared owned by Domestic legal Persons	-	-	-	-	601,192	66.49	601,192	6.81
-Shared owned by Domestic natural Person	-	-	-	-	91,720	10.15	91,720	1.04
Total shares with trading restrictions	649,173	11.47	259,669	11.47	904,159	100.00	1,813,001	20.53
Shares without trading restrictions								
-Ordinary shares								
quoted in RMB	5,012,175	88.53	2,004,870	88.53	-	-	7,017,045	79.47
Total ordinary Shares	5,661,348	100.00	2,264,539	100.00	904,159	100.00	8,830,046	100.00

40a. Capital structure reform

The Company's Capital Structure Reform Plan ("the Plan") was approved by the shareholders at the Shareholders Meeting for Capital Structure Reform held on 6 April 2006. According to the Plan, the shareholders of the Company's listed A shares would receive three shares from the non-marketable shareholders for every 10 listed shares held. The Plan was approved by the State-owned Assets Supervision and Administration Commission of the Shanghai Municipal Government and the China Banking Regulatory Commission on 31 March 2006 and 29 April 2006, respectively. The Plan was executed and the share swaps were registered on 10 May 2006. The 270 million shares paid by the non-marketable shareholders were listed and floated to the market on 12 May 2006.

According to the provisions of the Administrative Measures on Capital Structure Reform of Listed Companies, the Company's non-marketable shareholders undertook not to sell or transfer any of the marketable shares with trading restriction held within 12 months from the implementation date of the Plan. The shares sale or transfer by any existing non-marketable shareholder holding more than 5% of the Company's shares shall not exceed 5% of the Company's total shares within 12 months from the expiry of the one-year restricted sale period and shall not exceed 10% within 24 months from the expiry of the one-year restricted sale period.



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As at 14 May 2007, the shares with restriction of sale held by the existing marketable shareholders numbered 1,928 million. Consequently, the shares with restriction of sales reduced from 3,022 million to 1,094 million with no change in the total equity of the Company. The shares without restriction of sales increased from 1,333 million to 3,261 million.

As at 23 November 2007, the shares with restriction of sale held by the existing marketable shareholders numbered 278 million. Consequently, the shares with restriction of sales reduced from 1,094 million to 817 million with no change in the total equity of the Company. The shares without restriction of sales increased from 3,261 million to 3,538 million.

Pursuant to the resolution passed on the 2008 annual general meeting of shareholders, a dividend of four shares and RMB2.3 (tax inclusive) per 10 shares was proposed, the total shares 5,661,347,506. The Company completed the distribution in June 2009. After the appropriation, the share capital summed up to RMB7.926billion.

On September 18, 2009, subject to the approval of the China Securities Regulatory Commission ("CSRC") with the issuance of Zheng Jian Xu Ke [2009]950, the Company privately offered up to 1.137 billion A shares, with the actual offering of 0.904 billion shares at the price of RMB16.59 per share, and totaling to RMB15 billion. The Company's share capital increased to RMB8.83 billion. The private offering was completed on September 28, 2009 and the capital has been verified by Ernst & Young Hua Ming with the issuance of Ernst & Young Hua Ming (2009) Yan Zi 60468058_B04.

41. CAPITAL RESERVE

	Share premium RMB'000	Others RMB'000	Total RMB'000
2009-1-1	10,315,942	17,463	10,333,405
Share premium	13,922,500	-	13,922,500
Share of changes in equity of an associate	-	(5,393)	(5,393)
2009-12-31	24,238,442	12,070	24,250,512

	Share premium RMB'000	Others RMB'000	Total RMB'000
2008-1-1	10,315,942	17,455	10,333,397
Share of changes in equity of an associate	-	8	8
2008-12-31	10,315,942	17,463	10,333,405

42. RESERVES

	Statutory Reserve RMB'000	General reserve RMB'000	Surplus reserve RMB'000	Total RMB'000
2009-1-1	4,110,842	6,400,000	2,752,672	13,263,514
Appropriation from profit (note 42(a))	1,321,835	500,000	2,503,227	4,325,062
2009-12-31	5,432,677	6,900,000	5,255,899	17,588,576

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	Statutory Reserve RMB'000	General reserve RMB'000	Surplus reserve RMB'000	Total RMB'000
2008-1-1	2,859,228	6,400,000	1,652,917	10,912,145
Appropriation from profit (note 42(a))	1,251,614	-	1,099,755	2,351,369
2008-12-31	4,110,842	6,400,000	2,752,672	13,263,514

Statutory reserve

In accordance with the PRC Companies Law, the Company is required to allocate 10% of its profits after tax, as determined in accordance with the PRC accounting standards and regulations applicable to the Company, to the statutory surplus reserve until such reserve reaches 50% of the registered capital of the Company. Subject to certain restrictions set out in the PRC Companies Law and the Company's articles of association, the statutory surplus reserve may be distributed to shareholders in the form of bonus issues, but the minimum retained statutory surplus reserve must not fall below 25% of the registered share capital.

General reserve

In accordance with Cai Jin [2005] No. 49 "Circular on Impairment Loss on Loans" issued by the Ministry of Finance which come into effect from 1 July 2005, the Company is required to set aside a general provision of at least 1% of its total risk-weighted assets at year end from net profit and the general provision shall form part of the shareholders' equity. According to Cai Jin [2005] No. 90 "Reserves for Non-performing Debts by Financial Enterprises" issued by the Ministry of Finance, financial institutions are required to complete the 1% general reserve in the period that should not exceed five years since 2005.

Surplus reserve

After Statutory surplus reserve accrual, the Company could accrue general surplus reserve with the annual shareholders' meeting's approval, which could be used for stock dividend or recuperating losses.

42a. Profit appropriation

Pursuant to the resolution of the board of directors' meeting held on 2 April 2010, the Company appropriated 10% and 20% of audited (by the local certified public accountants) net profits to the statutory surplus reserve and the general surplus reserve respectively for the year ended 31 December 2009. The Company appropriated RMB2.6 billion through the profit of year 2009 to general reserve and declares 3 shares per 10 shares and cash dividend of RMB 1.5 (including tax) per 10 shares on the share capital based on the 8,830,045,640 shares at the year ended 31 December 2009. The scheme for appropriation and distribution is pending approval at the annual shareholders' meeting. These financial statements do not include all the other profit appropriation except for the 10% statutory surplus reserve for the year ended 31 December 2009.

43. RETAINED PROFITS

These financial statements were prepared in accordance with the basis of preparation set out in note 2.5. These financial statements are not the statutory financial statements of the Company and were prepared for the proposed acquisition of new shares in the Group by China Mobile Limited.

Commencing from 2001, in accordance with the regulations of the Questions and Answers on Standard Disclosures by Companies with Publicly Issued Shares, No. 4 issued by the Committee of the CSRC, listed financial companies should make appropriations to the statutory surplus reserve and statutory public welfare fund based on the net profit for the year as stated in the Company's statutory financial statements. However, appropriation to the general surplus reserve and payment for dividends should be made based on the lower of net profit for the year as stated in the Company's statutory financial statements and these financial statements.



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	2009-12-31 RMB'000	2008-12-31 RMB'000
Proposed in 2008	1,302,110	-
Proposed in 2007	-	696,781
	1,302,110	696,781

The 2008 annual shareholders meeting held on 8 May 2009 approved the common stock dividend distribution: four bonus shares plus RMB2.3 (including tax) per 10 shares for the year 2008, which added RMB 1,302,110,000 to the share capital and the total amount of cash dividends was RMB 2,264,539,000.

44. MINORITY INTERESTS

Minority interests of the Company's significant subsidiaries are as follows:

	2009-12-31 RMB'000	2008-12-31 RMB'000
Mianzhu SPD Rural Bank Co., Ltd.	24,621	22,363
Liyang SPD Rural Bank Co., Ltd.	23,304	-
Gongyi SPD Rural Bank Co., Ltd.	23,841	-
Fengxian SPD Rural Bank Co., Ltd.	14,929	-
Zixing SPD Rural Bank Co., Ltd.	23,576	-
Banan of Chongqing SPD Rural Bank Co., Ltd.	24,148	-
Total	134,419	22,363

45. OFF-STATEMENT OF FINANCIAL POSITION ITEMS

	2009-12-31 RMB'000	2008-12-31 RMB'000
Bank acceptances	228,097,040	204,069,015
Confirmed bank acceptances	2,561,475	3,877,599
Guarantees issued	42,767,812	38,765,376
Irrevocable letters of credit issued	13,670,055	9,388,058
Loan commitments (note 1)	15,000	20,000
Unutilised credit card commitments (note 1)	13,716,390	15,863,833

Note 1: The Group always granted credit facilities to customers, and held the outstanding position of credit commitment at any time during the year. These commitments included unutilised credit facilities granted to credit card holders and contracted loan commitments.

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Notes to the Financial Statements for the Year Ended 31 December 2009 (Unit: RMB '000)

Redemption commitments of government bonds:

As an underwriting agent of the Government, the Company underwrites certain PRC government bonds and sells the bonds to the general public, in which the Company is obliged to redeem these bonds at the discretion of the holders at any time prior to maturity. The redemption price for the bonds is based on the nominal value of the bonds plus any interest accrued up to the redemption date. As at 31 December 2009, the Company had underwritten and sold bonds with an accumulated amount of RMB3,379,578,000 (31 December 2008: RMB3,578,333,000) to the general public, and these government bonds have not yet matured nor been redeemed. The Ministry of Finance (the "MOF") will not provide funding for the early redemption of these government bonds on a back-to-back basis but is obliged to repay the principal and the respective interest upon maturity. The management expects that the amount of redemption of these government bonds through the bank prior to maturity will not be material.

46. FIDUCIARY TRANSACTIONS

(a) Entrusted transactions

	2009-12-31 RMB'000	2008-12-31 RMB'000
Entrusted deposits	110,168,915	67,482,194
Entrusted loans	110,168,634	67,458,533
Net funds from entrusted deposits (note 36)	281	23,661
Entrusted funding	49,140,240	8,456,615
Entrusted investment	49,140,240	8,456,615

Entrusted deposits represent funds which depositors have instructed the Company to grant loans to third parties designated by them. The credit risk remains with the depositors.

The difference between the balances of entrusted deposits and entrusted loans represents the amount which the depositors have not yet designated the Company to grant loans with. This amount is included in customer deposits.

Entrusted funding and entrusted investments represent the investment and asset management services provided by the Company for third parties in accordance with the agreed investment plans. The third parties provide funding for the related investments. Income from such investment activities is collected on behalf of and paid to the third parties according to the relevant contractual terms.

(b) Fund trustee

As at 31 December 2009, the Company was the trustee for the following investment securities funds and their respective fund management companies:

Funds	Fund Management Company
Guotai Jinlong Series of Investment Securities Funds	Guotai Asset Management Co., Ltd.
Guotai Jinlong Bond Fund	Guotai Asset Management Co., Ltd.
China Nature Wealth Growth Fund	China Nature Assets Management Co., Ltd.
Harvest High-quality Enterprise Fund	Harvest Fund Management Co., Ltd.
Guangfa LOF	Guangfa Fund Management Co., Ltd.
China Universal Money Market Fund	China Universal Assets Management Co., Ltd.
Changxin Jinli Trend Fund	Chang Xin Asset Management Co., Ltd.



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47. COMMITMENTS

(a) Operating lease commitments

The total future minimum lease payments in respect of non-cancellable operating leases were as follows:

	2009-12-31 RMB'000	2008-12-31 RMB'000
Within one year	697,763	541,502
After one year but not more than five years	1,989,622	1,504,905
More than five years	925,699	742,122
	3,613,084	2,788,529

(b) Capital commitments

At the end of each reporting period, the Group had capital commitments as follows:

	2009-12-31 RMB'000	2008-12-31 RMB'000
Contracted but not provided for	739,556	314,791

48. NOTES ON THE MAIN ITEMS IN THE PARENT'S FINANCIAL STATEMENTS

	2009-12-31 RMB'000	2008-12-31 RMB'000
Investment in a subsidiary	164,000	27,500

In accordance with the HuYinJianHan (2008) No.88 the "Comments on Approval for the Establishment of MianZhu Pufa Rural Bank by Shanghai Pudong Development Bank" issued by the China Banking Regulatory Commission Shanghai Bureau, ChuanYinJianFu (2008) No. 491 the "Approval for the Establishment of Mianzhu Pufa Rural Bank Co., Ltd." issued by the CBRC Sichuan Bureau, and DeYinJianFa (2008) No.334 the "Approval for the Opening of Mianzhu Pufa Rural Bank Co., Ltd." issued by Deyang Bureau. Mianzhu Pufa Rural Bank Co. Ltd. initiated by the Company, was established in Mianzhu, Sichuan Province on 26 December 2008.

The Company invested RMB27,500,000 in Mianzhu Pufa Rural Bank Co., Ltd., which accounted for 55% of the share capital and entitled it to 55% of the voting rights.

In accordance with the HuYinJianHan (2009) No.137 the "Comments on Approval for the Establishment of Liyang Pufa Rural Bank by Shanghai Pudong Development Bank" issued by the China Banking Regulatory Commission Shanghai Bureau, ChangYinJianFu (2009) No. 87 the "Approval for the Opening of Liyang Pufa Rural Bank Co., Ltd." issued by the CBRC Changzhou Bureau, Liyang Pufa Rural Bank Co., Ltd. initiated by the Company, was established in Liyang, Jiangsu Province on 24 June 2009.

The Company invested RMB25,500,000 in Liyang Pufa Rural Bank Co., Ltd., which accounted for 51% of the share capital and entitled it to 51% of the voting rights.

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In accordance with the HuYinJianFu (2009) No.606 the “Comments on Approval for plans related to the Establishment of Fengxian Pufa Rural Bank by Shanghai Pudong Development Bank ” issued by the China Banking Regulatory Commission Shanghai Bureau, YuYinJianFu(2009) No. 352 the “Approval for the Opening of Gongyi Pufa Rural Bank Co., Ltd.” issued by the CBRC Henan Bureau, and YuYinJianFu (2009) No.342 the “Approval for the Establishment of Gongyi Pufa Rural Bank Co., Ltd.” issued by Henan Bureau., Gongyi Pufa Rural Bank Co., Ltd. initiated by the Company, was established in Gongyi, Henan Province on 17 September 2009.

The Company invested RMB25,500,000 in Gongyi Pufa Rural Bank Co., Ltd, which accounted for 51% of the share capital and entitled it to 51% of the voting rights.

In accordance with the HuYinJianHan (2009) No.126 the “Comments on Approval for the Establishment of Fengxian Pufa Rural Bank by Shanghai Pudong Development Bank” issued by the China Banking Regulatory Commission Shanghai Bureau, HuYinJianFu (2009) No. 576 the “Approval for the Opening of Fengxian Pufa Rural Bank Co., Ltd.” issued by the CBRC Shanghai Bureau, and HuYinJianFu (2009) No.606 the “Comments on Approval for plans related to the Establishment of Fengxian Pufa Rural Bank by Shanghai Pudong Development Bank” issued by Shanghai Bureau., Fengxian Pufa Rural Bank Co., Ltd. initiated by the Company, was established in Fengxian, Shanghai on 20 August 2009.

The Company invested RMB34,500,000 in Fengxian Pufa Rural Bank Co., Ltd., which accounted for 69% of the share capital and entitled it to 69% of the voting rights.

In accordance with the HuYinJianHan (2009) No.318 the “Comments on Approval for the Establishment of Zixing Pufa Rural Bank by Shanghai Pudong Development Bank” issued by the China Banking Regulatory Commission Shanghai Bureau, ChenYinJian (2009) No.9 the “Comments on Approval for the Establishment of Zixing Pufa Rural Bank Co., Ltd.” issued by the CBRC Chenzhou Bureau, and ChenYinJianFu (2009) No.110 the “Approval for the Opening of Zixing Pufa Rural Bank Co., Ltd” issued by Chenzhou Bureau. Zixing Pufa Rural Bank Co. Ltd. initiated by the Company, was established in Zixing, Hunan Province on 6 November 2009.

The Company invested RMB25,500,000 in Zixing Pufa Rural Bank Co., Ltd, which accounted for 51% of the share capital and entitled it to 51% of the voting rights.

In accordance with the HuYinJianHan (2009) No.340 the “Comments on Approval for the Establishment of Ba’nan Pufa Rural Bank by Shanghai Pudong Development Bank” issued by the China Banking Regulatory Commission Shanghai Bureau, YuYinJianFu (2009) No.215 the “Approval for the Opening of Ba’nan Pufa Rural Bank Co., Ltd.” issued by the CBRC Chongqing Bureau, and YuYinJianFu (2009) No.209 the “Approval for the Establishment of Ba’nan Pufa Rural Bank Co., Ltd.” issued by Chongqing Bureau. Ba’nan Pufa Rural Bank Co., Ltd. initiated by the Company, was established in Ba’nan, Chongqing on 23 December 2009.

The Company invested RMB25,500,000 in Ba’nan Pufa Rural Bank Co., Ltd., which accounted for 51% of the share capital and entitled it to 51% of the voting rights.

49. FINANCIAL INSTRUMENTS RISK POSITION

(a) Credit risk

Credit risk represents the potential loss that may arise from the failure of a debtor to meet its obligations or commitments to the bank. Credit risk is greater when counterparties are concentrated in a single industry or geographic location, because a group of otherwise unrelated counterparties could be adversely affected in their ability to repay their obligations due to economic developments affecting their common industry or location.



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Concentration of credit risk exists if a number of clients are engaged in similar activities, or are located in the same geographic location or have comparable economic characteristics such that their ability to meet contractual obligations would be similarly affected by changes in the economy or other conditions. Concentration of credit risk indicates the relative sensitivity of the Company's performance to developments affecting a particular industry or geographic location.

The Group conducts credit evaluations before granting facilities to individual customers, and regularly examines the credit limit. The means of credit risk management include obtaining mortgages and guarantors. For off-statement of financial position credit commitments, the Group generally requires guarantee deposits to mitigate credit risk.

On-statement of financial position assets

As at 31 December 2009, outstanding loan balances to corporate customers grouped by industry were as follows:

Industry	2009-12-31			%
	RMB RMB' 000	Foreign currency RMB' 000	Total RMB' 000	
Agriculture	3,506,999	182,481	3,689,480	-
Manufacturing	194,914,740	7,540,526	202,455,266	22
Public utilities	48,008,007	220,703	48,228,710	5
Construction	47,306,099	947,246	48,253,345	5
Transportation and communications	67,802,953	1,531,347	69,334,300	7
Wholesale, retail and entertainment	83,279,286	5,036,697	88,315,983	10
Real estate	80,774,498	129,713	80,904,211	9
Social services	64,598,151	61,388	64,659,539	7
Others	159,667,867	5,598,269	165,266,136	18
Subtotal of corporate loans	749,858,600	21,248,370	771,106,970	83
Consumer loans	5,188,032	-	5,188,032	1
Mortgage loans	138,979,717	-	138,979,717	15
Others	13,523,937	56,095	13,580,032	1
Subtotal of personal loans	157,691,686	56,095	157,747,781	17
Total	907,550,286	21,304,465	928,854,751	100

The Financial Statements (by International Auditor)

Notes to the Financial Statements for the Year Ended 31 December 2009 (Unit: RMB '000)

Industry	2008-12-31			%
	RMB RMB' 000	Foreign currency RMB' 000	Total RMB' 000	
Agriculture	2,672,003	15,472	2,687,475	1
Manufacturing	169,440,728	5,223,276	174,664,004	25
Public utilities	48,136,179	127,608	48,263,787	7
Construction	37,937,115	28,667	37,965,782	5
Transportation and communications	50,017,105	591,571	50,608,676	7
Wholesale, retail and entertainment	66,950,311	2,171,047	69,121,358	10
Real estate	63,781,982	170,638	63,952,620	9
Social services	46,567,832	110,118	46,677,950	7
Others	93,260,855	2,541,018	95,801,873	14
Subtotal of corporate loans	578,764,110	10,979,415	589,743,525	85
Consumer loans	2,851,332	-	2,851,332	-
Mortgage loans	94,908,952	-	94,908,952	14
Others	10,016,896	43,965	10,060,861	1
Subtotal of personal loans	107,777,180	43,965	107,821,145	15
Total	686,541,290	11,023,380	697,564,670	100

Off-statement of financial position credit commitments

As at 31 December 2009, the Company had credit commitments amounting to RMB300.8 billion, of which 7.81%, 22.53%, 11.83%, 2.45%, and 5.27% are related to customers domiciled in Shanghai, Zhejiang Province, Jiangsu Province, Beijing and Guangdong Province, respectively. The remaining credit commitments were relating to customers located elsewhere throughout the PRC.

Derivative financial instruments

All derivative contracts were transacted by the Company's head office in Shanghai. Credit risk represents the inability of the counterparty to deliver payment in accordance with the terms of the derivative contracts. The fair value is the amount for which an asset could be exchanged, or a liability settled.

To mitigate the credit risk associated with derivative instruments, the Company enters into master netting agreements with certain counterparties. The Company subjects its derivative-related credit risk to the same credit approval and monitoring standards that it uses for managing other transactions that have exposure to credit risk.

Maximum exposure to credit risk

The following shows the maximum credit risk exposures of statement of financial position items, contingent liabilities and commitments. The maximum exposures represent the credit risk exposures without taking account of any collateral and other credit enhancements.



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	2009-12-31 RMB'000	2008-12-31 RMB'000
Due from the central bank	201,294,317	159,505,178
Due from banks and inter-bank placements	167,676,463	77,773,214
Reverse repurchase agreements	53,057,497	171,471,733
Precious metals	213,212	-
Loans and advances	910,508,026	681,266,568
HTM investments	136,745,989	110,600,017
AFS investments	89,982,423	57,754,770
Loans and receivables investments	33,657,198	23,261,377
Derivatives	607,340	2,287,774
Other assets	13,087,757	11,764,131
Total assets	1,606,830,222	1,295,684,762
Loan commitments	13,731,390	15,883,833
Other commitments	287,096,382	256,100,048
Maximum exposure to credit risk	1,907,657,994	1,567,668,643

Financial assets valued at fair value as shown above represent the credit exposures as at the end of each reporting period without considering the future changes in fair value.

Collateral and other credit enhancements

The types and value of collateral are determined based on the counterparty's credit risk valuation. The acceptance and value of the collateral form the basis to determine the execution standard by the Company.

The Company accepts the major types of collateral as below:

- (i) Reverse repurchase agreements: bills, bonds, and loans, etc.
- (ii) Corporate loans: real estate, machinery, land use rights, deposits, and pledge of stock right, etc.
- (iii) Retail loans: real estate, and deposits, etc.

The management examines the value of the collateral periodically and requires counterparties to increase the collateral if necessary.



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Notes to the Financial Statements for the Year Ended 31 December 2009 (Unit: RMB '000)

Overdue but not impaired financial assets ageing analysis

The ageing analysis of overdue but not impaired financial assets is shown as below:

	Within 3 months RMB'000	3 months- 6 months RMB'000	6 months- 1 year RMB'000	More than 1 year RMB'000	Total RMB'000
2009-12-31					
Due from banks and other financial institutions	-	-	-	9,000	9,000
Corporate loans	86,334	448	-	-	86,782
Credit cards	192,132	-	-	-	192,132
Consumer loans	18,638	-	-	-	18,638
Mortgage loans	789,083	-	-	-	789,083
Others	162,094	-	-	-	162,094
Total	1,248,281	448	-	9,000	1,257,729

	Within 3 months RMB'000	3 months- 6 months RMB'000	6 months- 1 year RMB'000	More than 1 year RMB'000	Total RMB'000
2008-12-31					
Due from banks and other financial institutions	-	-	-	9,000	9,000
Corporate loans	227,081	12,951	-	300	240,332
Credit cards	181,544	-	-	-	181,544
Consumer loans	14,703	-	-	-	14,703
Mortgage loans	1,221,140	-	-	-	1,221,140
Others	188,280	-	-	-	188,280
Total	1,832,748	12,951	-	9,300	1,854,999



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Notes to the Financial Statements for the Year Ended 31 December 2009 (Unit: RMB '000)

Neither overdue nor impaired financial assets

The neither overdue nor impaired financial assets are shown as below:

	Neither overdue nor impaired financial assets		
	High quality financial assets	Standard quality financial assets	Total
	RMB'000	RMB'000	RMB'000
2009-12-31			
Due from banks and other financial institutions	167,667,463	-	167,667,463
Corporate loans	750,927,728	1,037,139	751,964,867
Credit cards	5,167,551	-	5,167,551
Consumer loans	4,528,352	-	4,528,352
Mortgage loans	101,353,255	23,964	101,377,219
Other loans	43,663,193	865	43,664,058
Reverse repurchase assets	53,057,497	-	53,057,497
Treasury bonds	57,861,878	-	57,861,878
Other listed bonds	169,890,178	-	169,890,178
Other unlisted bonds	31,865,934	-	31,865,934
Total	1,385,983,029	1,061,968	1,387,044,997

	Neither overdue nor impaired financial assets		
	High quality financial assets	Standard quality financial assets	Total
	RMB'000	RMB'000	RMB'000
2008-12-31			
Due from banks and other financial institutions	77,699,442	-	77,699,442
Corporate loans	571,110,013	8,323,623	579,433,636
Credit cards	3,812,539	-	3,812,539
Consumer loans	2,356,544	1,797	2,358,341
Mortgage loans	66,883,282	13,905	66,897,187
Other loans	32,018,763	5,949	32,024,712
Reverse repurchase assets	171,471,733	-	171,471,733
Treasury bonds	42,268,284	-	42,268,284
Other listed bonds	126,769,173	-	126,769,173
Other unlisted bonds	22,189,087	-	22,189,087
Total	1,116,578,860	8,345,274	1,124,924,134

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Notes to the Financial Statements for the Year Ended 31 December 2009 (Unit: RMB '000)

Rescheduled loans

The carrying amount of loans and advances that would otherwise be past due or impaired and whose terms have been renegotiated is as follows:

	2009-12-31	2008-12-31
	RMB'000	RMB'000
Loans and advances to customers	209,188	399,274

(b) Market risk

Market risk is the risk of loss arising from movements in observable market variables such as interest rates, exchange rates and equity markets. Market risks not only exist in the non-transaction business, but also in the transaction business. The Company's market risk is mainly from interest risk and currency risk.

The Company established a framework and specific team to manage market risk. The monitoring and management of market risk is primarily performed by the Market Risk Management Department. The department is also responsible for drafting the policies relating to market risk management and submitting them to the Market Risk Management Committee. Under the current framework, the responsibility of the Market Risk Department mainly includes the management of market risk of trading business and currency risk. The market risk coming from trading business was due to the market maker business, finance business in delegation of clients and other short term market businesses.

The Company measured the market risk with consideration to the established benchmarks and management ability, the main methods of which composed sensitivity analysis and stress tests, etc. The market risk of new products and businesses should be recognised before their commencement in compliance with relevant company policies.

(i) Currency risk

The Company is incorporated and operates in the PRC, with RMB as its reporting currency. The other major foreign currency in which the Company transacts business is USD. From 21 July 2005 onwards, the PBOC reformed the exchange rate regime by moving into a managed floating exchange rate regime based on market supply and demand with reference to a basket of currencies, which resulted in a gradual appreciation of RMB against USD.



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A breakdown of relevant assets and liabilities by currencies is as follows:

	2009-12-31			
	RMB RMB'000	USD RMB'000	Other RMB'000	Total RMB'000
Assets:				
Cash and balance with the central bank	203,636,819	1,227,743	254,385	205,118,947
Due from banks and other financial institutions	151,309,693	10,553,154	5,813,616	167,676,463
Reverse repurchase agreements	53,057,497	-	-	53,057,497
Precious metals	213,212	-	-	213,212
Derivative financial assets	412,010	44,537	150,793	607,340
Loans and advances to customers	889,416,195	19,362,658	1,729,173	910,508,026
AFS investments	89,475,792	506,631	-	89,982,423
HTM investments	136,406,076	339,913	-	136,745,989
Equity investment in associates and joint ventures	534,982	68,270	-	603,252
Loans and receivables investments	33,657,198	-	-	33,657,198
Other assets	21,049,028	3,349,793	148,792	24,547,613
Total assets	1,579,168,502	35,452,699	8,096,759	1,622,717,960
Liabilities:				
Due to the central bank	48,000	-	-	48,000
Due to banks and other financial Institutions	207,695,939	1,454,885	559,038	209,709,862
Repurchase agreements	1,264,882	-	-	1,264,882
Derivative financial liabilities	412,010	47,399	146,095	605,504
Due to customers	1,257,475,095	27,778,635	10,088,612	1,295,342,342
Dividends payable	17,920	-	-	17,920
Bonds issued	18,800,000	-	-	18,800,000
Other liabilities	28,290,968	260,964	290,073	28,842,005
Total liabilities	1,514,004,814	29,541,883	11,083,818	1,554,630,515
Net position	65,163,688	5,910,816	(2,987,059)	68,087,445

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Notes to the Financial Statements for the Year Ended 31 December 2009 (Unit: RMB '000)

	2008-12-31			
	RMB RMB'000	USD RMB'000	Other RMB'000	Total RMB'000
Assets:				
Cash and balance with the central bank	160,741,934	1,592,743	266,581	162,601,258
Due from banks and other financial institutions	59,766,423	11,724,100	6,282,691	77,773,214
Reverse repurchase agreements	171,471,733	-	-	171,471,733
Derivative financial assets	1,797,390	189,407	300,977	2,287,774
Loans and advances to customers	670,371,026	10,245,570	649,972	681,266,568
AFS investments	57,259,851	494,919	-	57,754,770
HTM investments	110,600,017	-	-	110,600,017
Equity investment in associates and joint ventures	470,131	68,255	-	538,386
Loans and receivables investments	23,261,377	-	-	23,261,377
Other assets	9,173,143	9,856,374	2,840,828	21,870,345
Total assets	1,264,913,025	34,171,368	10,341,049	1,309,425,442
Liability:				
Due to banks and other financial Institutions	229,137,498	3,492,945	343,229	232,973,672
Repurchase agreements	19,682,401	-	-	19,682,401
Derivative financial liabilities	1,799,899	182,911	395,395	2,378,205
Due to customers	919,978,749	21,207,179	6,107,653	947,293,581
Dividends payable	11,935	-	-	11,935
Bonds issued	24,800,000	-	-	24,800,000
Other liabilities	39,160,423	1,010,186	413,240	40,583,849
Total liabilities	1,234,570,905	25,893,221	7,259,517	1,267,723,643
Net position	30,342,120	8,278,147	3,081,532	41,701,799

The Group measured the possible effect on net foreign exchange gain or loss caused by fluctuations in foreign exchange rates through a sensitivity analysis. The table below shows the results of the sensitivity analysis at the end of each reporting period.

	2009-12-31		2008-12-31	
	Foreign exchange rate		Foreign exchange rate	
	-1%	+1%	-1%	+1%
Annualised profit/equity increase/(decrease) (RMB'000)				
USD	228,129	(228,129)	167,197	(167,197)
Other foreign currency	(3,528)	3,528	(23,272)	23,272



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The sensitivity analysis was based on all assets and liabilities characteristic of static currency risk structure. The hypothesis was shown as below: (1) exchange rate sensitivity represents the exchange gain or loss caused by a 1% fluctuation in the absolute value of the relevant currency exchange rates (middle) at the end of each reporting period; (2) different currency rate's fluctuation was simultaneous and in the same direction; (3) foreign currency position contains a spot exchange position and a forward exchange position.

Based on the above-mentioned hypothesis, the actual exchange gain or loss may differ from the sensitivity analysis result.

(ii) Interest rate risk

The interest rate risk comes from the mismatch between the maturity dates and revaluation dates of the interest-generating assets and interest-paid liabilities. The interest-generating assets and interest-paid liabilities are predominantly in RMB. The PBOC designated the lower limit of RMB loan rates and upper limit of RMB deposit rates.

As at 31 December 2009, the Group's financial assets and financial liabilities categorised by the earlier of the contractual re-pricing date and the maturity date are as follows:

	Within 1 month RMB'000	1 to 3 Months RMB'000	3 to 12 months RMB'000	1 to 2 years RMB'000	2 to 3 years RMB'000	3 to 4 years RMB'000	4 to 5 years RMB'000	Over 5 years RMB'000	Overdue/ Non-interest bearing RMB'000	Total RMB'000
Assets:										
Cash and balances with the central bank	201,294,317	-	-	-	-	-	-	-	3,824,630	205,118,947
Due from banks and other financial institutions	74,937,208	10,151,555	82,578,700	-	-	-	-	-	9,000	167,676,463
Reverse purchase agreements	38,694,671	559,282	13,803,544	-	-	-	-	-	-	53,057,497
Precious metals	-	-	-	-	-	-	-	-	213,212	213,212
Derivative financial assets	-	-	-	-	-	-	-	-	607,340	607,340
Loans and advances to customers	207,179,134	234,783,451	442,342,534	5,591,478	5,995,519	1,854,187	2,189,051	8,734,167	1,838,505	910,508,026
Available-for-sale investments	9,637,429	46,428,144	14,589,473	3,639,094	4,345,707	1,556,539	2,872,464	6,145,953	767,620	89,982,423
Equity investment in associates and joint ventures	-	-	-	-	-	-	-	-	603,252	603,252
Held-to-maturity investments	2,426,720	5,581,509	33,842,960	43,907,343	35,268,824	5,516,807	4,729,432	5,472,394	-	136,745,989
Loans and receivables investments	-	315,227	22,161,878	108,737	9,583,081	24,085	119,721	1,344,469	-	33,657,198
Other assets	266,827	-	-	-	-	-	-	-	24,280,786	24,547,613
Total assets	534,436,306	297,819,168	609,319,089	53,246,652	55,193,131	8,951,618	9,910,668	21,696,983	32,144,345	1,622,717,960

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As at 31 December 2009, the Group's financial assets and financial liabilities categorised by the earlier of the contractual re-pricing date and the maturity date are as follows: (continued)

	Within 1 month RMB'000	1 to 3 Months RMB'000	3 to 12 months RMB'000	1 to 2 years RMB'000	2 to 3 years RMB'000	3 to 4 years RMB'000	4 to 5 years RMB'000	Over 5 years RMB'000	Overdue/ Non-interest bearing RMB'000	Total RMB'000
Liabilities:										
Due to the central bank	48,000	-	-	-	-	-	-	-	-	48,000
Due to banks and other financial institutions	119,190,274	30,780,611	52,888,977	5,300,000	200,000	1,350,000	-	-	-	209,709,862
Repurchase agreements	1,264,882	-	-	-	-	-	-	-	-	1,264,882
Derivative financial liabilities	-	-	-	-	-	-	-	-	605,504	605,504
Financial liabilities at fair value through profit or loss	-	-	-	-	-	-	-	-	237,326	237,326
Due to customers	628,042,030	194,257,369	370,267,400	45,476,145	27,962,156	16,622,723	10,048,699	969,324	1,696,496	1,295,342,342
Dividends payable	-	-	-	-	-	-	-	-	17,920	17,920
Bonds issued	-	-	7,000,000	2,600,000	1,000,000	8,200,000	-	-	-	18,800,000
Other liabilities	-	-	-	-	-	-	-	-	28,604,679	28,604,679
Total liabilities	748,545,186	225,037,980	430,156,377	53,376,145	29,162,156	26,172,723	10,048,699	969,324	31,161,925	1,554,630,515
Net position	(214,108,880)	72,781,188	179,162,712	(129,493)	26,030,975	(17,221,105)	(138,031)	20,727,659	982,420	68,087,445

As at 31 December 2008, the Group's financial assets and financial liabilities categorised by the earlier of the contractual re-pricing date and the maturity date are as follows:

	Within 1 month RMB'000	1 to 3 Months RMB'000	3 to 12 months RMB'000	1 to 2 years RMB'000	2 to 3 years RMB'000	3 to 4 years RMB'000	4 to 5 years RMB'000	Over 5 years RMB'000	Overdue/ Non-interest bearing RMB'000	Total RMB'000
Assets:										
Cash and balances with the central bank	159,505,178	-	-	-	-	-	-	-	3,096,080	162,601,258
Due from banks and other financial institutions	33,357,769	13,407,739	30,933,934	-	-	-	-	-	73,772	77,773,214
Reverse repurchase agreements	63,915,396	30,756,590	76,799,747	-	-	-	-	-	-	171,471,733
Derivative financial assets	-	-	-	-	-	-	-	-	2,287,774	2,287,774
Loans and advances to customers	137,330,833	156,790,106	368,583,653	4,673,978	2,301,905	2,168,695	2,379,337	5,316,909	1,721,152	681,266,568
Available-for-sale investments	39,140,988	1,808,499	6,635,840	1,448,783	1,084,755	416,906	1,378,734	5,450,644	389,621	57,754,770
Equity investment in associates and joint ventures	-	-	-	-	-	-	-	-	538,386	538,386
Held-to-maturity investments	4,394,836	18,375,299	21,455,536	26,792,782	32,293,006	1,201,788	3,348,282	2,738,488	-	110,600,017
Loans and receivables investments	-	-	-	22,139,970	101,816	308,403	19,983	691,205	-	23,261,377
Other assets	2,357,401	-	-	-	-	-	-	-	19,512,944	21,870,345
Total assets	440,002,401	221,138,233	504,408,710	55,055,513	35,781,482	4,095,792	7,126,336	14,197,246	27,619,729	1,309,425,442

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As at 31 December 2008, the Group's financial assets and financial liabilities categorised by the earlier of the contractual re-pricing date and the maturity date are as follows: (continued)

	Within 1 month RMB'000	1 to 3 Months RMB'000	3 to 12 months RMB'000	1 to 2 years RMB'000	2 to 3 years RMB'000	3 to 4 years RMB'000	4 to 5 years RMB'000	Overdue/ Over 5 years RMB'000	Non-interest bearing RMB'000	Total RMB'000
Due to banks and other financial institutions										
Repurchase agreements	84,332,126	48,407,424	89,734,122	3,100,000	2,300,000	3,500,000	1,600,000	-	-	232,973,672
Derivative financial liabilities	30,800	528,600	19,123,001	-	-	-	-	-	-	19,682,401
Financial liabilities at fair value through profit or loss	-	-	-	-	-	-	-	-	2,378,205	2,378,205
Due to customers	611,213,285	79,791,739	157,206,532	33,375,711	23,626,353	24,369,828	13,405,595	1,135,355	3,169,183	947,293,581
Dividends payable	-	-	-	-	-	-	-	-	11,935	11,935
Bonds issued	6,000,000	-	5,000,000	2,000,000	2,600,000	1,000,000	8,200,000	-	-	24,800,000
Other liabilities	-	-	-	-	-	-	-	-	40,583,849	40,583,849
Total liabilities	701,576,211	128,727,763	271,063,655	38,475,711	28,526,353	28,869,828	23,205,595	1,135,355	46,143,172	1,267,723,643
Net position	(261,573,810)	92,410,470	233,345,055	16,579,802	7,255,129	(24,774,036)	(16,079,259)	13,061,891	(18,523,443)	41,701,799

The Group measured the possible effect on profit before tax and equity caused by interest rate fluctuations through a sensitivity analysis. The table below shows the result of the sensitivity analysis at the end of each reporting period.

	2009-12-31		2008-12-31	
	Interest rate changes		Interest rate changes	
	-100	+100	-100	+100
Annualised profit before tax increase/(decrease) (RMB'000)	(1,992,491)	1,992,491	(1,461,079)	1,461,079
Equity increase/(decrease) (RMB' 000)	698,446	(683,382)	628,840	(577,170)

The sensitivity analysis was performed on the basis of static characteristics of the interest risk of the assets and liabilities. In the relevant analysis, the fluctuation was only measured during one year, which reflected the effect on the annualised interest income given re-pricing of the assets and liabilities.

The hypothesis was shown as below:

(1) all assets and liabilities re-priced again at the beginning of the period for within three months and three to twelve months (i.e., assets and liabilities re-priced or matured within three months re-priced or matured immediately; all assets and liabilities re-priced or matured at three to twelve months re-priced or matured in three months);

(2) the yield curve moved in parallel with interest rates;

(3) there were no other changes to the portfolio of assets and liabilities.

Due to the variables mentioned above, the actual interest income may differ from the sensitivity analysis result.

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(c) Liquidity risk

Liquidity risk is the risk that funds will not be available to meet liabilities as they fall due, and it is the result of amount and maturity mismatches of assets and liabilities. The liquidity risk management system of the Group includes plan before-event, manage during-event, and adjust after-event and all cycles of the emergency plan. In accordance with the Group's situation, according to the regulatory index systems, the series of the daily liquidity system was designed to monitor the execution of the relevant ratio limits, manage the index system's grading, and adjust the different levels in different ways.

The maturity analysis of assets and liabilities of the Group, based on contractual discounted cash flow, as at 31 December 2009 is as follows:

	Overdue RMB'000	Repayable on demand RMB'000	Due within 3 months RMB'000	3 and 12 months RMB'000	Due between 1 and 5years RMB'000	Due after 5 years RMB'000	Total RMB'000
Assets:							
Cash balances with central bank	-	205,118,947	-	-	-	-	205,118,947
Due from banks and other financial institutions	9,000	13,838,233	61,987,138	91,842,092	-	-	167,676,463
Reverse repurchase agreements	-	-	39,253,953	13,803,544	-	-	53,057,497
Precious metals	-	213,212	-	-	-	-	213,212
Loans and advances to customers	1,838,505	-	120,979,118	376,981,393	208,832,790	201,876,220	910,508,026
Available-for-sale investment	-	-	56,221,469	14,074,454	11,623,249	8,063,251	89,982,423
Held-to maturity investment	-	-	13,892,938	20,684,346	93,767,800	8,400,905	136,745,989
Equity investment in associate and joint ventures	-	-	-	-	-	603,252	603,252
Loans and receivables investments	-	-	303,580	22,173,525	9,835,624	1,344,469	33,657,198
Derivative financial assets	-	-	66,758	123,410	246,665	170,507	607,340
Other assets	696,426	9,343,404	2,690,937	1,915,222	2,426,428	7,475,196	24,547,613
Total assets	2,543,931	228,513,796	295,395,891	541,597,986	326,732,556	227,933,800	1,622,717,960
Liabilities:							
Due to the central Bank	-	48,000	-	-	-	-	48,000
Due to banks and other financial Institutions	-	59,107,598	65,100,102	74,613,402	10,888,760	-	209,709,862
Repurchase agreements	-	-	1,264,882	-	-	-	1,264,882
Financial liabilities at fair value through profit or loss	-	237,326	-	-	-	-	237,326
Due to customers	-	619,819,996	179,850,786	357,466,951	135,159,832	3,044,777	1,295,342,342
Dividends payable	-	17,920	-	-	-	-	17,920
Bonds issued	-	-	-	2,000,000	16,800,000	-	18,800,000
Derivative financial liabilities	-	137,421	22,952	31,042	243,581	170,508	605,504
Other liabilities	611,528	16,209,997	5,000,401	3,047,792	3,374,128	360,833	28,604,679
Total liabilities	611,528	695,578,258	251,239,123	437,159,187	166,466,301	3,576,118	1,554,630,515
Net position	1,932,403	(467,064,462)	44,156,768	104,438,799	160,266,255	224,357,682	68,087,445
Commitment	12,645,714	59,678,793	77,761,628	127,740,574	18,439,445	4,561,618	300,827,772

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The maturity analysis of assets and liabilities of the Group, based on contractual discounted cash flow, as at 31 December 2008 is as follows:

	Overdue	Repayable on demand	Due within 3 months	3 and 12 months	Due between 1 and 5 years	Due after 5 years	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Assets:							
Cash balances with central bank	-	162,601,258	-	-	-	-	162,601,258
Due from banks and other financial institutions	73,772	21,275,648	23,964,036	32,459,748	10	-	77,773,214
Reverse repurchase agreements	-	-	137,598,139	33,873,594	-	-	171,471,733
Loans and advances to customers	1,721,152	-	140,141,118	332,877,859	110,328,956	96,197,483	681,266,568
Available-for-sale investment	-	-	12,849,840	31,548,608	5,329,111	8,027,211	57,754,770
Held-to maturity investment	-	-	17,834,070	14,145,519	75,881,942	2,738,486	110,600,017
Equity investment in associate and joint ventures	-	-	-	-	-	538,386	538,386
Loans and receivables investments	-	-	-	-	22,570,172	691,205	23,261,377
Derivative financial assets	-	-	155,410	339,106	1,407,618	385,640	2,287,774
Other assets	601,020	9,442,485	2,486,539	953,131	1,749,261	6,637,909	21,870,345
Total assets	2,395,944	193,319,391	335,029,152	446,197,565	217,267,070	115,216,320	1,309,425,442
Liabilities:							
Due to banks and other financial Institutions	-	80,649,033	47,106,188	93,382,797	11,835,654	-	232,973,672
Repurchase agreements	-	-	13,635,097	6,047,304	-	-	19,682,401
Financial liabilities at fair value through profit or loss	-	-	-	-	-	-	-
Due to customers	-	454,585,026	102,181,383	284,490,241	102,478,952	3,557,979	947,293,581
Dividends payable	-	11,935	-	-	-	-	11,935
Bonds issued	-	-	-	6,000,000	18,800,000	-	24,800,000
Derivative financial liabilities	-	-	154,332	231,040	1,546,784	446,049	2,378,205
Other liabilities	429,664	16,557,478	7,246,821	10,089,994	6,043,740	216,152	40,583,849
Total liabilities	429,664	551,803,472	170,323,821	400,241,376	140,705,130	4,220,180	1,267,723,643
Net position	1,966,280	(358,484,081)	164,705,331	45,956,189	76,561,940	110,996,140	41,701,799
Commitment	7,564,733	51,107,239	76,020,892	115,405,251	19,016,420	2,869,345	271,983,880

Maturities are tabulated based at the end of each reporting period to due date.

50. FAIR VALUE OF FINANCIAL INSTRUMENTS

(a) Financial instruments measured at fair value

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction. Subject to the existence of an active market (e.g. authorised securities exchange), the market value is the best reflection of the fair values of financial instruments. As there is no available market value for certain financial assets and liabilities held and issued by the Group, the present value or other valuation methods described below are adopted to determine the fair value of these assets and liabilities. However, the value determined by these methods is subject to the impact of future cash flows, timing assumptions and discount rates used.

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The following methods and assumptions have been used in estimating fair value:

(i) Financial assets at fair value through profit or loss including trading assets, derivatives and other transactions performed for trading purposes are measured at fair value by reference to the quoted market prices if available. If quoted market prices are not available, then fair values are estimated on the basis of pricing models or discounted cash flows. Fair value is the carrying amount of these items.

(ii) The fair value of loans and receivables investments is estimated on the basis of pricing models or discounted cash flows.

(iii) The fair value of held-to-maturity securities investments is determined by reference to the market value if available. If quoted market prices are not available, then fair values are estimated on the basis of pricing models or discounted cash flows.

(iv) The fair value of liquid assets and liabilities maturing within 12 months is assumed to be approximately equal to their carrying amount.

(v) The fair value of fixed rate loans is estimated by comparing the market interest rates when the loans were granted with the current market rates offered on similar loans. Changes in the credit quality of loans within the portfolio are not taken into account in determining gross fair values as the impact of credit risk is recognised separately by deducting the amount of the impairment provision from both carrying amount and fair values.

(vi) The interest rate of customer deposits might either be floating or fixed depending on types of products. The fair values of savings accounts and deposits without a maturity date are the amount payable on demand to customers. The fair values of deposits with fixed terms are determined by the discounted cash flow method. The discount rate adopted is the current interest rate of deposits with the same maturity as the remaining maturity of those deposits.

All the above-mentioned assumptions and methods provide a consistent basis for the calculation of the fair value of the Group's assets and liabilities. However, other institutions may use different assumptions and methods, therefore the fair values disclosed by different financial institutions may not be entirely comparable.

The majority of the Group's RMB loans and advances were made at fixed rates and most of the USD loans and advances were made at floating rates. Deposits are made at fixed rates or floating rates depending on their nature. Management estimates that the difference between the fair values and carrying amounts of loans and advances and deposits was not material as at 31 December 2009. The fair value of loans and advances is estimated by comparing market interest rates when the loans and advances were granted with current market rates offered on similar loans and advances. The fair value of deposits is estimated using the same concept.

Determination of fair value and fair value hierarchy:

The Company uses the following hierarchy for determining and disclosing the fair value of financial instruments:

Level 1: quoted prices in active markets for identical financial instruments

Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly; and

Level 3: inputs for the asset or liability that are not based on observable market data.

For the fair value determined by level 2 and level 3, those assumptions and approaches provide a consistent basis for the Company's financial instruments fair value determination. However, since other financial institutions may use different assumptions and approaches, the fair value disclosed by different financial institutions may not be comparable.



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The following table summarises the analysis for financial instruments using the three level fair value hierarchy determinations.

				(In RMB '000)
2009-12-31	Level 1	Level 2	Level 3	Fair value Total
Financial assets:				
Derivative financial assets	-	607,340	-	607,340
Available-for-sale financial assets	-	89,214,803	-	89,214,803
	-	89,822,143	-	89,822,143
Financial liabilities:				
Derivative financial liabilities	-	605,504	-	605,504
Financial liabilities at fair value through profit or loss	-	237,326	-	237,326
	-	842,830	-	842,830
2008-12-31				
	Level 1	Level 2	Level 3	Fair value Total
Financial assets:				
Derivative financial assets	-	2,287,774	-	2,287,774
Available-for-sale financial assets	-	57,365,150	-	57,365,150
	-	59,652,924	-	59,652,924
Financial liabilities:				
Derivative financial liabilities	-	2,378,205	-	2,378,205
	-	2,378,205	-	2,378,205

In 2009, there was no significant transfer from level 1 and level 2 to level 3, nor any significant transfer between level 1 and level 2 in the fair value hierarchy.

(b) Financial instruments measured at cost

Financial assets

The Group's financial assets mainly included cash, due from the central bank, due from and placement with banks and other financial institutions, loans and investments.

Due from the central bank, placement and due from banks and other financial institutions

These financial assets are mainly priced at market interest rates with a maturity of less than one year. The carrying amounts approximate to the fair values accordingly.

Loans

Loans are mainly priced at floating rates close to the PBOC benchmark rates. The carrying amounts approximate to the fair values accordingly.

Available-for-sale equity investments

Available-for-sale equity investments which do not have any quoted market prices and whose fair values cannot be measured reliably are stated at cost less any impairment losses.

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Financial liabilities

The Company's financial liabilities mainly included placement and due to banks and other financial institutions, due to customers, subordinated bonds issued and long-term debt securities issued.

Placement and due to banks and other financial institutions

These financial liabilities are mainly priced at market interest rates with a maturity of less than one year. The carrying amounts approximate to the fair values accordingly.

Due to customers

Due to customers mainly represent customer deposits with a re-pricing date or a maturity date of less than one year. The carrying amounts approximate to the fair values accordingly.

As at the end of each reporting period, the difference between the carrying amounts and fair value of financial assets and liabilities are listed as follows:

	2009-12-31		2008-12-31	
	Book value	Fair value	Book value	Fair value
	RMB'000	RMB'000	RMB'000	RMB'000
Financial assets:				
HTM investments	136,745,989	137,267,446	110,600,017	114,405,196
Loans and receivables Investments	33,657,198	33,835,933	23,261,377	24,125,204
	170,403,187	171,103,379	133,861,394	138,530,400
Financial liabilities:				
Debts issued	18,800,000	18,401,379	24,800,000	25,245,907

51. CAPITAL MANAGEMENT

The Group takes sufficient measures of capital management, fully in accordance with the requirements of the authorities, to cover the inherent risks in its business. The primary objectives of the Group's capital management are to ensure that the Group not only complies with imposed regulatory capital requirements, but also maintains healthy ratios to maximise shareholders' value. Given the change of the economic environment and risk characteristics, the Group will actively adjust the capital structure. Generally, the measures of adjusting the capital structure contain the change of the allocation of dividends, stock dividends and issuances of new bonds. There is no material change from the previous year with respect to the objectives and measures of the Group's capital management.

The Group calculated and disclosed the capital adequacy ratio and core capital adequacy ratio in accordance with the "Capital Adequacy Ratio of Commercial Banks Management Policy"(CBRC[2004]2nd and amendment) and the calculation methods agreed by the regulatory authorities, the core capital included the capital stock, capital reserve, surplus reserve and retained profits. The affiliated capital included the revaluation reserve, general reserve and long-term sub-prime bonds.

	2009-12-31	2008-12-31
	RMB'000	RMB'000
Core capital	65,901,667	38,457,630
Affiliated capital	33,112,318	30,980,893



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52. RELATED PARTIES

Material transactions between the Company and related parties during the year are as follows:

	2009 RMB'000	2008 RMB'000
Interest income:		
Shanghai International Group Co., Ltd.	25,506	26,192
First Sino Bank	1,035	6,305
Bailian Group Co., Ltd.	15,085	1,631
Shanghi Bailian Group Co., Ltd.	5,727	N/A
Interest expense:		
First Sino Bank	122	98
Puyin Ansheng Fund Management Co., Ltd.	292	-
Shanghai International Trust Co., Ltd.	4,229	-

Balances of loan receivables or inter-bank placements from related parties at the end of each reporting period are as follows:

	2009-12-31 RMB'000	2008-12-31 RMB'000
Shanghai International Group Co., Ltd.	400,000	400,000
First Sino Bank	-	37,540
Bailian Group Co., Ltd.	240,000	300,000
Shanghi Bailian Group Co., Ltd.	100,000	N/A

The above-mentioned transactions on loans or inter-bank placements were conducted under normal commercial terms and conditions.

Balances of due to a related party at the end of each reporting period is as follows:

	2009-12-31 RMB'000	2008-12-31 RMB'000
First Sino Bank	15,914	15,435
Puyin Ansheng Fund Management Co., Ltd.	65,813	-
Shanghai International Trust Co., Ltd.	224,047	-

Deposits made to the above-mentioned related parties were transacted at normal market interest rates.

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Balances of due to a related party at the end of each reporting period is as follows:

	2009-12-31 RMB'000	2008-12-31 RMB'000
Puyin Ansheng Fund Management Co., Ltd.	100	100
First Sino Bank	-	12,641
Bailian Group Co., Ltd.	341,350	204,765

The relationship of the above related parties to the Company is as follows:

Company	Relationship with the Company
Shanghai International Group Co., Ltd.	Shareholder of the Company
Shanghai International Trust and Investment Co., Ltd.	Shareholder of the Company
First Sino Bank	Associate of the Company
Puyin Ansheng Fund Management Co., Ltd.	Affiliate under common control of the Company
Bailian Group Co., Ltd.	Enterprises that are significantly influenced by the Company's key management personnel
Shanghai Guoxin Investment Development Co., Ltd.	Enterprises that are significantly influenced by the Company's key management personnel
China National Tobacco Corporation, Jiangsu province	Enterprises that are significantly influenced by the Company's key management personnel
Shanghai Postage Corporation	Enterprises that are significantly influenced by the Company's key management personnel
Shanghai Bailian Group Co., Ltd.	Enterprises that are significantly influenced by the Company's key management personnel
Shanghai Aijian Co., Ltd.	Enterprises that are significantly influenced by the Company's key management personnel
Bailian (Hongkong) Co., Ltd.	Enterprises that are significantly influenced by the Company's key management personnel

Note: Shanghai Bailian Group Co., Ltd., Shanghai Aijian Co., Ltd. and Bailian (Hongkong) Co., Ltd. , are new related parties of the Company.

In the opinion of the directors, loans made to the above-mentioned shareholders and affiliated companies as well as to other related parties and shareholders who held less than 5% of the share capital of the Company were transacted at normal commercial terms and the interest rates charged on loans to these related parties were based on market rates set by the PBOC.



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53. FEES AND REMUNERATION PAID TO DIRECTORS, SUPERVISORS AND KEY MANAGEMENT PERSONNEL

53a. Fees and remuneration paid by the Company to the directors, supervisors and key management personnel during the current financial year are as follows:

	2009 RMB'000	2008 RMB'000
Total remuneration	*	27,763

*: For the year of 2009, pursuant to relevant regulations, fees and remuneration paid by the Company to the directors, supervisors and key management personnel will be announced subsequently once approved by the local government. The fees and remuneration payable doesn't have a significant impact on the financial statements of 2009.

54. RETIREMENT BENEFITS

In accordance with the regulations of the related PRC Municipal Government where the Group operates, the Group is required to contribute employee retirement benefits to the Labor Department of the Municipal People's Government. The contributions are calculated based on a percentage of the employees' salaries, ranging from 8% to 23% (2008: 8% to 23%), as prescribed by local government policies at the respective localities where branches and sub-branches are based.

In addition, the Group participates in a corporate pension fund scheme managed by an insurance company. The Group pays a fixed contribution to the corporate pension fund under the arrangement of the scheme. The Group does not have a legal or constructive obligation to pay further amounts in respect of the employee benefits relating to services in the current and prior periods. All contributions are recognised as expenses when incurred.

55. The impact of «International Financial Reporting Standard» adjustment on the net profit and net assets

	2009 Net profit RMB'000	2009-12-31 Net assets RMB'000	2008 Net profit RMB'000	2008-12-31 Net assets RMB'000
According to Chinese Accounting Standards	13,215,137	68,087,445	12,515,831	41,701,799
Plus/(Minus):	-	-	-	-
Presented in this financial statements	13,215,137	68,087,445	12,515,831	41,701,799

56. Significant event

The group has no significant event to be disclosed at the reporting date.

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Notes to the Financial Statements for the Year Ended 31 December 2009 (Unit: RMB '000)

57. Event after the end of the reporting period

57a. Privately offer RMB ordinary shares

On March 10 2010, subject to the resolution of the eighth meeting of the fourth Board of Directors, the Company will privately offer up to 2,207,511,410 ordinary shares to China Mobile Group Guangdong Co., Ltd. and plan to raise funds of RMB 39,801,430,722.30 at the price of RMB18.03 per share. On March 30 2010, the First extraordinary General Assembly was held. But this resolution still needs the approval of the relevant regulatory authorities.

58. Comparative figures

Certain comparative figures have been re-arranged to meet the current financial statements format.

59. Approve of financial statements

The financial statements were approved and authorised for issue by the board of directors on 2 April 2010.



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