

国家开发银行
2008年社会责任报告



China Development Bank
Social Responsibility Report
2008

Table of Contents

Message from the Chairman	02
Message from the President	03
China Development Bank Profile	04
Key data	05
2008 Highlights	06
1. Commercialization reform	07
2. Earthquake relief	08
3. Responding to the financial crises	09
4. Serving the Olympic Games	10
5. Public recognition	11

Report Note

China Development Bank Social Responsibility Report 2008 genuinely reflects its efforts in implementing the Global Compact and social responsibilities, and its dedication to achieve sustainable development.

- **Reporting period:** This report covers the period from 1 January to 31 December 2008, with some contents exceeding the above-mentioned period.
- **Publication cycle:** China Development Bank's Social Responsibility Report is an annual publication.
- **Organizational coverage:** This report covers China Development Bank's Headquarters and all its subordinate agencies. For convenience of expression, they are referred to as "China Development Bank Corporation", "China Development Bank", "CDB", and "we".
- **Report guidelines:** This report was compiled according to the criteria of the Global Reporting Initiative (GRI) Guidelines for Sustainable Development Report 2006 and the supplementary guidelines for financial service sector (<http://www.globalreporting.org>). It also met the requirements of the Opinions on Strengthening Social Responsibilities of Banking Financial Institutions of Chinese Banking Regulation Commission (CBRC) and the Guidelines for Corporate Social Responsibilities of Chinese Banking Institutions of China Banking Association.
- **Data used in the report :** Financial data used in this report was drawn from the financial statements in the Annual Report 2008, which was independently audited by the accounting firm PricewaterhouseCoopers China Limited; and other key data was audited by the third party Det Norske Veritas.
- **Report guarantee :** For the online version of this report and more information on China Development Bank, please visit:
 - <http://www.cdb.com.cn>.
This report was submitted simultaneously to the website of the United Nations Global compact
 - <http://www.unglobalcompact.org>
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Strengthening responsibility management	12
1. Responsibility concept of CDB	13
2. Road of responsibilities	14
3. Responsibility promotion	15
4. Stakeholders' participation	16

Supporting economic development	18
1. Excellent financial results	19
2. Sticking to prior planning	19
3. Supporting priority areas	20
4. Promoting bond market development	21
5. Promoting international cooperation	22

Commitment to people's livelihood finance	24
1. Supporting agriculture, rural development and farmers' livelihood	25
2. Small and medium-sized enterprises and micro loans	26
3. Loans for housing, education and healthcare	27
4. Emergency loans	30
5. Poverty alleviation through development	31

Jointly building social harmony	32
1. Staff care	33
2. Customer services	35
3. Partnership	36
4. Public welfare	37

Promoting environmental-friendly efforts	39
1. Green finance	40
2. Green procurement	43
3. Green office	44

Preventing financial risks	45
1. Comprehensive risk management	46
2. Compliance management	48
3. Emergency management	48
4. Anti-corruption	49
5. Anti-money laundering	49

Looking forward	50
Appendix	
1. The Audit statement	51
2. The Third Party Evaluation	53
3. Use of GRI indicators	54
4. Action performance of the UN Global Compact	59
5. Glossary	60

Message from the Chairman



2008 was an extraordinary year. The international financial crises spread rapidly and extensively, while China was double whammed by rare natural disasters and economic slowdown. The government and the people of China met the challenges with their best courage, fully demonstrating the styles of a large and responsible country and the national spirit of self-reliance. In this extraordinary year, China Development Bank, sticking to its goal of realizing “scientific development and social harmony” and its mission to “enhance national strength and improve people’s living standards”, worked together with all circles of society to overcome the difficulties, and completed another year of supporting sustainable economic and social development.

We stuck to the concepts and methods of development finance, promoted “prior planning, market building and concerted social construction” with financial assistance, and shouldered the important responsibilities of finance to the whole society with our own initiatives. By exploiting the advantages and characteristics of mid- and long-term investment and financing, we vigorously supported a series of plans of the Chinese government to “expand domestic demand, restructure the economy and improve people’s livelihood”. We actively expanded the businesses of people’s livelihood finance, international finance and green finance, and promoted social justice, economic fairness and environmental protection with financial innovations. We steadily advanced our transition from a policy bank to a commercial bank, appropriately addressed difficulties and risks, maintained good market performance, and reinforced market trust and confidence.

We inherited the culture of “justice before profits and justice above profits”, continued the practice of “public participation and public benefit”, and worked hard with our stakeholders to achieve consensus and mutual benefits. We continued to value the practice of bringing timely help, actively participated in promoting public welfare, and made maximum contributions to the people and the society. We supported the ten principles of the United Nations Global Compact, and vigorously promoted the dissemination and adoption of the concept of social responsibilities. In order to protect public interests, we conducted extensive dialogues and exchanges on global issues, such as the economic crises, climate change and anti-corruption.

Our altruism as a corporate citizen was highly praised by all circles of society. We won the Renmin (the Chinese for People) Responsibility Award from the People.com.cn for three consecutive years, and were awarded the title of the Most Socially Responsible Bank in 2008 by the Financial News together with the Institute of Finance & Banking of the Chinese Academy of Social Sciences. Our first corporate social responsibility report joined a few of others as the “notable reports” of the United Nations Global Compact.

Looking forward, we see challenges as well as opportunities, and pressures as well as responsibilities. We will continue to follow the guidance of the scientific development concept, aim at becoming an internationally advanced bank, and strive to grasp opportunities, prevent risks, improve efficiency, pursue first-class quality of assets and social impacts, and make new contributions to concerted development of the financial sector and the society at large.

CHEN YUAN

Message from the President



In 2008, China Development Bank implemented its responsibilities to “increase national strength and improve people’s living standards”, and made new achievements in such responsibility areas as supporting economic development, financing projects aimed to improve people’s living standards, building social harmony, and promoting environmental-friendly practices.

In 2008, China Development Bank vigorously supported the steady and rapid development of the national economy. By the end of 2008, its total assets reached RMB3,821.2 billion, while its bad loan ratio stood at 0.96%, and its total profit reached RMB27.9 billion, enabling it to steadily increase its ability to support social and economic development. In the meantime, it issued RMB767.9 billion of loans for the development of infrastructure, fundamental and pillar industries and provided RMB462.43 billion of loans to the central and western areas.

In 2008, China Development Bank continued to tilt its loan policies in favor of the improvement of people’s living standards. More loans have been granted to finance agriculture, rural development, farmers’ livelihood, small and medium-sized enterprises, housing for the middle- and low-income households, education, health and emergency response. We issued a total of RMB 201.5 billion of loans, allowing more urban and rural residents equal access to development finance.

In 2008, China Development Bank enjoyed harmonious development with the society. Guided by the idea of “socializing finance and finance socialization”, we worked hard to promote consensus building, mutual trust and unity among all circles of society. We enthusiastically participated in social welfare activities, and donated RMB57.372 million in the whole year.

In 2008, China Development Bank promoted resource-saving and environmental-friendly practices. It issued RMB98.8 billion of loans for projects related to environmental protection, energy saving and emission reduction, up 42.2% from 2007. It also supported environmental protection projects aimed to restore precious ecologic resources, such as Taihu Lake, Dianchi Lake and Crescent Lake projects; and initiated green office practices and green procurement systems, so as to mitigate the environmental impact of its own operations.

In 2008, China Development Bank perfected its corporation, social responsibility assurance system as well. On 1 December, we celebrated the establishment of China Development Bank corporation, and set up the new Board of Directors, the Supervision Committee and the high-level management team. We raised our risk management level, managed to overcome negative factors such as the serious natural disasters and the economic slowdown, maintained good quality of assets, and won warm praises from all circles of society for our active role in the social responsibility areas.

Greeting the promising year of 2009, China Development Bank will continue to work under the direction of the scientific development concept, stick to the principles and methods of development finance, and strengthen risk prevention while increasing its support to economic and social development according to the principles of “expanding domestic demand, maintaining growth, restructuring and upgrading the economy; and focusing on the reforms, revitalization, people’s livelihood and social harmony”, so as to greet the 60th anniversary of the founding of the new China with excellent achievements.

JIANG CHAOLIANG

China Development Bank Profile

China Development Bank (CDB) was established in 1994. On 11 December 2008, it reformed its overall ownership system and transformed into China Development Bank corporation. Referred to in short as China Development Bank, it is now headquartered in Beijing, and currently has 34 branches and 3 representative offices inside China.

CDB earnestly implements the state guidelines and policies, promotes market construction and prior planning through fund financing, raises and guides the flows of domestic and external funds, serves the mid- and long-term national economic development strategies, and provides priority support to the development of infrastructure, basic industries, pillar industries, new technologies, as well as the state key projects. It vigorously supports agricultural development, rural development, efforts to improve farmers' living standards and the construction of new rural areas, as well as areas related to people's livelihood and social undertakings such as the development of small and medium-sized enterprises, housing for middle- and low-income households, education, healthcare, energy-saving, and environmental protection. To implement the state strategy on overseas development, it tries to expand its international cooperation businesses and played an important and unique role in promoting scientific development and social harmony. Meanwhile, it has set up a comprehensive risk management system to prevent various risks, achieved and maintained internationally advanced market results.

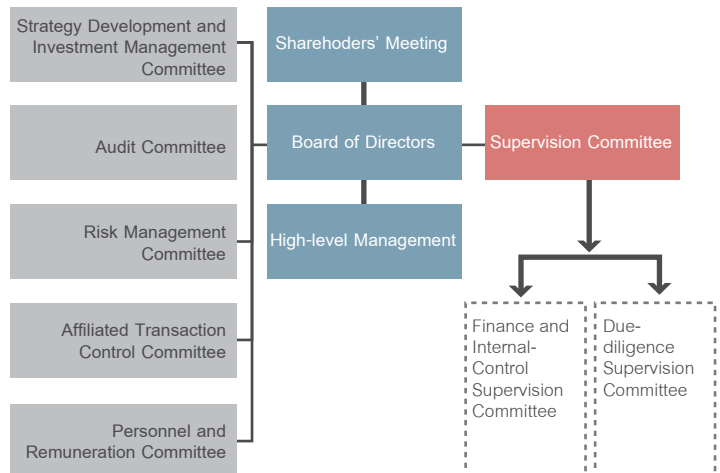
Looking forward, CDB will steadily push forward the commercialization reform, further utilize its advantages and functions in development finance and mid- and long-term investment finance, and help the economy and society to achieve healthy and rapid development.



YAO ZHONGMIN
Chairman of Board of Supervisors

Structure of corporate governance

CDB achieved significant progress in corporate governance in 2008. According to relevant laws, CDB established a standard system composed of the Shareholders' Meeting, the Board of Directors, the Supervision Committee, and the high-level management; and initially set up a corporate governance framework that can operate independently, with explicit roles and effective check-and-balance functions.



Key data

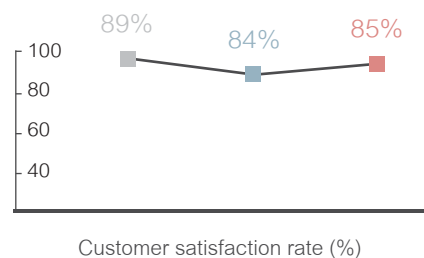
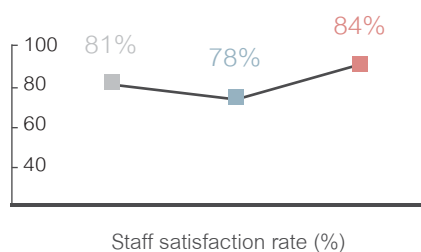
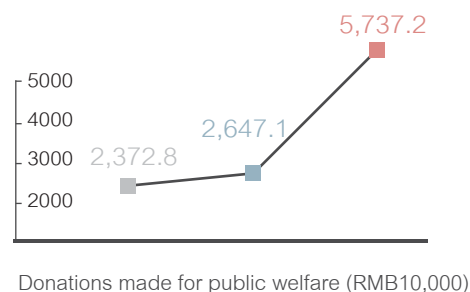
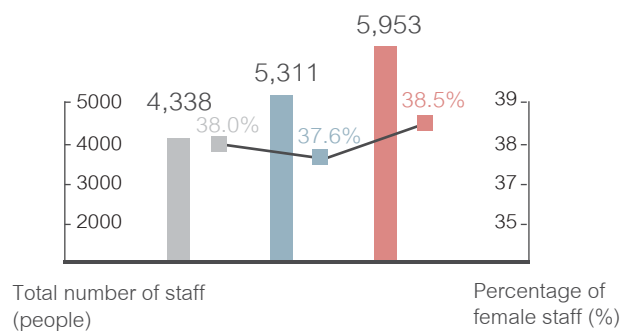
Economic Indicators

Unit: RMB 1 billion or Percent

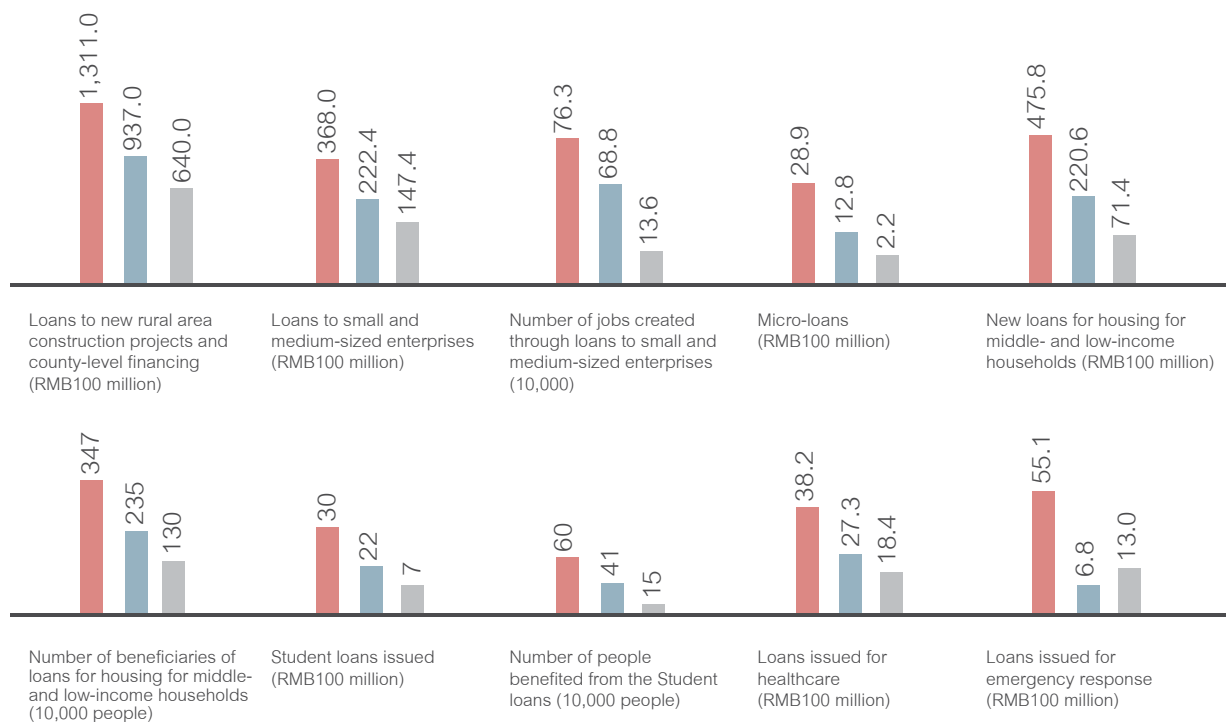
	2008	2007	2006
Total assets	3,821.2	2,892.8	2,314.3
Loans outstanding	2,898.6	2,261.7	2,017.6
Bad loan ratio	0.96%	0.59%	0.72%
Total debt	3,472.7	2,544.6	2,156.1
Bond outstanding	2,783.7	2,277.4	1,904.0
Shareholders' equity	3,48.5	3,48.2	1,58.2
Capital adequacy ratio	11.31%	12.77%	8.05%
Net profits	20.8	28.8	27.7
Loans to infrastructure, basic industries and pillar industries	767.9	780.7	696.2
Loans to midland and western areas	462.4	356.0	277.7

Social Indicators

2008 ■ 2007 ■ 2006 ■

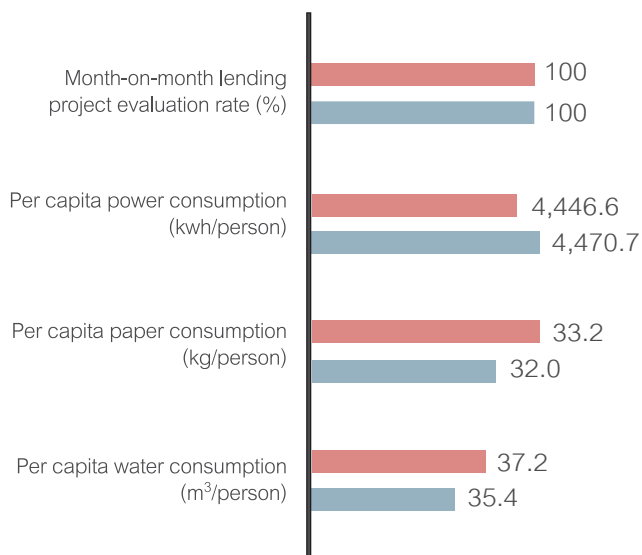


People's livelihood finance | 2008 ■ 2007 ■ 2006 ■

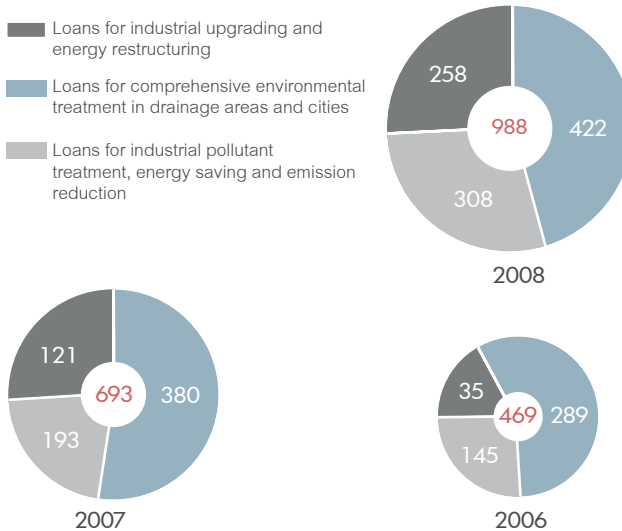


Environmental indicators

2008 ■ 2007 ■



Loans for environmental protection, energy saving and emission reduction (RMB 100 million)*



* In 2008, CDB adjusted its statistical definitions of environmental protection, energy saving and emission reduction according to China's Comprehensive Working Plan for Energy Saving and Emission Reduction.

2008 Highlights

1. Commercialization reform



> The establishment of China Development Bank Corporation

On 11 December 2008, with the approval of the State Council, China Development Bank (CDB) changed its name into China Development Bank Corporation as a result of its overall ownership reform. The transformation of CDB is a part of the reform of China's socialist market economy, as well as an exploration that advances with the country's financial reforms and comes in line with the scientific development concept.

CDB convened its founding meeting and its first shareholders' meeting on 1 December 2008, which were attended by representatives of the two promoters, the Ministry of Finance (MOF) and the Central Huijin Investment Ltd. In line with state laws and statutes, participants attending the founding meeting reviewed and approved the proposals on establishing CDB corporation, the draft Article of Incorporation of CDB corporation as well as the composition of the Board of Directors and the Supervision Committee.

On 16 December 2008, CDB convened its establishment conference in Beijing, which brought the reform and development of CDB to a new stage, and marked an important progress in China's policy bank reform.

CDB inherits all the assets, liabilities, businesses, organizational networks and staff from the former CDB, and holds a registered capital of RMB300 billion. The MOF and the Central Huijin hold 51.3% and 48.7% stake in CDB corporation respectively, and exercise the rights and responsibilities as the investors of CDB.

> Development after the commercialization reform

Global financial crisis and economic downside risks have toughened the CDB reform which involves the double tasks of system transformation and business transition and entails longstanding practice and exploration as well as huge amount of hard work. With the guidance, understanding and support from our shareholders, regulatory authorities and other relevant parties, we shall strive to overcome the difficulties, solve the problems in the transition period and assume our new historic mission and tasks.

Four new features and four constant features after the commercialization reform

Four new features	Specific contents
Commercialized business management and operation	It transformed from a policy bank into a commercial bank.
Diversified ownership structure	It changed from a solely state-owned company whose unlimited liability was assumed by the government to a company with only limited shareholder liability, and from unlimited responsibilities of the state to limited responsibilities shared by all shareholders.
Modernized governance framework	It set up a "three-in-one" high-level management framework consisting of shareholders' meeting, the Board of Directors and the Supervision Committee, to explore governance model of modern financial enterprises with Chinese characteristics.
Diversified service functions	Based on the functions of commercial banks, it created investment banking and equity investment services corresponding to its mid- and long-term businesses, hence increased its financial products and the ability to serve its customers.
Four constant features	Specific contents
State ownership	Remaining state-owned after the reform, with the MOF and the Central Huijin holding the controlling stake on behalf of the state.
Basic functions	Serving the mid- and long-term national economic development strategies by means of financial businesses, such as mid- and long-term loans and investment.
Market positioning	Continuing to engage in mid- and long-term investment and financing for the development of infrastructure, basic and pillar industries, and taking mid- and long-term bond financing and wholesale services as its major business.
Cooperation methods	Continuing to push forward development finance based upon past successful practices, broaden bank-government and bank-enterprise cooperation with the market as the driving force, and expand business innovatively.

2. Earthquake relief

After the strike of the catastrophic Wenchuan earthquake on 12 May, the Chinese people staged an extraordinary campaign of emergency rescue and disaster relief, composing a splendid chapter with united will and strength. CDB resolutely carried out the instructions of the central government by mobilizing the whole bank to assume its social responsibilities and providing solid and sound financial services to support emergency rescue and disaster relief.

> Issuing emergency loans

On 13 May, CDB activated its emergency plan for earthquake relief, installed a disaster-relief leading group, and closely monitored the capital needs of its branches in Sichuan and other quake-hit provinces. On 14 May, the Sichuan branch issued RMB170 million of emergency loans to Dujiangyan and Mianyang Cities, becoming the then first financial institution in Sichuan to issue emergency loans.

By 31 December 2008, CDB had issued a total of RMB2.447 billion in short-term emergency loans.

> Supporting post-disaster reconstruction

In order to speed up post-disaster reconstruction, CDB issued the Circular on Simplifying Examination and Review Procedures for Earthquake Relief Projects, and the Opinions of CDB on Implementing the Requirements of the State Council for Disaster Relief and Post-disaster Reconstructions. Together with Beijing University, it submitted a study report on the post-earthquake reconstruction strategies, to which State leaders such as Hu Jintao, Wen Jiabao and Li Keqiang all gave important instructions. Part of our research report entrusted by the National Development and Reform Commission (NDRC) on industrial investment funds for post-quake reconstruction was included in the State Council's Overall Recovery and Reconstruction Plan for Regions hit by the Wenchuan earthquake. By the end of 2008, it had issued a total of RMB17 billion of loans for disaster relief. The Beichuan Village bank resumed its operation at the shortest time possible.

In fact, it accomplished many tasks in the earliest time possible during the reconstruction process.

- It signed the Post-disaster Reconstruction Financing Service Agreement with Sichuan Province in the earliest time possible;
- It signed post-disaster reconstruction cooperation agreements with the local governments of Chengdu, Mianyang, Dujiangyan, as well as Sichuan Expressway Construction and Development Corp. and Dongfang Electric Group in the earliest time possible;
- It supported the reconstruction of Dujiangyan Middle School at the earliest time possible, making it the first to have permanent schoolhouses up to new, stricter earthquake-resistance standards;
- It promoted reconstruction through multiple channels in the earliest time possible, including infrastructure facilities such as the Heitupo Hydro-power station and the Chengdu-Dujiangyan Railway, as well as the construction of temporary settlements in Mianyang and Dujiangyan.

> Monetary and in-kind donations

After the strike of Wenchuan earthquake, CDB responded in the earliest time possible. It donated a total of RMB10 million to the Sichuan Provincial Government and RMB5 million to the disaster-hit areas in Sichuan, Gansu, Shaanxi, Chongqing and Yunnan. It also actively liaised with the Red Cross and organized the whole Bank to make donations. By the end of 2008, CDB had donated a total of RMB35.31 million in cash and goods to the disaster areas, of which RMB29.10 million came from the Bank and RMB6.21 million were donated by the staff.

Example

Engaging in disaster relief and sharing the responsibilities

Before the earthquake, CDB had already provided Dujiangyan Middle School a loan of RMB30 million. It enabled the school to realize its plan to move to a new site, which had been postponed for four years due to funding problems. While thousands of students were waiting eagerly to move into the new school, the worst earthquake in half a century severely damaged the brand-new buildings. In order to rebuild the school, CDB offered to grant additional mid- and long-term loan of RMB20 million, and donated another RMB10 million to remedy their capital shortfall. Fortunately, the action of CDB attracted great attention from the society, and many companies, including Cisco Systems, Inc., donated up-to-date equipments for distance teaching. As a result, a new Dujiangyan Middle school, with beautiful campus and advanced facilities, emerged from the rubble.



Dujiangyan Middle School opened after reconstruction

On 1 September 2008, the 3,800 students of Dujiangyan Middle School, who studied temporarily in various localities due to the earthquake, returned to their familiar school. Principal Feng of the School said with deep emotion: "China Development Bank is our 'seed bank', and the happiness of our school has come beyond our imagination."

Monument memorializing the support to the construction of Dujiangyan Middle School

Dujiangyan Middle School set up a stone monument to memorize the days when CDB shared the weal and woe with the teachers and the students. The inscription reads: "... CDB committed itself to improving people's livelihood and advancing disaster-relief work. It filled cracks, demolished ramshackle walls, restored buildings to their original looks, and brought over funds and loans enabling us to continue the teaching. It pacified anxiety, came to our rescue in time ... We hereby put this down to proclaim that confronted with disasters and calamities, only united and persevere nations could survive and come back stronger!"

Example

Loving-heart assets management products of CITIC and CDB

In August 2008, CITIC Trust Co. Ltd and CDB jointly launched the loving-heart assets management program, the largest charitable assets management products in China. The two have donated all their profits, about RMB 9.6 million, from this financing product with a total face value of RMB 1 billion, to the Soong Ching Ling Foundation to help out children in quake-hit China.

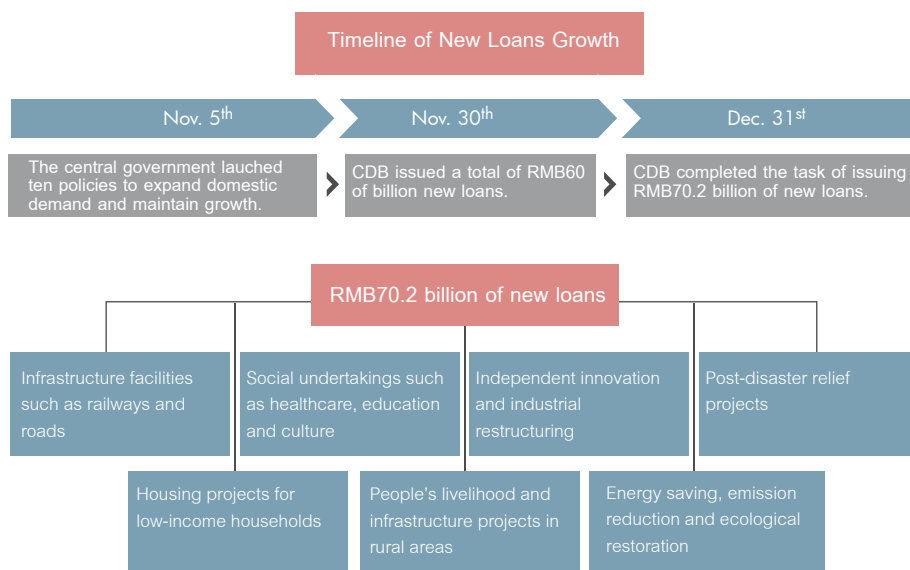
Due to its extraordinary performance in earthquake relief and post-disaster reconstruction, CDB's Sichuan branch has won over the titles of "Worker Pioneer in Earthquake Relief and Home Reconstruction" from the All-China Federation of Trade Unions (ACFTU), "Advanced Institution in Earthquake Relief in the Banking Sector in China" from the CBRC, and "Advanced Youth Group in the Financial Sector in Earthquake Relief" from the Financial Committee of the Central Youth League. The Branch also had seven employees winning the title of "Advanced Individuals in Earthquake Relief".

3. Responding to the financial crises

> Supporting the policies of "expanding domestic demand and promoting growth"

In November 2008, while the global financial crisis deepened fast, the Chinese central government timely and resolutely adopted ten measures to expand domestic demand and promote growth. CDB quickly moved to implement the state macro-economic policies. Thanks to advance planning, sufficient project reserves, solid early-stage credit construction, the bank was well prepared and successfully completed the tasks entrusted by the central bank, both in terms of quality and quantity, of issuing RMB70.2 billion new loans, fulfilling its role to stabilize economic cycle fluctuations with mid- and long-term investments and financing.

- It issued the Opinions of CDB on Implementing Various Policy Measures of the the central government to "Expand Domestic Demand and Promote Economic Growth";
- It actively strengthened communication and exchange with governmental departments and local authorities to find out effective demand as well as key areas and projects for co-operation;
- It optimized its performance evaluation methods and command procedures to allow different departments to make concerted efforts and to decide and tackle their work priorities on a daily basis;
- It opened "green channels" to facilitate program development, evaluation, pledge, verification, contract signing and loan issuance;
- It strengthened risk control by expanding public supervision, so as to improve the efficiency of key projects and strike a balance between boosting development and risk prevention.



➤ Actively combat financial crisis and prevent transaction risks

CDB drew profound lessons from the global financial crisis, strived to be proactive in risks control, and vigorously adapted to the market risks triggered by the financial crisis.

Confronted with the turbulent global financial markets, CDB strengthened market research, closely tracked the trend of macro-economic policies and strived to make good judgment on the markets. It strengthened its emergency management ability and conducted 24-hour uninterrupted monitoring of international financial markets. It adopted prudent transaction strategies, and targeted transaction partners with high credit rating, steady cash flows and strong solvency. It adjusted its investment portfolios in light of market changes, and used various technical means to improve the safety of its portfolios. It continued to improve its decision-making systems so as to make scientific decisions, and strengthened risk education and staff training to increase staff awareness of risk prevention.

- It closely tracked and analyzed the international financial markets, set up and perfected its risk warning and prevention system for foreign exchanges;
- It strengthened early warnings for potential risks, and carried out stress tests in several high-risk areas;
- It formulated risk mitigation plans and made thorough efforts to explore effective ways to alleviate risks;
- It mapped out a Guideline on Implementing the Policies of Expanding Domestic Demand, Promoting Economic Growth and Strengthening Risk Management so as to tighten compliance management and secure loan quality;
- It continued to strengthen post-lending management, overcame adverse factors such as severe natural disasters and economic slow-down, and consequently maintained good quality of assets.

4. Serving the Olympic Games

In 2008, CDB witnessed, together with the people across the world, the extraordinary Olympic Games in Beijing. It provided energetic support to the Games, from the construction of Olympic venues, volunteer services, to taking over people with special expertise from the Beijing Organizing Committee for the Games of the 29th Olympiad (BOCOG), hence carried forward the modern Olympic spirit "higher, faster and stronger".

➤ Olympic venue construction

Since July 2001 when China succeeded in bidding for the 2008 Summer Olympic Games, CDB has been giving energetic support to the construction of Olympic venues. The Beijing National Stadium, known as the Bird's Nest, for instance, received RMB 930 million in aggregate loans while the National Gymnasium and the Olympic Village got RMB 280 million of loans.





> Olympic Games volunteer services

CDB sent five young staff to work full time as drivers for the Olympic Games. The photo above shows CDB ceremony for their starting-off.

CDB employee Liu Wei was a volunteer driver in the Beijing Olympic Games. He contributed more than 240 hours, and was awarded the title of “Outstanding Volunteer in the 2008 Olympic and Paralympic Games”.

> Import of talents from the BOCOG

CDB actively participated in the recruitment of professional personnel for the BOCOG. In January 2008, CDB and the BOCOG signed the Memorandum of Strategic Cooperation on Human Resources, and thereby became the first institution to collaborate with the BOCOG on human resources. After the Games, it had taken over nearly 200 people with special expertise from the BOCOG — the most among all centrally-administered state-owned enterprises.

5. Public recognition

CDB's efforts in 2008 won extensive recognition by all circles of society:

Awards	Awarders
It won the People's Social Responsibility Award 2008	People.com.cn
It was elected as the Most Socially Responsible Bank of the Year	Financial News and Institute of Finance&Banking of Chinese Academy of Social Sciences
It was elected as the Advanced Institution for Targeted Poverty Reduction among all central government institutions	State Council Leading Group Office of Poverty Alleviation and Development
It was elected as the Advanced Institution Providing Financial Services to Small Enterprises in China in 2007	China Banking Regulatory Commission
Its volunteer services for the Olympic Games won the Best Organizing Award and the “Olympic Games Dedication Award” for special contributions	Beijing Organizing Committee for the Olympic Games
It won the China Red Cross Medal and the Medallion of Philanthropy	Red Cross Society of China
Chairman Chen Yuan was elected as one of the top 30 most influential people in the 30 years' of reforms in China	China Reform News
Chairman Chen Yuan was elected as the most socially responsible corporate leader in 2008	People.com.cn Xinhuanet
CDB's Social Responsibility Report was chosen as the notable report of 2007 by the UN Global Compact	the UN Global Compact

Over the past decade, steered by Chairman Chen Yuan, CDB has not only been a major bank engaged in China's infrastructure development, but also a major force in China's financial sector to assume social responsibilities on its own initiative. Under his advocacy and promotion, CDB dutifully carried out social responsibilities and provided maximum returns to the state, the society and the people.

—— Presentation speech for the award of the Most Socially Responsible Corporate Leader in 2008, People.com.cn

Part 1

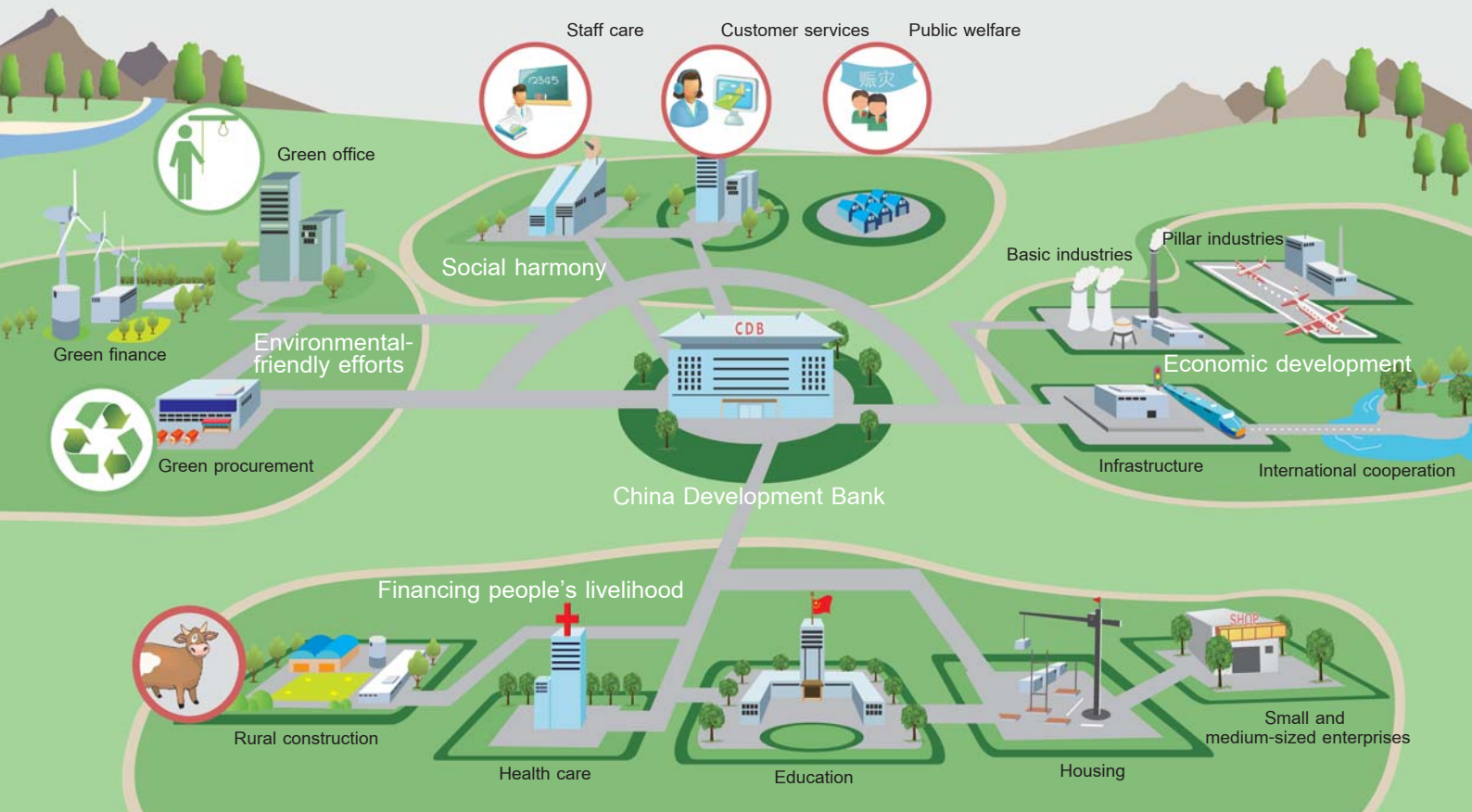
Strengthening Responsibility Management



Responsibility is the soul of management, while management is the pillar of responsibility.

Focusing on its mission to “increase national strength and improve people’s livelihood”, CDB strengthened its social responsibility management comprehensively in 2008 and set about to optimize its management system, so as to lay a solid management and system foundation for full implementation of social responsibilities.

China Development Bank in Social Responsibility



Although enterprises are profit-making commercial organizations, they are also a part of the society. As one form of social organizations, they should be responsible to the society within the scopes of their legal rights and obligations, while been bestowed the rights of existence and business operation. An enterprise that rejects social responsibility will also be rejected by the society.

— Chairman Chen Yuan of CDB

1. Responsibility concept of CDB

The responsibility concept of CDB, derived from scientific outlook on development, regards development as its essence, putting people first as its core, comprehensive, coordinated and sustainable development as its basic requirement, and overall consideration as its fundamental approach. It is deeply rooted in over two thousand years of the traditional Chinese responsibility culture, characterized by “justice before profits, and justice above profits” and “to worry before others and to enjoy after others”. It also emerged from the international social responsibility movement to “join force to create a sustainable future for the humanity.”

The responsibility concept:

“increasing national strength and improving people’s living standards”. This is the longstanding responsibility concept of CDB. As a player in the Chinese and the global financial markets, CDB has always considered it its due responsibility to enrich the nation and benefit the people. Giving priority to national development strategies and public interests, CDB pursued coordinated development among the financial industry, national economy and society, and spared no effort to provide maximum returns to the society and the general public.

The responsibility implementation methods:

the principles and methods of development finance. Development finance combines advanced financial principles with the Chinese characteristics, integrates the effort to realize state strategies with commercial operation, promotes prior planning, market building and

The responsibility concept of CDB



concerted social development with financial means, and boosts sustainable economic and social development. For CDB, development finance is an effective instrument to maintain healthy operation and to realize its own sustainable development, and an important means to support sustainable economic and social development.

The responsibility implementation guarantee:

corporate governance, risk management, responsible development, and stakeholders’ participation. CDB will improve corporate governance and explore ways to set up a long-term mechanism to manage social responsibilities.

The areas of social responsibilities:

supporting economic development, financing projects related to people’s livelihood, engaging in concerted social development, and promoting environmental-friendly efforts.

2. Road of responsibilities

CDB always regarded development as its first priority. While providing good financial services centered on the state development strategies and targets, it fundamentally improved its performance results and made gigantic progress by creating over RMB3 trillion of good quality assets from its original RMB50 billion of establishment capital. Looking back the past achievements, we feel grateful and proud; but standing on the new starting point in history, we know deeply in our hearts that there is still much to be done.

2004-present: Parallel development of the economy and people's livelihood

increasing national strength and improving people's livelihood with development finance.

- In 2008, CDB Corp. was established and issued its first Social Responsibility Report.
- In 2007, it initiated the "parallel development" strategy to focus on people's livelihood and people's income growth, and started the commercialization reform.
- In 2006, it joined the UN Global Compact and put social responsibility into full swing.
- In 2004, it started to explore ways to increase financial support to alleviate social bottle-necks, such as agriculture, rural area development, farmers' livelihood, small and medium-sized enterprises, business creation, job creation, employment, public health and environmental protection.
- In 2003, it summarized and proposed the principles and means of development finance, and proposed to expand business areas based on good performance results and support the comprehensive construction of a moderately well-off society.

1998-2003: Intensify support to economic development

CDB spearheaded the national drive of expanding domestic demand through mid- and long-term financing. Nearly 80% of the credit capital for key state projects and more than 30% of the counterpart fund for projects financed by treasury bonds came from the CDB. The performance results of CDB have been internationally advanced.

- In 2002, CDB's major businesses achieved internationally advanced results.
- In 2001, CDB set its business guideline as "running a good bank to support the economy", and made clear that running a good bank was to be responsible for the general public.
- In 2000, CDB struck a good balance between risk prevention and supporting the economy, and saw its overall business turn for the better.
- In 1998, CDB decided that development banks should play the policy role in the market environment and within the banking framework. Market principles were introduced in while a third credit system reform was kicked off to target risk prevention and mitigation.

1994-1997: Providing policy financing

It provided policy loans to major projects according to the state requirements.

- In 1994, CDB was formally established as a policy financial institution directly under the leadership of the State Council. It effectively pooled capital to guarantee the construction of key state projects, eased the bottle-necks of economic development, enhanced the government's macro-economic control over fixed-asset investment, and further deepened the investment and financing system reform.



1.Exchange with DNV
2.Supporting the Women's Forum Asia

1/2

3. Responsibility promotion

CDB achieved significant results in promoting social accountability in 2008. It published its first Social Responsibility Report, steadily promoted exchanges and training in the social responsibility area, and gained positive recognition and comments from all circles of society.

> Publishing the first Social Responsibility Report

In September 2008, CDB published its Social Responsibility Report 2007. It is the first social responsibility report of the banking sector in China, drafted according to the criteria of the Global Reporting Initiative (GRI) and audited by an independent third party. It was sent to relevant government departments, major customers, cooperative partners and other stakeholders, and created extensive influence inside and outside China.

The report was listed as one of the notable reports in 2008 by the United Nations Global Compact Office, making CDB the first financial institution in China to win such an honor.



> Social responsibility exchange and dialogue

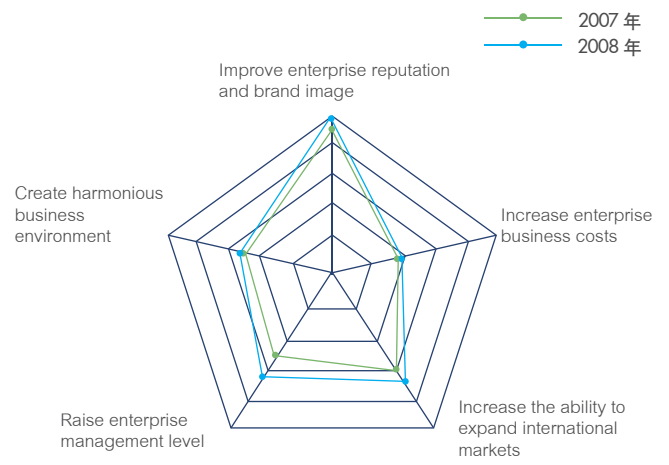
In 2008, CDB continued to actively participate in and promote exchanges and dialogue in social responsibility areas, and made positive contributions to advocate the Global Compact and the concept of social responsibility, and promoted extensive practice in social responsibility.

- Chairman Chen Yuan attended the Seminar of the Global Compact Corporations, and briefed Secretary-General Ban Ki-Moon of the United Nations on CDB's concept and practice related to social responsibility;
- Chairman Chen Yuan met with Executive Director George Kell of the Global Compact Office of the United Nations, and had intensive exchanges with him on various issues including anti-corruption and climate change;
- CDB engaged in dialogues and exchanges with relevant international organizations in the field of social responsibility, such as the Global Reporting Initiative (GRI) and Det Norske Veritas (DNV);
- CDB used a variety of means including video conferences and theme training to promote social responsibility exchanges among international peers, including the Foreign Trade Bank of Russia and Sumitomo Trust & Banking of Japan;
- CDB participated in the compiling of the 2007 Social Responsibility Report of the Banking Industry led by the China Banking Association;
- CDB supported the social responsibility forum of the Women's Forum Asia.

Example

- Gathering feedbacks for the Social Responsibility Report
 After the publication of its Social Responsibility Report 2007, CDB solicited feedbacks from all walks of life, and received more than 60 internal and external advices. Among them, the United Nations Global Compact Office suggested CDB should embody the various principles of the Global Compact in its policy making, strategy implementation and management systems, especially in its working plans and objectives of the coming year; and elaborate more on the interactions between CDB and its stakeholders.
- CDB's annual social responsibility investigation (2007-2008)
 In 2007, CDB launched its annual investigation in corporate social responsibilities in the form of questionnaires. It has finished two investigations, receiving 2,750 and 3,797 effective questionnaires respectively. The investigations revealed that its staff improved their overall understanding of social responsibilities compared with the previous year.

Staff understanding of the relationship between social responsibility and corporate business management



➤ Promote social responsibility training

CDB continued to use training to increase the awareness and participation of its staff, and to incorporate social responsibility concept into various business practices. In 2008, it held three theme trainings for all the staff of its four branches, including the social responsibilities in international cooperation and training courses for the new hires. A total of 1,660 people have been trained.

4. Stakeholders' participation

CDB paid great attention to the expectations and demands of its stakeholders, took full consideration of the impacts of its own operation and management on its stakeholders, continued to improve its methods and channels of communication and exchange, promoted stakeholders' participation in our decision-making and management, so as to achieve mutual development with the stakeholders.

Supervision agencies		Other Central Government departments and all levels of local governments	
<p>Expectation and demands</p> <ul style="list-style-type: none"> Operation in compliance with law and regulations 	<p>Responding measures</p> <ul style="list-style-type: none"> Operation according to law and with good credibility Disclosing information in a timely and accurate manner Supporting and cooperating with supervision 	<p>Expectations and demands</p> <ul style="list-style-type: none"> Serving government strategic development goals Helping formulate or improve relevant policies and plans 	<p>Responding measures</p> <ul style="list-style-type: none"> Conscientiously implementing the macro-management policies Actively supporting concerted economic and social development Participating in formulation and improvement of policies and plans
Asset representatives		Investors	
<p>Expectations and demands</p> <ul style="list-style-type: none"> Preserving and increasing the value of state assets Continuing to support economic and social development 	<p>Responding measures</p> <ul style="list-style-type: none"> Operating according to relevant laws, statutes and policies Establishing and improving corporate governance Achieving internationally advanced results in various financial indicators 	<p>Expectations and demands</p> <ul style="list-style-type: none"> Stable credit rating Reasonable rate of returns High liquidity 	<p>Responding measures</p> <ul style="list-style-type: none"> Operating according to relevant laws, statutes and policies Establishing and improve corporate governance Achieving internationally advanced results in various financial indicators

Strategic partners		Customers	
Expectations and demands <ul style="list-style-type: none"> Trustworthy and mutual benefiting Resource sharing Reasonable returns 	Responding measures <ul style="list-style-type: none"> Sticking to the principles of good credibility, mutual benefit and equal negotiation Holding high-level joint conference Maintaining good cooperation relationship 	Expectations and demands <ul style="list-style-type: none"> Timely loan issuance, favorable interest rates, flexible terms, and matching services Long-term cooperation 	Responding measures <ul style="list-style-type: none"> Providing differential services Providing plans, professional advising and guidance Strengthening post-lending management, and maintaining the lowest rate of bad loans in China Achieving relatively high customer satisfaction rate
Commercial partners		Suppliers	
Expectations and demands <ul style="list-style-type: none"> Complementation of advantages Mutual benefit Information sharing 	Responding measures <ul style="list-style-type: none"> New cooperation areas and methods Good cooperative relationship High reputation 	Expectations and demands <ul style="list-style-type: none"> Fair procurement, information transparency, and faithful contract implementation Strategic cooperation, and win-win result 	Responding measures <ul style="list-style-type: none"> Adopting centralized and green procurement Sticking to the principle of "openness, fairness and justice", and strictly implement contracts Achieving high supplier satisfaction rate Continuously reducing procurement costs
Staff		Social groups	
Expectations and demands <ul style="list-style-type: none"> Guarantee lawful rights Satisfactory income incentives Good working environment and professional development opportunities 	Responding measures <ul style="list-style-type: none"> Staff management participation Guarantee of staff rights and interests Paying attention to staff development and improving income incentives Relatively high staff satisfaction rate Extremely low rate of staff drain 	Expectations and demands <ul style="list-style-type: none"> Promoting sustainable development Actively participating in the establishment of sectoral criterions and standards Protecting the environment 	Responding measures <ul style="list-style-type: none"> Joining the UN Global Compact Vigorously supporting energy saving and emission reduction Maintaining good relations with social groups Joining China Banking Association
The general public		The media	
Expectations and demands <ul style="list-style-type: none"> Paying attention to social progress Joining effort to build harmonious communities 	Responding measure <ul style="list-style-type: none"> Joining effort to construct civilized communities Making donations for public welfare Providing volunteer services 	Expectations and demands <ul style="list-style-type: none"> Prompt information disclosure Good relationship with the media 	Responding measure <ul style="list-style-type: none"> Providing news release Providing relevant information to the media Maintaining communication and cooperation with the media

CDB has already joined some associations and organizations, such as the International Financial Institutions Association, the Banking Alliance of Shanghai Cooperation Organization, and the Association of Development Financing Institutions in Asia and the Pacific, and has played an active role in these organizations.



Part 2



Supporting Economic Development



Finance takes root in the economy, while economy prospers with finance.

In 2008, CDB fully utilized the advantages of development finance and the mid- and long-term financing, and actively contributed to the continuous, steady and healthy development of the economy while maintaining good financial results of its own.

1. Excellent financial results

By the end of 2008, CDB owned a total of RMB3.8212 trillion in assets, up 32% over the previous year. Loans outstanding in RMB and foreign currencies totaled RMB2.8986 trillion, while net profits stood at RMB20.8 billion and bad loan ratio was 0.96%. CDB has steadily enhanced its capability to support economic and social development.

Overview of the financial results (Unit: RMB1 billion or percentage)			
	2008	2007	2006
Total assets	3,821.2	2,892.8	2,314.3
Loans outstanding	2,898.6	2,261.7	2,017.6
Bad loan ratio	0.96%	0.59%	0.72%
Loans depreciation reserve/ loans outstanding	2.00%	1.48%	1.36%
Loans depreciation reserve/ non-performing loans	210.12%	251.10%	190.60%
Total debt	3,472.7	2,544.6	2,156.1
Bond outstanding	2,783.7	2,277.4	1,904.0
Shareholders' equity	348.5	348.2	158.2
Capital adequacy ratio	11.31%	12.77%	8.05%
Net Profits	20.8	28.8	27.7
Interest revenue	83.9	69.8	52.8
Average rate of return on assets	0.62%	1.11%	1.32%
Average rate of return on shareholders' equity	5.97%	15.97%	19.19%

Note: See the Annual Report for more financial data.

2. Sticking to prior planning

Scientific prior planning are the preconditions for developing countries to avoid detours, gain more leverage, and develop rapidly and soundly. It entails an advanced target, overall thinking, reasonable allocation of resources, improved efficiency and effective risk control. Scientific planning can make development much more comprehensive and forward-looking, and thus give developing nations a better chance to strike a balance between ecology and resources, and between justice and efficiency.

Scientific prior planning decides the initiative and influence of development financing and has a direct bearing on the core competence of CDB, a development bank engaging in mid- and long-term financing business. CDB took prior planning as the main starting point to deepen cooperation across the nation, and a killer weapon to help various localities to get rid of poverty, backwardness and underdevelopment. Practice proves that this method has played an active role in building highly efficient market and financing systems, and in promoting concerted development.

In 2008, CDB promoted scientific development planning in full scale. Internally, it set up a special planning department. Externally, it intensified cooperation with governmental departments, academic institutions, sectoral organizations and enterprises. It made development plans in regional, infrastructure, urban and rural, industrial, market, social and people's livelihood areas, and consequently established a planning framework with CDB characteristics. Through cooperation, it completed 1,030 regional, social, industrial and market development plans, with priorities given to regional plans of Yangtze River Delta, Beijing-Tianjin-Hebei Area, Pan-Beibu Gulf Area and Yangtze River Conservation Area, as well as plans regarding the world's major energy, mineral and agricultural resources. Among them, regional planning covered 100% of provinces, 71% of cities and counties, and 83% of key industries.

Example

CDB and Tsing Hua University jointly set up the Tsing Hua University-CDB Planning Research Institute. On 3 November 2008, Tsing Hua University and CDB signed a comprehensive cooperation agreement to jointly set up the Tsing Hua University-CDB Planning Research Institute. Their purpose was to develop the Institute into a platform where practices can interact with plans and capital can fuse with innovations so as to boost national economic and social development and beef up the country's financial muscles.



3. Supporting priority areas

CDB has always channeled its limited lending resources to invest areas crucial to the national economic and social development and where they were mostly needed. It has provided long-standing, comprehensive and sustainable financial supports to the infrastructure and basic industries.

> Supporting the construction of infrastructure and basic industries

In 2008, CDB issued RMB767.9 billion of loans to finance the construction of public facilities, roads, power generation and other infrastructure as well as basic and pillar industries, which took up 66% of total RMB loans issued in its balance sheet. Significant projects it supported include the relocation of Capital Steel Co., the construction of national oil reserve bases, the Expo 2010 Shanghai and the Beijing-Shanghai Express Rail. ▶

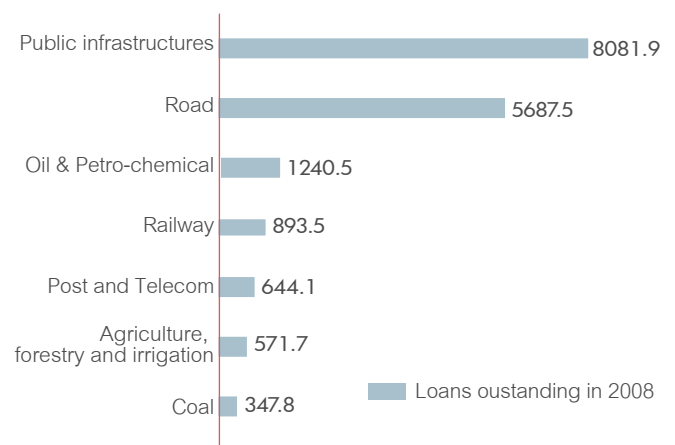
> Supporting concerted regional economic development

CDB actively supported the development of western interior and the transformation of northeastern rust belt, so as to promote balanced regional development. In 2008, it issued RMB462.43 billion of loans to the central and western areas, taking up 39.5% of the total loans outstanding in Renminbi in its balance sheet. Its loans outstanding to the western interior topped all the banks in China. The northeastern old industrial base received RMB 105.64 billion in loans, which took up 9.03% of all the loans issued. ▶

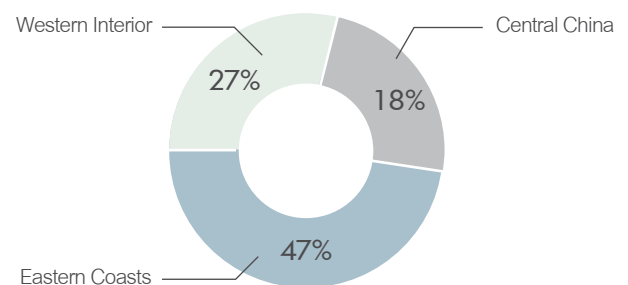
> Promoting industrial upgrading

CDB took concrete steps to facilitate the country's arduous task of economic restructuring and industrial upgrading. Through prior planning, strategic cooperation and overall promotion, CDB has well respected the needs of all relevant parties and made sure that every project could elevate the competence of its customers and contribute to regional economic development. In 2008, it gave support to the priority areas such as equipment manufacturing, electronic communication and iron and steel industries and assisted telecom solutions provider Huawei, telecom equipment supplier Zhongxing and the Anshan Iron and Steel to develop overseas; promoted the construction of industrial restructuring platforms in Changxingdao District of Dalian and Yingkou City of Liaoning Province; and financed the construction of the state-level

Loans for infrastructure, basic and pillar industries (RMB100 million)



Regional distribution of RMB loans outstanding on the Balance Sheet

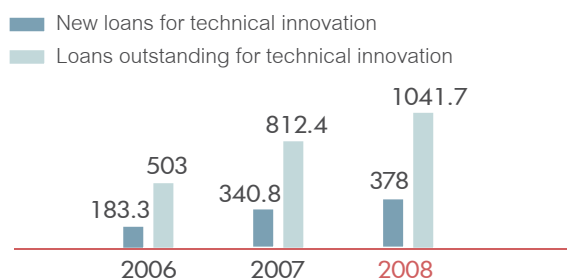


equipment manufacturing base in Western Shenyang Industrial Corridor. It also gave a boost to China's home-grown TD-SCDMA industry by providing Datang Telecom financial support that integrated investment with lending instruments. It launched an innovative service package for crucial and competitive enterprises, which started with equity investment and would extend to loans and bonds when time was right. By supporting the Guangxi-based Kaiyuan Investment purchasing the stake of the China Tin Group, CDB facilitated the integration of non-ferrous metal industry of the Guangxi Zhuang Autonomous Region. In addition, the fund management plans independently designed by CDB for the equipment manufacturing industry won the approval of the State Council.

> Supporting technical innovation

CDB took high-tech industries and technical innovation as the key to tackle the financial crises, upgrade industries and boost economic development. In 2008, CDB issued RMB37.8 billion of loans for technology development, up 13% from a year earlier. Together with the NDRC and the Ministry of Science and Technology, it utilized various financial means to support the commercial use and spread of new technologies, including alternative energy automobiles and semi-conductor lighting, and explored ways to expand financial services for independent innovations.

Loans to support technology innovation during 2006-2008
(RMB100 million)



Example

Supporting the energy saving vehicles of BYD Auto. Backed by the RMB 200-million loans from the CDB, BYD Auto completed its laboratory tests and started the production of electric-powered and hybrid-powered vehicles in 2008. Its DM electric cars involved more than 700 patents.



4. Promoting bond market development

In 2008, CDB actively adapted to the challenges of system reform and market fluctuation. It raised more than RMB1 trillion, a yearly high, which fully satisfied the capital needs of its business expansion. Meanwhile, as the second largest bond issuer only next to the Ministry of Finance in local bond market, CDB continuously innovated in bond issues and diversified bond products. The following are the efforts it has made:

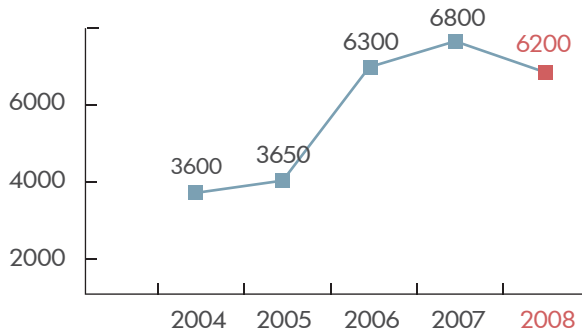
> Taking the lead in bond market innovation

As the leading bank in bond financing in China, CDB is a pillar force in the capital market and spearheads the country's financial innovations. The many "first times" it has made won both the attention of and recognition from regulators, issuers and investors, and played the leading role in the development of China's bond market. CDB is the key R&D institution for new products of the People's Bank of China (PBOC) and the National Association of Financial Market Institutional Investors (NAFMII).

The CDB financial bonds have become an important parameter for the central bank to decide on monetary policies and a significant asset management instrument of Chinese financial institutions. By the end of 2008, it had issued RMB 4.36-trillion financial bonds in total, with the amount outstanding registering RMB 2.71 trillion, about a quarter of the bonds outstanding (excluding central bank bills) in the inter-bank bond market.

CDB takes the lead in bond underwriting business on domestic market. Between 2002 and 2008, It has underwritten 41 bond issues, the most in the Chinese market. The aggregate value of the bonds issued over the same period time, with CDB as the leading underwriter, took up 18.1% of the total market.

Financial bonds issued during 2004-2008 (RMB100 million)



> Promoting the building of bond market

CDB facilitated the bond market through market making. It continued to take the lead in market making businesses, such as Renminbi (RMB) bonds, interest-rate swap and foreign exchanges. According to the overall evaluation of the National Association of Financial Market Institutional Investors (NAFMII), CDB ranked second in comprehensive market-making ability among 19 banks in the fourth quarter of 2008.

As a dynamic player in the bond market, CDB promoted the development of market infrastructures, such as the bond issuance, trading and settlement systems. It assisted the PBOC in establishing the market management framework for short-term financing bills, and helped the NAFMII to set up the rules for self-discipline management based upon full information disclosure on debt financing instruments. CDB serves as the vice-chairman among all institutional members of the NAFMII, and stands as one of the nine member bank of the joint meeting for mid-term bond pricing.

Playing the roles of issuers, underwriters, market makers and investors, CDB gives an all-round push to the development of China's bond market.

> A backbone to stabilize the financial market

CDB conscientiously advocated standard operation in bond issuance so as to secure long-term interests and win-win results. It adapted to the market demands, offered properly designed bond products, strived to protect investors' interests, and facilitated continuous and healthy development of the market.

To offset the impact of its commercialization reform, CDB managed to obtain the endorsement from regulatory authorities to enjoy zero risk weight for the RMB bonds it sold during the transition, which was conducive to the continuity of its financial debts in credit ratings, the smooth advance of its commercialization reform, the stability of China's bond market and the financial market at large.

In 2008, CDB received stable credit ratings. Standard & Poor's, Fitch and R&I all kept their sovereign ratings of CDB in their annual credit rating reviews.

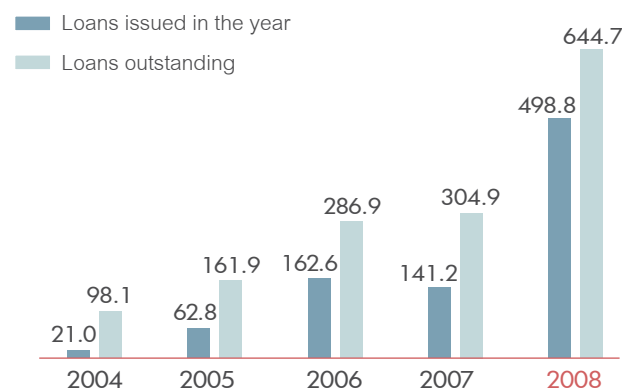
CDB debt ratings in 2008		
Credit rating agencies	Rating results	Rating outlook
Standard & Poor's	A+	Stable
Moody's Investors Service	A1	Stable
Fitch Ratings	A+	Stable
Japan Rating and Investment Information	A+	Stable

5. Promoting international cooperation

Strengthening international cooperation is an important development strategy of CDB. CDB availed itself of the methods and experiences of development finance to explore international cooperation, assisted domestic enterprises to implement their going-global strategies, cooperated with overseas financial institutions to help ease the social bottlenecks of the countries involved. Aware of its global responsibility when promoting global cooperation, CDB consciously integrated its social responsibility into its business strategies, observed host countries' laws and internationally accepted business practices, optimized its business models, and strived to balance economic results with social benefits.

By the end of 2008, CDB's international cooperation covered five continents and 70 countries. Its loans outstanding in foreign currencies reached US\$64.47 billion, up 112% from the end of the previous year, taking up the largest market share in China. Meanwhile, its bad loans in foreign currencies have remained zero for 26 quarters running. So far, it had organized 141 overseas expert teams.

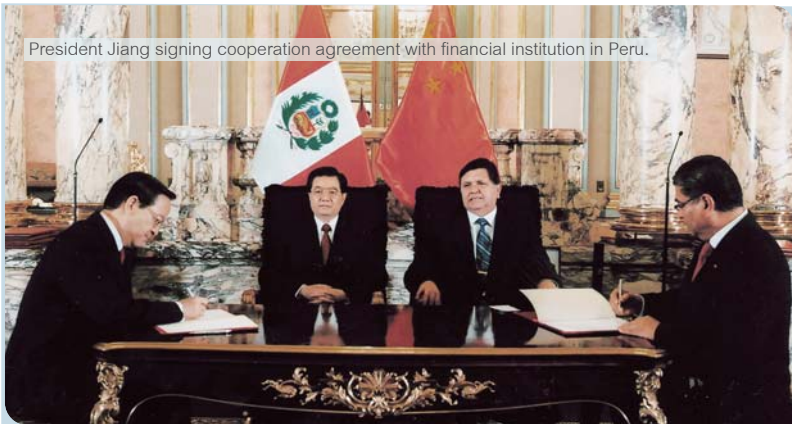
Loans issued in foreign currencies during 2004-2008 (US\$100 million)



In 2008, CDB steadily promoted business cooperation with financial institutions of various countries, including the Asian Development Bank, the Andeans Development Bank, the Import and Export Bank of Latin America, Barclays Bank, Citibank, the National Bank of Pakistan, the second largest commercial bank of the Philippines, the National Bank of India, and the Housing Bank of Thailand.

CDB signed a framework agreement with the UN Human Settlements Program (UN HABITAT) to invest in projects designated by the latter so as to improve the living conditions of the people across the world.

CDB was eager to share its experiences and promote cooperation. It hosted and co-sponsored 23 trainings and workshops in the Central Asia, Southeast Asia, Latin America and Africa, receiving 515 people from 40 countries, mainly from government agencies such as the Ministries of Finance, Economy and Communications, and financial institutions such as central banks and regional banks.



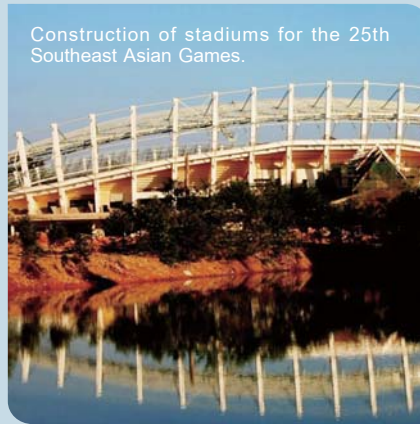
President Jiang signing cooperation agreement with financial institution in Peru.



Agriculture and rural development project supported by the China-Venezuela Fund.



China-Kazakhstan oil pipeline project.



Construction of stadiums for the 25th Southeast Asian Games.

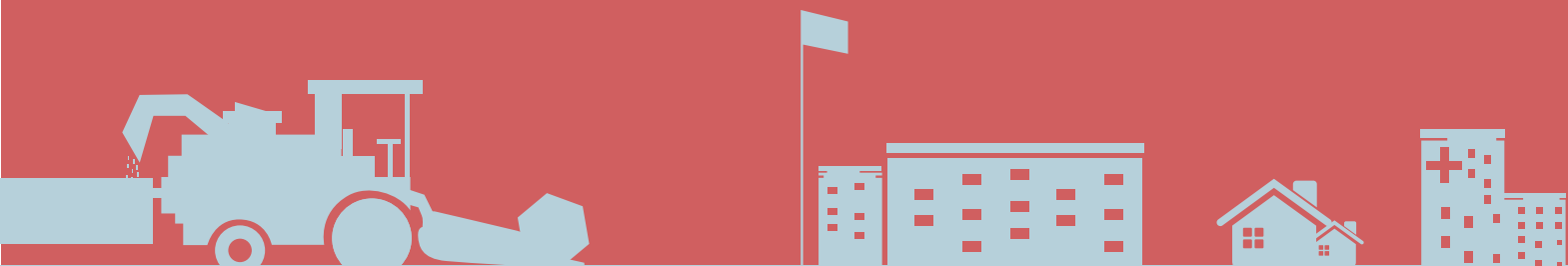


Tajikistan Agricultural Project

Agriculture and animal husbandry are the pillar industries of the national economy of the Republic of Tajikistan. CDB has provided a total of US\$35 million to the National Bank of Tajikistan, exclusively for agricultural development. The funds supported over 5,000 individuals and collective communities engaged in agricultural production in the whole country.

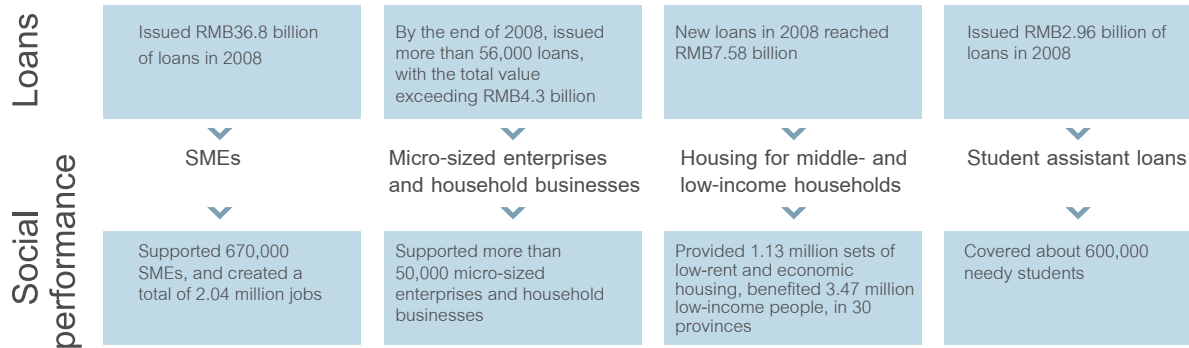
Part 3

Commitment to People's Livelihood Finance



Safeguarding social justice with iron nerve and improving people's livelihood with dedicated heart.

In 2008, CDB took “people's livelihood finance” as one of its basic strategies for future development, created new business models to accelerate development and continued to raise the share of such finance in its total business. A total of RMB201.5 billion of loans went to this area, overshooting its target by more than 168% and representing a rise of 41% from 2007.



1. Supporting agriculture, rural development and farmers' livelihood

In 2008, CDB earnestly implemented the strategic decisions of the Central Committee of the Communist Party of China on agriculture and rural development, provided systematic support to the construction of agricultural infrastructure, development of agricultural resources and rural social projects, and promoted healthy and fast rural economic and social development.

> Improving the mechanism

CDB innovatively advanced its grass root financial services by working closely with city and county authorities to mitigate the risks and amplify the benefits of rural finance. A key principle leading to such an innovation was to socialize finance. By the end of 2008, such cooperation spread to 1089 Chinese cities and counties, emerging as a powerful mechanism that allowed CDB to “boost retail sales with wholesale methods” and “address the common needs of different households with uniform standards”. The bank also vigorously explored business models, procedures and methods that complied with the actual conditions of the rural areas. In Jixian County of Tianjin, for instance, the business model for rural financing was based upon the promotion of local government and organized farmers while in Luanping County of Hebei Province, the bank even moved further to integrate rural financing not only with local government and organized farmers but also downstream industries and consumer markets. CDB has won recognitions and support from the State Council, local governments and the public for wielding its financing leverage to boost the country's credit market development and the interaction among micro-companies, rural households, large enterprises and the markets, and also for its efforts to explore ways that inspired big banks to grant micro-loans and thus helped crack the tough nut of rural lending.

Example

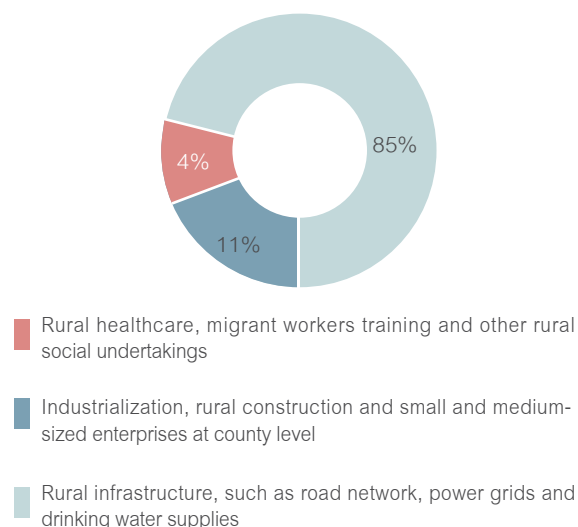
Democracy in grass-root financing

The whole lending process, from program development, initial assessment, reviewing, credit-extending to post-lending management, was decided through democratic evaluations by professionals from regulatory authorities such as the industry and commerce, taxation and law enforcement and industry experts. Transparency was also compulsory when it came to program reviews, credit extending and debt uld promote grass-root democracy and mobilize social force to join the bank in risks prevention. It has so far set up 1,089 bulletin boards for public disclosures.

> Issuing more loans

In 2008, CDB not only extended more loans to support rural and agricultural development but also dedicated itself to the optimization of loans structure, and made notable contributions in closing the urban-rural gap in accessing public services. Such work helped to consolidate the fundamental position of agriculture, boost agricultural development, increase farmers' incomes, and improve the livelihood of rural residents. By the end of 2008, its loans outstanding for new rural area construction at county-level reached RMB322.5 billion, representing 11.5% of its total loans outstanding, and covering more than 1000 counties. The new loans stood at RMB 131.1 billion, or 11.2 % of the total loans issued by the bank in the year.

Composition of loans outstanding at county level for rural construction by the end of 2008



> Promoting the development of new model rural financial institutions

CDB advocated the country's pilot projects concerning rural finance by vigorously incubating new model rural financial institutions such as village and township banks that meet the needs of agriculture, rural development and farmers and establishing intermediate agencies in the rural market to promote the healthy development of the rural financial system. By the end of 2008, it invested a total of RMB71 million, setting up seven

village- and township-level banks in six provinces and autonomous regions, namely Gansu, Sichuan, Qinghai, Jilin, Hubei and Inner Mongolia. These banks had RMB780 million in total assets, RMB610 million in deposit balance, and RMB190 million in loans outstanding. About 62% of their loans outstanding, or RMB 117 million, concerned rural projects and benefited a total of 18,000 rural households.

2.Small and medium-sized enterprises and micro loans

Due to the international financial crises, financing difficulties restricting the development of Small and medium-sized enterprises (SMEs) further worse0 this situation, CDB moved to optimize its lending policies and increased its lending support to SMEs, so as to tide them over the difficulties.

> System Improvement

CDB dedicated itself to the construction of a countrywide SME financing service system, constantly improved the SME lending mechanisms, so as to give SMEs "organized, systematic, specialized and wholesale" support. In 2008, it formulated the Implementation Plan for the SME Lending Strategy, clarifying the concepts, objectives and operational models of future SME lending businesses. Meanwhile, it compiled the Handbook on Loans to SMEs 2008, the Guidelines on Accelerating the Development of the Service Sector through SME Loans, the Provisional Management Methods for People Engaged in SME Lending and the Implementation Plan for Setting up Small Enterprise Lending Centers, so as to further standardize SME financing.



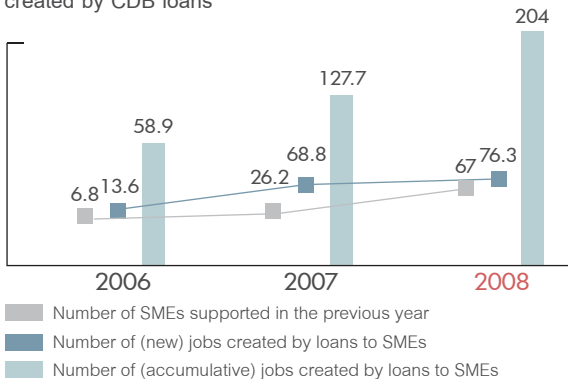
> Service Innovation

CDB attached great importance to quality lending services to SMEs, continuously explored and innovated its lending business models, procedures and methods, and took effective measures to solve the financing problems of SMEs. By the end of 2008, CDB had set up standardized products system, and put to market 13 SME financing products, including micro loans for communities, supply chain loans, secured micro revolving loans, and micro start-up loans for youths. Meanwhile, it also encouraged its affiliates to incubate SME lending services in line with local conditions.

> Increasing lending support

CDB significantly increased its loans to SMEs in 2008. Both the number of SMEs it supported and the number of jobs it created grew significantly. By the end of 2008, it had issued an accumulative total of RMB91 billion of SME loans, while the bad loan ratio fell below 1% for many years in a row to stand at only 0.88%.

The number of SMEs supported and the number of jobs created by CDB loans

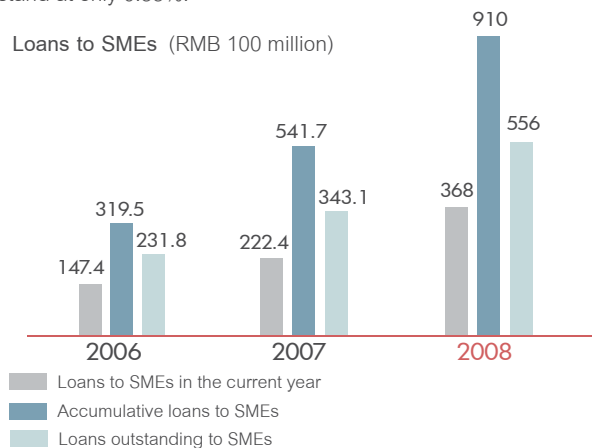


Example

Together with the Central Committee of the Youth League, CDB continued to implement the Project of Micro Loans for Business Creation of the Chinese Youth. By the end of 2008, it had issued a total of RMB657 million of such loans in 20 provinces (municipalities and prefectures), created 8212 jobs, supported 474 enterprises, and helped 1381 young people to set up their own businesses.

The model of SME development loans that bound guarantee institutions together to improve their credit. As local guarantee companies in Zhejiang Province were generally too small and too weak to handle risks, CDB partnered with the SME Bureau and the Credit and Guarantee Association of Zhejiang Province to integrate such scattered institutions to improve their credit. It helped set up a risk reserve, for which each guarantee institution contributed a fund of RMB1 million and the SME Bureau of Zhejiang Province paid supplementary subsidies. By 2008, CDB had issued an accumulative of RMB524 million of loans through this model, and directly supported 332 SMEs.

Loans to SMEs (RMB 100 million)

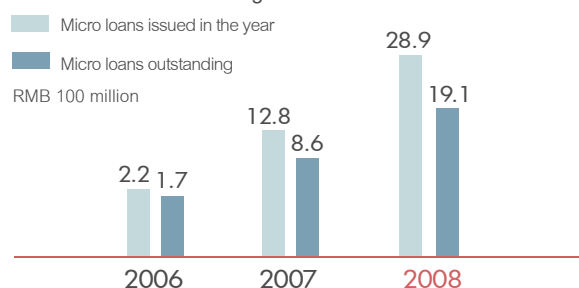


> Vigorously developing micro-loans

CDB continued to promote its cooperation with the World Bank and the KfW Bankengruppe of Germany to pursue commercially sustainable micro loan business through domestic small and medium-sized financial institutions. The loans targeted small and micro-sized companies and survivalist business including the self-employed and farming households, and covered a variety of sectors from farming, machinery manufacture, transportation to trade.

By the end of 2008, CDB had issued more than 60,000 micro loans, with a total value of more than RMB4.7 billion. Value of a single loan averaged RMB 77,000 while the share of loans overdue by more than 30 days was less than 1%.

Micro loans of CDB during 2006-2008



Micro loans of the Women-Getting-rich Spark Program
In cooperation with the Inner Mongolia Chapter of the All-China Women's Federation, CDB has issued RMB14.84 million of micro loans to women in rural pasturing areas through the Women-Getting-rich Spark Program by the end of 2008 to help them start up small business such as farming and livestock breeding to increase family income and shake off poverty. The project benefited more than 6,600 people.

Social feedback:

The Women-getting-rich Spark Program initiated by the CDB provided micro loans to the women in Xing'an League, helping them to get rich from farming, livestock breeding and trade. It was popular and warmly welcomed as it enabled women to hold up "half of the sky" so that the "whole sky" could be brighter.

— Chairwoman Qiao Xia, Xing'an Chapter of the All-China Women's Federation in Inner Mongolia.

3.Loans for housing, education and healthcare

CDB takes it as its calling to help raise housing ownership among the low- and medium-income households, tackle education injustice and address inadequate and overly expensive medical services. It has made positive social performance in this regard.

> Housing loans for the middle- and low-income households

In 2008, under the guidance of the state housing policies for low-income households, CDB channeled its loans to low-rent apartment building and shantytown renovation and gave priorities to the construction of housing for the low- and medium-income families. By integrating government strategies with market demands and capital supply, CDB conscientiously facilitated the fair and efficient expansion of housing ownership among the needy households. By the end of 2008, it had issued more than RMB81.58 billion of housing loans to middle- and low-income households, including RMB47.58 billion new loans. These projects involved an aggregate floor area of 76.32 million square meters and which were scattered in 23 counties, 124 cities and 30 provinces and autonomous regions. ▼

Housing loans for middle- and low-income households in 2008			
	Loans (RMB100 million)	Construction area (10,000 m ²)	Number of beneficiaries (10,000 households)
Shantytown renovation	287	4,004	82
Economic housing	71	567	7
Farmers' resettlement housing	113	3,033	23
Low-rent housing	2	18	0.5
Migrant workers' dormitories	4	10	0.3



Before renovation



After renovation

1 | 2

Supporting urban slum renovation along Yunnan Road in Qingdao

Yunnan Road Residential Renovation Program was the largest of its kind in the history of

Southern District of Qingdao City in terms of the demolition and resettlement areas, the number of residents involved and the amount of investment. The CDB loan of RMB2 billion financed the resettlement of more than 4,700 households, and the supply of over 4,600 compact apartments with an average floor area of 65 m².

The project won extensive praise from all circles of society. Some representatives from the relocated households presented CDB with a banner, which read as follows: "China Development Bank: the bank making the people happy".

> Education and Student loans

Education concerns national prosperity, people's welfare and the future of the country. To CDB, promoting educational justice through the overall development of educational undertakings was as an important social responsibility.

- Continue to expand education loans

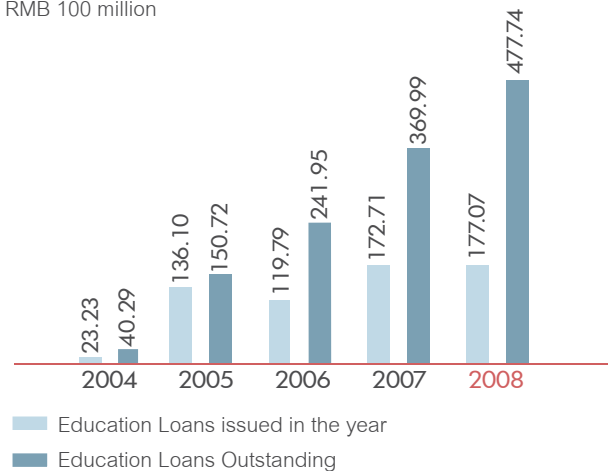
Since 2004, CDB continuously increased its education loans and expanded its support to the development of education.

- Continue to promote balanced development of basic education

In 2008, CDB attached great importance to the development of basic education, vigorously contributed to the national campaigns against the long-standing bottlenecks in infrastructure and the basic industries by improving the conditions for school operation in rural areas, engaging in the construction of rural boarding schools in the western areas and schoolhouse renovation in the middle schools of central and western China. These efforts have facilitated educational justice and a much more balanced development of basic education.

Education loans issued (excluding student loans)

RMB 100 million

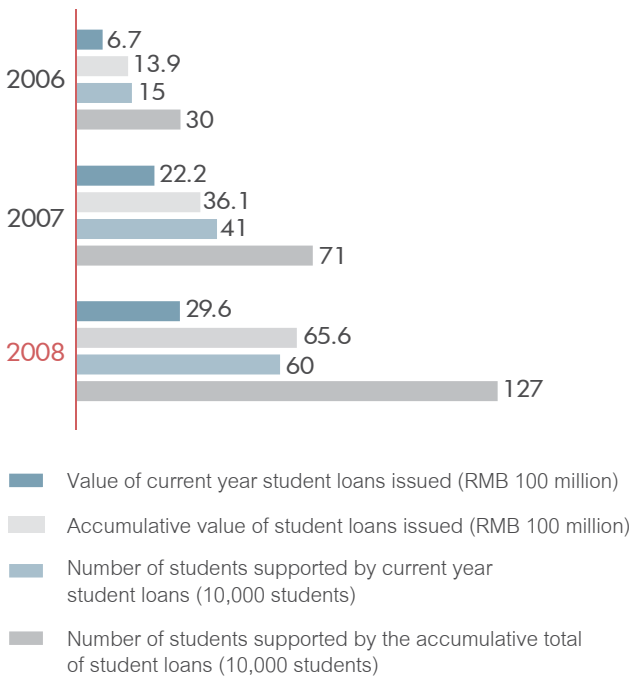


Example

Supporting the construction of rural boarding schools in Hunan
 In May 2007, the Hunan Provincial Committee of the China Communist Youth League signed a cooperation agreement with CDB to support the construction of rural boarding schools, so as to provide better educational services to rural children who were left behind at home after their parents migrated into cities for jobs, and to improve the inadequate educational services for children who lived with their migrating parents. In 2008, CDB issued RMB30 million of loans to bankroll the construction and expansion of 27 middle and primary schools in Liuyang City, benefiting 46,722 students.

- Parallel efforts to promote student loans

Under the guidance of the Ministries of Finance and Education and the CBRC, CDB continued to expand student loans to the needy college fresh students either in their home provinces or where their schools were located. By the end of 2008, a total of RMB6.6 billion of such loans had been issued, covering 1.27 million needy students in 759 counties of 24 provincial-level regions.

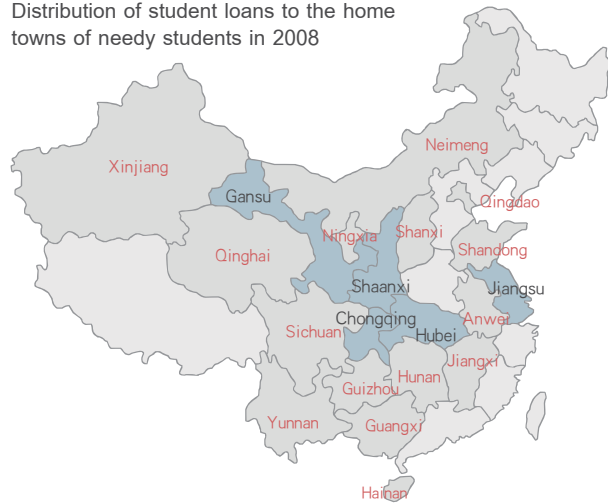


External comments:

Student loans targeting the home towns of needy college fresh students stand to be a people-centered project, and have great significance to the enhancement of educational justice. The Ministries of Finance and Education, the CBRC and CDB have done a great deal and achieved positive results with their pilot programs. Please summarize past experiences and continue to enhance your endeavor in this regard.

—Liu Yandong, Member of the State Council

Distribution of student loans to the home towns of needy students in 2008



Note: Names in red indicate the newly increased home provinces where needy college fresh students could receive student loans in 2008

Commitment to people's livelihood finance

Student loans issued to needy students at their home towns in 2008	
Current year loans (RMB100 million)	29.6
Accumulative loans (RMB100 million)	65.6
Needy students benefited from the current year loans (10,000 students)	60
Accumulative needy student beneficiaries (10,000 students)	127



To guarantee all needy students enter the school, Guizhou University set up a “green channel” on the fresh students registration site in 2008 for CDB to give on-the-spot student loans services.

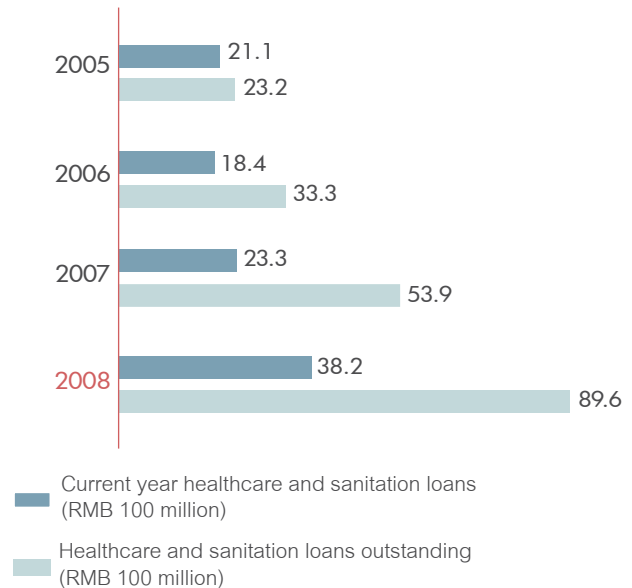


CDB staff came to Zhang Jiao's home in Chengguan Township, Shiquan County, Ankang City, to sign with her the student loan contract. The smiling Zhang with the contract in hand.

> Healthcare loans

CDB vigorously promoted the development of healthcare facilities and accelerated the perfection of healthcare systems, especially that in the rural areas, in line with requirements of the State Council. In 2008, it continued to expand healthcare and sanitation loans to help enhance medical services through county hospitals, village and township clinics and community hospitals. By the end of 2008, its loans outstanding concerning healthcare and sanitation reached RMB9 billion, with the current-year loans standing at RMB3.8 billion. That has played a positive role in facilitating the capacity building for the prevention of and emergency response to public health incidents and optimizing the medical services in the rural and urban communities.

2004-2008 年发放医疗卫生贷款情况

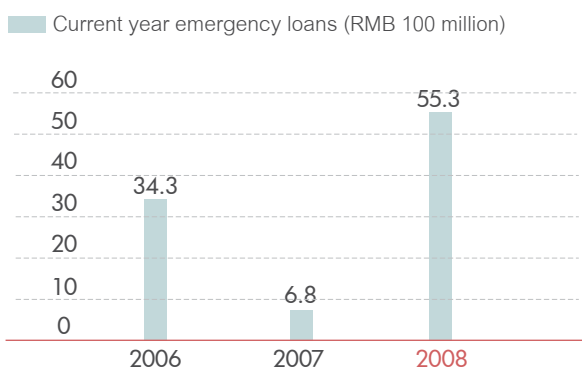


4. Emergency loans

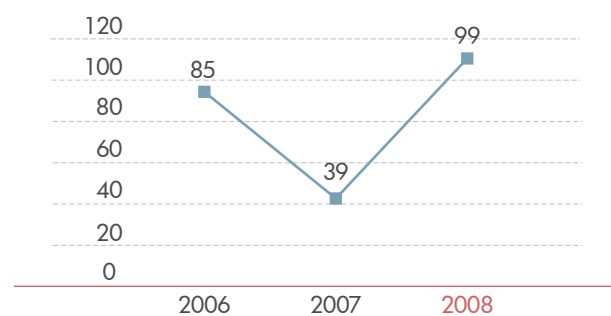
In 2008, CDB amended its Management Methods for Emergent Short-term Loans. The new Methods raised the loan approval ceiling of its branches from RMB50 million to RMB100 million, which significantly quickened its speed of emergency response. Meanwhile, it paid close attention to natural disasters and emergencies, took advantage of its long-standing collaboration with the local governments to activate its emergency lending procedures as fast as possible. In 2008, it issued 99 new emergency loans with a total value of RMB5.51 billion.

The emergency loans issued by CDB for disaster relief played significant roles during the "5.12" Wenchuan earthquake and the early spring snow storms in Southern China. Timely and convenient, such loans effectively mitigated the negative economic and social impacts of severe natural disasters and helped safeguard not only people's lives and properties but also social stability. ▼

CDB's new emergency loans issued in 2008



Number of new projects supported by emergency loans



Distribution of new emergency loans in 2008		
Financing purposes	Recipient regions	Loan values (RMB100 million)
Rain and snow storm	Hunan, Guizhou, Fujian, Sichuan, Chongqing, Shaanxi, Anhui, Guangxi, Jiangsu, Jiangxi, Ningbo, Ningxia, Shanghai, Xinjiang, Yunnan	26.5
Wenchuan earthquake	Sichuan, Gansu, Shaanxi, Chongqing, Yunnan	24.4
Heavy rain storm	Hainan	2
Panzhihua earthquake	Sichuan, Yunnan	0.7
Other emergency events and natural disasters		1.5

5. Poverty alleviation through development

Poverty alleviation through development and eradication of poverty are significant tasks included in the United Nations Millennium Development Goals. Over the years, CDB actively supported poverty alleviation efforts. By setting up financial cooperation offices together with governments of targeted poverty-stricken counties, supporting development planning and research, constructing lending platforms and issuing development loans, CDB gave forceful support to urban and rural infrastructure construction and local leading enterprises, helping poverty-stricken counties to enhance their capacity to shake off poverty.

In 2008, CDB granted RMB 46.43-million new loans to the seven destitute counties it had long been supporting, including Yu'an County of Anhui Province and Long'an County of Guangxi province, adding its total loans outstanding in this regard to RMB 278.33 million. These loans financed road renovation, environmental protection and other public utilities, as well as leading agro-business enterprises engaged in the plantation of sugar canes, bananas, sweet oranges, teas and oil seeds. These enterprises built production bases and organized rural households into their upstream suppliers to seek common prosperity. Together with local governments of poverty-stricken areas, CDB also set up funds to improve the credit standing of micro loans issued for poverty alleviation projects, and established a unique credit structure for poverty alleviation loans. By the end of 2008, it had allocated RMB6.9 million into the funds, and consequently mobilized nearly RMB100 million funds for poverty alleviation.

In addition, CDB also strived to explore market opportunities for the less-developed revolutionary bases, habitats of ethnic groups and border areas, to facilitate harmonious social development.

Part 4

Jointly Building Social Harmony



Justice before profits and justice above profits; public participation and public benefits.

A bank of the people, CDB promotes the mutual trust and mutual understanding among all circles of society, and makes concerted efforts with the society to serve the people and to reward the society.

1. Staff care

CDB has a hard-working, dedicated and highly-motivated staff team. In 2008, it recruited a total of 721 skilled people and further expanded its workforce. CDB cherished its precious human resource, stuck to the people-first principle, and pursued common development with its staff. In 2008, CDB ranked 25th for its overall performance in the Universum's list of most ideal employers, up two places from the previous year.

> Staff training

To meet the requirements of establishing "a bank of study, a bank of experts, a bank of cadres and a bank of professional elites", CDB strengthened in-house training on professional skills and management capabilities in line with the needs of commercialization reform and business development, took account of the professional development needs of its staff. In 2008, the Headquarters organized 113 training courses for 5,781 people, and completed over 60,000 hours of training through its on-line training platform, up 20% from the previous year.

Staff statistics 2004-2008				
	2008	2007	2006	2005
Total staff	5,953	5,311	4,338	3,553
Ratio of male/female staff	1.60: 1	1.66: 1	1.60: 1	1.67: 1
Ratio of male/female middle- and high-level management staff	2.12: 1	1.94: 1	1.99: 1	2.38: 1
Rate of staff drain	0.62%	0.64%	0.53%	1.34%
Rate of staff from ethnic minorities	5.12%	4.6%	4.7%	4.2%

> Protection of staff rights and interests

CDB strictly observed China's labor laws and statutes, signed labor contracts with its entire staff, firmly rejected the use of child labor, opposed any forms of forced labor and discrimination, and paid insurances and housing funds for its staff in full amounts and timely manner. It effectively protected the staff rights to vacations and holidays, and strived to provide its staff healthy and safe working environments. It paid attention to the rights and interests of female staff, and established the Women Staff Committee of the Workers' Union. It continued to follow the principle of equal pays for equal jobs, regardless of gender, and guaranteed equal professional development opportunities for male and female staff. CDB lawfully protected staff rights to be informed of, to participate in and to supervise its activities. It set up the workers' unions at all levels of the Bank, and had all formal staff join the unions. These unions solicited 2,024 rationalization proposals in 2008. ▶

Example

Leadership ability and change management training

Since 2007, CDB conducted several high-level management trainings inside and outside China, so as to increase the leadership and change management abilities of its mid-and high-level cadres. In 2008, it held two training courses in Goethe Business School of Frankfurt University in Germany, and trained 46 management staff on management psychology and change management. It held three training courses in China Europe International Business School in Shanghai, and trained 105 people on organizational behavior science and human resource management, so as to increase their leadership ability.

Building a comprehensive training system

Type of training	Content of training	Target of training
Professional skills	Core business, innovative business, risk management, international cooperation, people's livelihood finance, reform and development	Mainly for front-line staff and back-bone staff
Management ability	Management knowledge and skills, such as change management and leadership ability	Mainly for mid- and high-level management staff
Overall quality	Sector knowledge, law and financial management, evaluation, loan and credit handbooks, social responsibility, anti-corruption, new staff training	Mainly for young staff

Seven major international training platforms

Cooperation partner	Major training areas
Frankfurt University in Germany	Change management
University of St. Gallen in Switzerland	Risk management
University of Illinois in the US	Financial innovation management
University of Bradford in the UK	Project management and international business
The Chinese University of Hong Kong	Business communication
China Europe International Business School	Leadership ability
Barclays Bank	Commercial bank business and management

> Staff development

CDB provided professional development opportunities for managerial and specialized staff, constantly improve its staff promotion system, built multi-echelon reserve for skilled people, and adopted whole-process management for staff recruitment, reserve and training.

In line with the needs of its development strategies and the commercialization reform, CDB optimized its staff evaluation system, worked over the post-reform remuneration and incentive systems, accelerated relevant work in corporate annuity and basic social insurances, so as to provide employees long-term incentives. A scoring system was established to evaluate major projects and reward staff based upon the scores they acquire. It continued to review staff innovations, and honored a total of 60 innovations in 2008.

In efforts to improve staff skills and promote staff development, Chairman Chen Yuan proposed to formulate a staff development roadmap for CDB, and to provide systematic guidance to the professional development of all CDB staff. The bank has already started to invite tenders for program design.

In 2008, the honors won by CDB branches included the “May 1st Medal” awarded to China's financial institutions, the “National March 8th Red Flag Group”, and the title of “National Model Workers' Home”. Many CDB staff have won “May 1st Medals” at both state level and within the financial industry, as well as the honorable title of “March 8th Red Flag Bearer”.

> Staff health

CDB continued to engage in the “four all-staff” activities, namely all-staff vacations, all-staff training, all-staff workout and all-staff healthcare. In 2008, all of the CDB staff received physical examinations and fitness tests while each and every employee had been covered in the bank's workout plans. As a result, CDB won the “Best Organizing Award for All-staff Workout” from the General Administration of Sport of China.

CDB continued to implement staff psychological assistance plan. By the end of 2008, both the headquarters and the branches of CDB had set up their psychological consultation and assistance mechanisms, so as to help staff solve problems related to human relations, children's education, marriage, and etc.

CDB energetically boosted cultural and sports activities among its staff. With 21 staff societies for ball games, mountaineering, dancing and bodybuilding, CDB organized various cultural and sports activities to refine staff sentiments.



> Staff satisfaction

CDB attached great importance to staff assessment and staff satisfaction. As ever, CDB carried out staff satisfaction survey in 2008, so as to learn about staff thinking in a timely manner and increase staff cohesion. The 2008 survey received 5,537 effective questionnaires, covering 92% of the staff.

Base on the survey results, CDB proposed a series of corrective measures to strengthen communication and exchange between the management team and the staff, tighten internal management, optimize competition environment for fair play, improve psychological counseling, and alleviate staff psychological stress and risks during the commercialization reform.

2.Customer services

CDB earnestly developed its customer relations management system, and strived to provide customers high quality and comprehensive financial services.

> Improving the customer relations management system

CDB adopted a differentiated customer management policy. Under its provisional methods on customer relationship management, CDB classified customers based upon their value, with different categories of customers gaining access to customer management teams at corresponding levels.

To solve the problems in customer relationship management, CDB made an overall analysis on this work, formulated the Priorities of CDB in Customer Relations Management in 2008, and put forth the immediate and long-term objectives in customer relationship management.

Objectives of Customer Relationship Management:

Reinforce and strengthen working relationship with the customers, meet their diversified needs, and continuously raise their satisfaction and loyalty rates.

Principles of Customer Relationship Management:

Differentiation: Distinguish different types of customers and adopt different management models based on the evaluation and analysis of customer relations;

Being Dynamic: Strengthen dynamic analysis on customer relations, trace changes in customer relations, and make regular summaries and analysis;

Standardization: Establish quantitative data to evaluate and analyze the relationship with the customers, and strengthen the objectiveness, accuracy and scientific nature of the data with qualitative analysis;

Institutionalization: Formulate and improve relevant institutions and methods, so as to lay a foundation for the customer-centered business model.

> Improving customer services

CDB stuck to the principle of “customer-focused and product-oriented”, continued to promote the R&D of financial products, and strived to improve better integrated services. The CDB marketing services consisted of four levels including chief customer managers, senior customer managers, high-level customer managers and customer managers, which allowed it to provide its customers with thoughtful and convenient financial products and services.

In 2008, it further streamlined its procedures on customer development, customer reviewing and post-lending management, listened to customers' needs through conferences, high-level exchanges and daily communications, and put into place a multi-level communication mechanism to maintain good working relationships with customers.

In light with the characteristics of trans-regional corporations, CDB formulated and implemented the Guidelines on Adopting Unified Management for Trans-regional Corporation Customers, and provided centralized and unified services for large corporations through optimization of internal resources. ▼

Example

Innovative financial service model

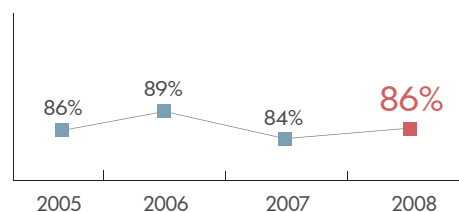
CDB studied hard from overseas banks and brought in their advanced financial concepts and service models. In March 2008, it signed a cooperation agreement with the Dalian Ship-building Industry Co, LTD to provide the latter with comprehensive financial products and services in the next five years, including foreign currency operation loans, infrastructure loans, technical assistance loans, financing lease, and bond underwriting.

> Customer satisfaction rate

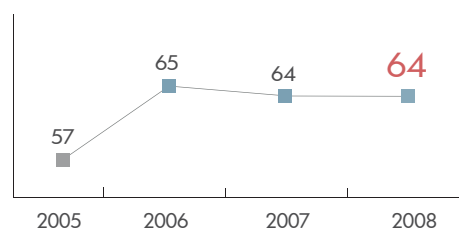
CDB continued to conduct surveys on customer satisfaction and loyalty rates, so as to discover problems and weaknesses in its customer services, learn about customer needs, take relevant measures, and raise the quality of its customer services to a higher level. In the past four years, the customer satisfaction rates of CDB remained at around 85%, and its customer loyalty rates showed an upward trend.

In 2008, CDB polled all its 3,461 customers for their loyalty and satisfaction. The overall satisfaction rate reached 86.1%, while the loyalty indicator stood at 64.2. ▼

CDB's customer satisfaction rate



CDB's Customer loyalty indicators



3. Partnership

CDB stuck to the openness, transparency, mutual benefit and win-win principles, actively created innovative cooperation models, and established long-term strategic cooperation relationship with its partners and civil societies. It emphasized standard operation, faithful implementation of contracts and the openness and fairness, and maintained good cooperation relationship with its suppliers.

> Cooperation and win-win results

CDB attached great importance to exchanges and cooperation with all circles of society, and established close cooperation relationship with governmental organizations, industrial peers, enterprises, institutes of higher learning, and research institutions.

Major cooperation between CDB and its stakeholders in 2008

Signed financing agreement on post-disaster reconstruction with the Government of Sichuan Province

Signed cooperation agreement on the restoration of Taihu Lake water environment with the Government of Jiangsu Province

Signed cooperation agreement on Dianchi Lake pollution control with the Government of Yunnan Province

Engaged in trust business cooperation with financial institutions such as the Social Security Funds, Huaxia Bank, CITIC Securities and the People's Insurance Co.

Signed agreement with China Postal Savings Bank for cooperation in post-disaster reconstruction

Signed cooperation agreement with China Metallurgical Group Corp.

Signed strategic cooperation agreements with Tsing Hua University, Peking University and East China Normal University

Signed cooperation agreement on development finance with Commercial Aircraft Corporation of China

Signed cooperation agreement on development finance with Bank of Chile, the National Bank of Argentina and Zambia Development Bank

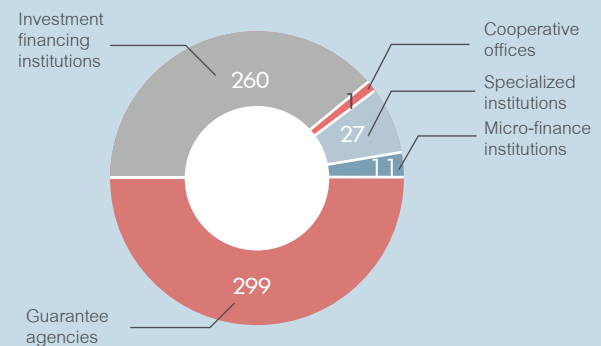
Signed cooperation framework agreement with the UN-Habitat

Example

CDB's partner institutions in people's livelihood finance

In the area of people's livelihood finance, CDB established partnership with a total of 598 institutions in 2008, and issued RMB31.1 billion of SME loans through them.

Composition of the 598 partner institutions in 2008 (assistant lending institutions)



27 specialized assistant lending institutions: including 7 women's confederations, 8 credit associations, 5 technology bureaus at city-level, 3 productivity promotion centers, 1 provincial-level education department, 2 city-level employment bureaus and 1 student loan center.

> Fair procurement

In line with the principles of openness and transparency, democracy, quality, efficiency, and risk prevention, CDB established a procurement management system featuring unified management, centralized shopping and a two-level operation model: the headquarters- and the branch-levels.

In efforts to promote socialized and specialized procurement, CDB introduced in experts reviews to secure openness, transparency, compliance with relevant regulations and efficiency. CDB has completed the development of procurement management which would help reduce operational risks and elevate efficiency. ▼

Example

Reverse auction

In 2008, CDB introduced in reverse auction, an internationally advanced procurement model, which resulted in a 18% cut in the costs of electric equipment leasing, 15% decline in business vehicle rent, 26% drop in purchasing costs for dining- and kitchen-ware and 37% cut in procurement costs for office furniture.

4. Public welfare

During its own development, CDB never forgot to repay the society. It promoted social harmony through cooperation with the communities, dedication to social undertakings, and volunteer services.

> Joint community building

CDB committed itself to community building by donating to improve local educational causes, supporting the army and giving preferential treatment to soldier's dependants and poverty alleviation. In 2008, CDB headquarters won several honorary titles, such as the "Advanced Organization in Supporting the Army and Army Men's Families" awarded by the Xicheng District of Beijing, and the advanced institution in "Joint Community Management with the Army (the Police) and the People in the Capital City to Greet the Olympic Games". ▼



Example

Self-Rescue workshop for juveniles during summer break

In August 2008, CDB staff went to a primary school for children of migrant rural workers in Jiangbei District of Ningbo City during the the school's summer break, teaching the children how to avoid lightning strikes and drowning, as well as how to eat, commute and use electricity safely.

> Charity donation

In 2008, CDB participated in public welfare in various ways and donated RMB57.372 million in total including RMB29.1 million special donations for earthquake relief.

Donations for Public Welfare in 2008

Donation events and activities	Amount (unit: RMB10,000)
Special donation for Wenchuan earthquake	2,910
Development finance volunteer action for western areas, in cooperation with the Central Committee of the Youth League	600
Donation for early spring snowstorm	500
Special scholarship of China Education Development Foundation for foreign students in China	500
New Great-Wall Project of 2008 of China Foundation for Poverty Alleviation to Assist Needy University Students	70
Youth Volunteers Going to the Grassroots Project of China Legal Aid Foundation	150
Educational undertakings of Xicheng District, Beijing	200
Special donations for restoration of the old revolutionary bases in Nanchang City, Jiangxi Province	100
Targeted poverty-alleviation and student-assistance project by the CDB Anhui Branch	90
"Heart-warming" activities during the Spring Festivals in seven targeted poverty alleviation counties	35
Others	582.2
Total	5,737.2

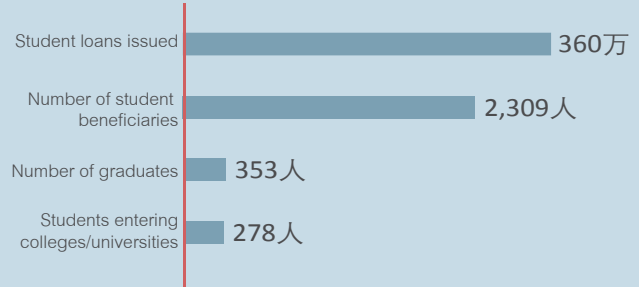
• Love forever – the Light Action

In 2007, CDB provided RMB2.645 million cooperative funds to jointly launch the “Love forever – the Light Action” with the China Foundation for Disabled Persons. Taking advantage of the latter’s well-tried remedying models, CDB provided free cataract surgeries for 2,645 poverty-stricken people in its seven targeted counties for poverty alleviation.

By the end of 2008, CDB’s donations have brought light again to more than 2,000 needy people suffering cataracts. Some of them were young adults who lost their working ability due to blindness, some were in their declining years and others were of minority nationalities living in remote areas. It was the benevolence of CDB that enabled the young adults to re-enter the society, the senior citizens to retrieve their happiness in old age, and many others to feel the beauty of lights and rekindle their hope of life.

• CDB’s Student-assistance Project

CDB started its Student-assistance Project in 2004. An additional RMB900,000 was extended in 2008 to finance the study of 700 needy students in two economically backward counties in Anhui Province.



• New Great-Wall Education Assistance Project

In July 2008, CDB donated RMB700,000 to the China Foundation for Poverty Alleviation to support the New Great-Wall Education Assistance Project, and helped 350 financially-strained students. During 2003-2008, it had donated RMB2.1 million in total through the Foundation to 1,050 students with extreme financial difficulties in 16 institutes of higher learning, with each receiving an annual stipend of RMB2,000.

In one thanks letter to CDB, a student writes: “I am lucky because I grow up in a society where love and hope prevail. With so many kind people like you watching over us and reaching out to us, I can feel the warmness of our big socialist family. Thanks to CDB, I no longer need to stop my study, and I have learned how to give out love. I am deeply grateful for you, and countless poverty-stricken students will also be grateful for you! In the next three years, I will push myself and come to my feet to finish my study, and reciprocate you kind people, as well as my hometown and the country, with excellent study results!”



> Volunteers in action

CDB encouraged and supported various forms of volunteer actions, including volunteer services for the Olympic Games, community events and development financing. CDB persistently assumed corporate social responsibilities to improve social welfare.

In 2008, together with the Communist Youth League Central Committee, CDB pushed forward volunteer activities for development finance, recruited and trained 352 volunteers who were posted to 222 counties and cities of 19 provinces and autonomous regions.

Part 5

Promoting Environmental-Friendly Efforts



Promoting environmental protection and minimizing ecological footprint.

In 2008, CDB focused on restoration of drainage areas, sewage disposal and clean energy, increased its lending support to environmental protection and strived to minimize the environmental impact of its operation by perfecting its green procurement and resource- and energy-saving systems.

1.Green finance

As a member of the UN Global Compact, CDB expanded its responsibilities for environmental protection on its own initiative, strictly implemented its green loan policies, and controlled the direction of lending. It supported industrial and energy restructuring, and promoted comprehensive restoration of drainage areas and urban environments. It promoted energy saving and emission reduction efforts with innovative financial products and services.

> Observing the green loan policies

CDB implemented tight environmental protection reviewing procedures, firmly carried out the CBRC Guidelines on Lending to Energy-saving and Emission-reduction Projects, and vetoed any project failing environmental impact evaluation. In 2008, it continued to have 100% of its lending projects up to the environmental evaluations standards.

CDB strictly followed the NDRC Guiding List of Industrial Restructuring, curbed its loans to highly polluting, highly energy-consuming and resource-depletive projects, accelerated the elimination of backward productivity and gave no supports to industries listed as restrictive and obsolete.

> Establishing the investment and financing systems for environmental protection

In 2008, CDB continued to strengthen institutional capacity building, integrated environmental restoration with urban upgrading and real estate development, energy saving and emission reduction with enterprise technology renovation, actively reformed its investment and financing systems for the good of environment, and mobilized social capital extensively to support energy saving and emission reduction efforts. ▼

The investment and financing instruments concerning environmental protection

Instruments	Time of release	Main contents
Working plan of CDB on Loans for Pollution Control and Emission Reduction	2007	Guided by the idea of development finance, centering on market construction, following the principle of advance planning, and focusing on the priorities of pollution control and emission reduction goals in various state environmental protection plans and special plans, CDB provided financial support to realize the pollution control objectives of the state 11th Five Year Plan, and promoted harmonious development between the humanity and the nature.
The Guidelines of CDB on Special Loans for Energy Saving and Emission Reduction	2007	CDB carried out the duties and social responsibilities of government finance in supporting energy saving and emission reduction efforts, gradually increased its loans in this area, determined major projects in this area, proposed to make priority arrangement for special loans, and adopted the preferential interest-rate policies for special loans according to their classifications.
The Guidelines on Implementing Lending Examination for Targeted Energy Saving and Emission Reduction Projects	2007	While preventing loan risks, increase support to energy saving and emission reduction projects, strictly control loans to high energy-consumption and high pollution projects, promote economic restructuring, change economic growth pattern, and build a resource-saving and environmental-friendly society.
The Guidelines on the Lending Directions of New Loans Approved in 2008	2008	CDB firmly implemented the state macro-control and industrial and regional development policies, increased its support to areas encouraged by the state policy, such as energy saving and emission reduction, people's livelihood, new energy and post-disaster reconstruction, and clearly designated the following areas for priority support: "industrial energy-saving renovations, drainage area restoration, urban sewage disposal, industrial pollution control, recycling economy and clean production".
CDB Financing Plan for Sewage Disposal	2008	CDB supported the rapid construction and healthy operation of the sewage disposal facilities in China, and promoted successful realization of the state goals of pollutant reduction. It plans to issue over RMB10 billion of loans per year in the last three years of the 11th Five Year Plan period, and to increase its loans outstanding to over RMB50 billion by the end of 2010.

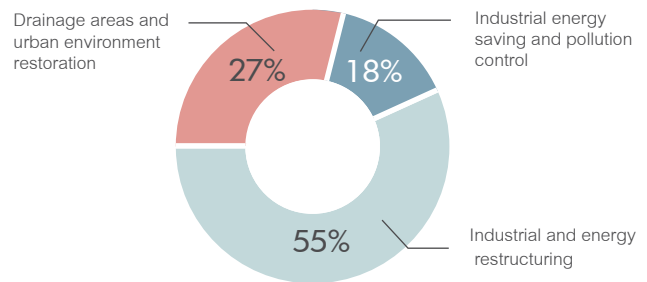
- **Establishing a cooperative mechanism**

CDB promoted environmental protection mainly through cooperation with various aspects. In 2008, CDB consulted with the Ministry of Environmental Protection (MEP) about the Cooperation Agreement on Development Finance, so as to promote the development of environmental protection. The cooperation targeting ecology improvement was guided and promoted by the MEP, while CDB was responsible for financial services and independent loan examinations. In cooperation with the Ministry of Housing and Urban-Rural Development and the associations of the machinery industry, it also initiated special studies and experiments in the energy efficiency of buildings and in electric machinery, as well as in the transfer and pledge of dumping rights.

- **Supporting environmental protection, energy saving and emission reduction projects**

In 2008, CDB further increased its support to environmental protection, energy saving and emission reduction projects. Its total loans issued in these areas increased by 42.2% over the previous year, about 8.4% of its total loans issued in the year. By the end of 2008, the aggregate value of its loans outstanding in these areas grew by 35% from the end of previous year, taking up 9.8% of the bank's total loans outstanding. ▶

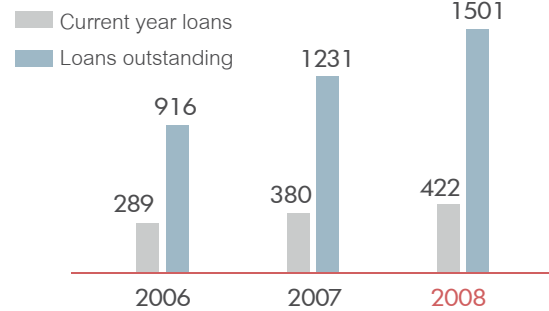
Distribution of loans outstanding in environmental protection, energy saving and emission reduction in 2008



- **Industrial and energy restructuring**

CDB was committed to optimize industrial structures, increase energy efficiency, and provide loan support to huge projects involving ultra-supercritical thermal power, wind power, solar power and hydro power projects, for instance, the Longyuan Wind Power Project, the Heilongjiang Wind Power Project and the Biomass Thermal Power Project of Wushen League in Inner Mongolia. In 2008, its loan issued for industrial restructuring and energy upgrading projects increased by 11.1% from 2007, and its total loans outstanding for such projects rose by 21.9% at the end of the year. ▶

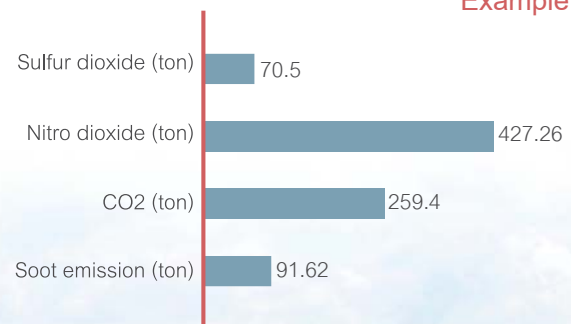
Loans for industrial and energy restructuring during 2006-2008 (RMB100 million)



Heilongjiang Wind Power Emission Reduction Project

In 2008, CDB issued RMB1.44 billion of priority loans to support the construction of Yilan Jiguanlazishan Wind Power Field, Datang Jiamusi Bei-antun Wind Power Field and Datang Huanan Dajiazishan Wind Power Field in Heilongjiang Province. After their completion, the three wind power fields can provide 335.61 million Kwh of clean energy to the electricity grids per year, and save 103,636.5 tons of standard coal. ▶

Example



Example

Wushen League Biomass Thermal Power Project in Inner Mongolia

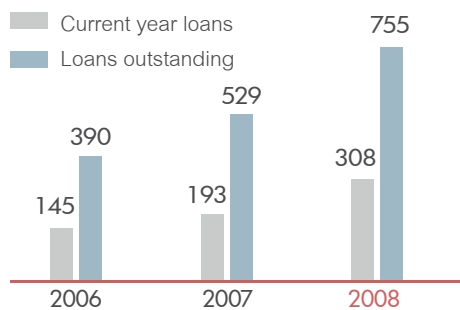
Maowusu Biomass Thermal Power Co. in Wushen League of Inner Mongolia used the stumps of desert-grown bushes as fuel, and constructed a biomass thermal power plant. In 2007, CDB pledged to lend RMB185 million to this project. By the end of 2008, the project successfully generated electricity for the grids. Apart from reducing 256,000 tons of CO₂ emission a year, it also achieved multiple results, including using renewable resources, comprehensive restoration of the ecologic system, and increasing farmers' incomes.

- Comprehensive restoration of drainage areas and urban environment

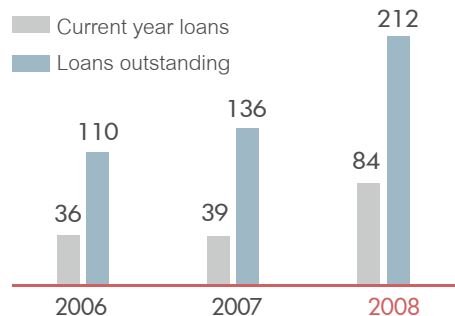
In 2008, CDB significantly increased its lending support to restore the ecological environment of drainage areas and urban areas. Its loans provided to comprehensive restoration of the water environment of drainage areas and construction of urban sewage disposal facilities and waste disposal facilities increased 60% over the previous year, and its total loans outstanding at the end of the year rose by 42.8%.

CDB committed itself to increase the capacity of urban sewage disposal, and provided priority lending to projects such as the Urban Sewage Pipeline Project of Hunan Province, the Sewage Disposal Project of Jiangxi Province, and the Sewage Disposal Facilities Project in the periphery of major drainage areas. By the end of 2008, its total loans outstanding for sewage disposal increased by 56.2% from the end of 2007, while the value of new loans issued shot up by 114.3%.

Loans to restore environment of drainage areas and urban areas during 2006-2008 (RMB100 million)



Loans for sewage disposal facilities during 2006-2008 (RMB100 million)



Promoting environmental-friendly efforts

Example

- Continue to help restore Taihu Lake environment

In 2008, CDB continued to promote comprehensive environmental restoration of the Taihu Lake and decided after thorough evaluations to finance nine projects, including the construction of sewage disposal plants and pipelines around the Taihu Lake, industrial pollution control and the comprehensive restoration of the river course. On 10 May, CCTV (China Central TV Station) broadcasted at the prime time the news of CDB lending RMB1.2 Billion to support pollution control around the Taihu Lake. By the end of 2008, CDB had pledged to finance 42 Taihu Lake pollution control projects, involving RMB32.78 billion in total. The new loan issue amounted to RMB5.83 billion in 2008.



Huai-an Sewage Disposal Plant in Jiangsu Province

- Construction of sewage disposal facilities in Jiangxi Province

Jiangxi Provincial Party Committee and Provincial Government pledged to complete the construction of the county-level sewage disposal facilities in two years' time, but found themselves faced with funding problem. CDB actively guided the provincial government to adopt innovative financing plans. In August 2008, in cooperation with seven financial institutions in the province, CDB took the lead to set up a financial syndicate and signed a syndicate loan contract with Jiangxi Province. On August 18, it made the first syndicate loan with a value of RMB730 million to help the province realize its CO₂ reduction goals in the 11th Five Year Plan period.

Example

The Crescent Lake Emergency Restoration Project of Dunhuang City, Gansu Province

Continuously declining water level has put the Crescent Lake to a higher risk of drying up. CDB provided a loan of RMB20 million for the Crescent Lake Emergency Restoration Project, which saved the precious tourist and ecological resources, while indirectly promoted the sustainable development of the agricultural by-product and food industries, the urban handicraft industry, and the tourist service industry of Dunhuang City. It also won praises from Gansu Provincial Party Committee, Gansu Provincial Government, and Dunhuang city authority, as well as extensive recognition by the general public.

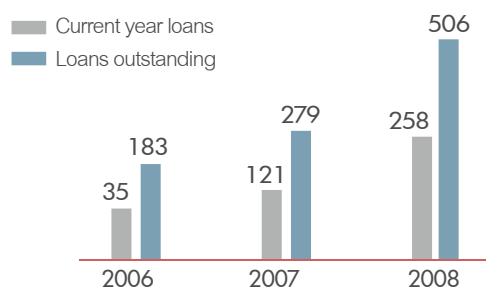
Xinjiang Huadian De-coking Project

CDB actively supported the de-coking renovation projects of Kashi Power Plant II, Changji Thermal Power Plant II and Hongyanchi Power Plant under Huadian Company. After the completion of de-coking renovation, Changji Thermal Power Plant II can reduce 6246 tons of sulfur dioxide emission and 267.3 tons of smoke emission per year, while Hongyanchi Power Plan can reduce 21,700 tons of sulfur dioxide emission and 603.5 tons of soot emission; hence greatly improve the quality of atmospheric environment of the power plants and their peripheries.

- Industrial energy saving, emission reduction and pollution control

Industrial energy saving, emission reduction and pollution control efforts supported by CDB mainly included decoking by coal-burning power plants, resource recycling, clean production, and ten major energy saving projects. In 2008, the total value of loans issued to support these efforts increased by 113.7% from the previous year, and the total value of loans outstanding at the end of the year rose by 81.3% over that of the previous year. These loans mainly supported Xinjiang Huadian De-coking Project, and the Production Base Relocation Project of Dalian Special Steel Co. in the Northeast to protect the environment.

Loans for industrial energy saving, emission reduction and pollution control during 2006-2008 (RMB100 million)



> Innovative financial products for environmental protection

CDB actively promoted innovation of financial products for environmental protection, and explored, together with the Barclays Bank, the ways of setting up carbon funds, developing carbon emission business, and reducing greenhouse gas emission. In 2008, it established the carbon emission trade (CDM) team and a multi-echelon workforce for joint carbon emission management at the headquarters- and the branch-levels, and conducted over 30 bank-wide special trainings in carbon emission business.

CDB actively promoted the early-stage development of carbon emission quota trading, including projects in the areas of wind power generation, biomass power generation and waste recycling. It strived to provide customers whole-process financial services from project financing to secondary market trading of emission quotas. It tried to increase government and enterprise awareness of low-carbon environmental protection, helped enterprises realize their technical upgrading and energy efficiency renovation objectives, and supervised project owners on their compliance with emission reduction agreements, so as to realize the objectives of promoting energy saving, emission reduction and environmental protection.

2. Green procurement

Implementing green procurement and sharing environmental responsibilities together with the suppliers is a significant effort CDB took to promote environment-friendly methods. In 2008, CDB formulated a special guideline to give an overall push to Green Procurement. These efforts were made in line with the state rules on the procurement of goods with environmental labels.

Major measures of green procurement

- Give preference to products with energy saving and environmental protection certificates;
- Clarify energy saving and environmental protection requirements for products (including construction materials) in bidding documents;
- Add energy saving and environmental protection, staff rights and interests and safety production indicators into the examination standards, and put 5% at the minimum scores; Procurement contracts must contain clear-cut articles concerning environmental protection and energy conservation.

3. Green office

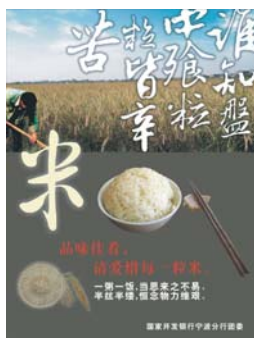
CDB constantly improve its systems relevant to green working, elevated in-house awareness through publicity and education, took a variety of measures to spare energy, reduce emission, and strived to reduce the environmental impact of its own operation.

Environmental Protection and Energy Saving Measures in 2008

- Doubling publicity efforts, appointing grain saving and energy saving advocators and supervisors, and starting to build the energy saving database;
- Making full use of the natural light, controlling lighting brightness, using energy saving bulbs, and practicing the rule of lights out when people are gone;
- Controlling heating supply, air conditioning working time and temperature range;
- Using water saving valves and taps, and recycling used water for cleaning and plant watering;
- Advocating green travel among the staff and reducing the use of private cars;
- Utilizing the Office Automatic system, promoting paper-free office by cutting document lengths and reducing the amount of paper documents.

> Promoting resource saving

Guided by the scientific development concept, CDB doubled its efforts to axe resource consumption of its own operation. In 2008, it issued the CDB Guidelines on Grain Saving and Energy Saving, and specified the measures. It also coached its Property Management Company for the release of Post Duty for Garbage Classification to standardize waste disposal and facilitate waste recycling.



Posters of Ningbo Branch to advocate grain saving, electricity saving

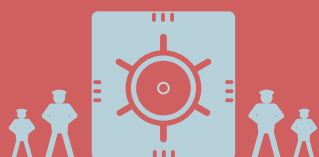
Office Resource Consumption in 2008	2007	2008
Per capita paper consumption (kg/person)	32.0	33.2
Per capita electricity consumption (kwh/person)	4,470.7	4,446.6
Per capita water consumption (ton/person)	37.2	35.4

> Reducing emission of greenhouse gases

The main measure of CDB to implement the green office policy was to vigorously promote the use of digital conference, such as video conference and telephone conference, so as to reduce the emission of greenhouse gases generated by traffic means. As a result, digital conference has become a major means of CDB to organize conferences. In 2008, CDB organized a total of 260 digital conferences, representing 56% of its total conferences. Among them, there were 229 video conferences, an increase of 11.7% over 2007.

Part 6

Preventing Financial Risks



Preventing financial risks and safeguarding financial security.

In 2008, CDB continued to follow the prudent risk management concept, rose to the challenges and risks triggered by the international financial crises, pushed forward the overall construction of risk management system, doubled its efforts in emergency management, anti-corruption and anti-money laundering, and secured a continuous and healthy development of the Bank.

1. Comprehensive risk management

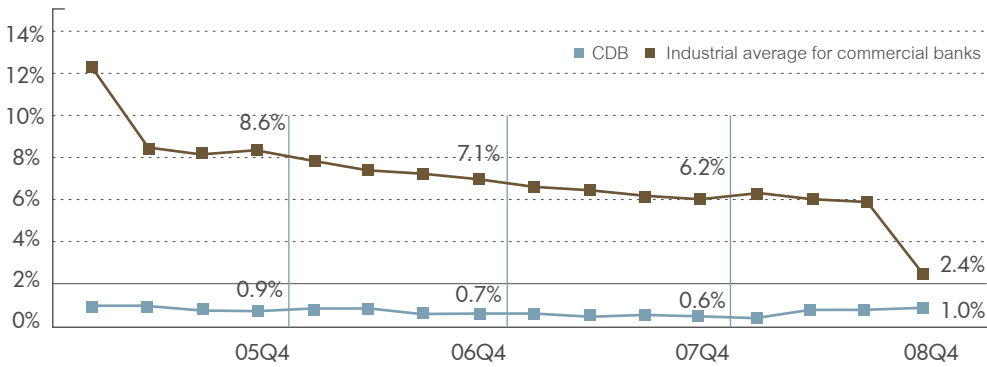
CDB continued to stick to prior planning, set up a risk control network covering all procedures, all products, all areas and institutions involved, changed the passive risk control into active risk prevention and management, and achieved the mutual promotion between risk management and business expansion.

In 2008, CDB maintained outstanding results in risk management, with its bad loan ratio remaining the lowest among all domestic banks. By the end of 2008, the total value of its bad loans stood at RMB27.3 billion, taking up only 0.96% of its loans outstanding, continuously below 1%.

> Setting up and completing the organizational framework for risk management

According to the principles of the new Basel agreement, CDB established and completed the risk control framework characterized by decision-making through the Committees, realized the transition credit risk management to comprehensive risk control, and put into place the two-level risk prevention system at both the headquarters and the branch levels.

CDB Bad loan ratios compared with the industrial averages in China

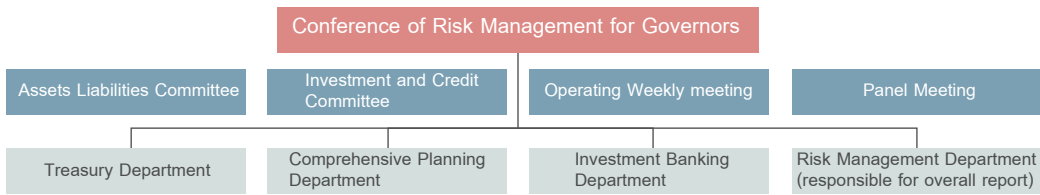


Bad loan ratios of commercial bank are from the CBRC website (<http://www.cbrc.gov.cn>)

Organizational framework of credit risk management



Organizational framework of market risk management



CDB will further improve and complete the organizational framework for market risk management through the Market Risk Consultation and System Integration Project started in line with the new Basel Capital Agreement.

> Establishing the management flow covering complete business processes

CDB continued to implement risk management in all business processes, gradually established and improved the risk management procedures, realized risk management and risk control in all business processes.

In 2008, it continued to minimize its risk exposure by separating loan examination and issuance and implementing the expert examination and the loan committee systems. It strengthened post-lending management, strictly monitored downstream risks, intensified internal auditing and realized complete-process auditing for all lending processes and lending projects. External supervision system was introduced in while the audit reform was deepened.

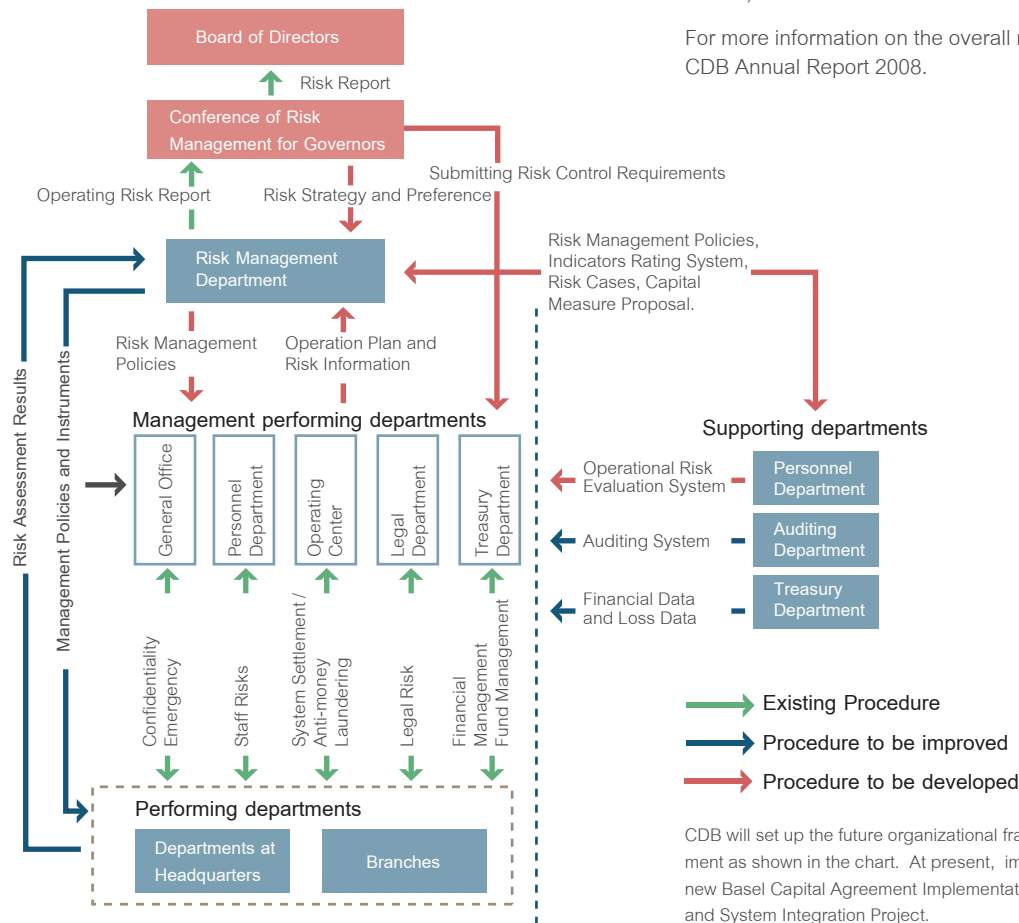
> Accelerating the implementation of the new Basel Capital Agreement

In 2008, CDB started full preparation for the implementation of the new Basel Capital Agreement and established a special coordination mechanism, complete with a Leading Group led by the President and the project teams. It actively speeded up the implementation of the new Basel Capital Agreement from planning, project group management to the use of information technology. It also recruited internationally famous consultant companies to provide advices and training, so as to raise the overall risk awareness, risk measurement ability and risk management level of the Bank.

Faced with the ever spreading international financial crises, CDB closely followed and prudently addressed the risks, improved its pre-warning and prevention systems, and actively handled various risks brought about by the financial crises (See 2008 Highlights for details).

For more information on the overall risk management of CDB, see CDB Annual Report 2008.

Organizational framework of operational risk management



CDB will set up the future organizational framework of operational risk management as shown in the chart. At present, improvement is being made through the new Basel Capital Agreement Implementation – the Operational Risk Consultation and System Integration Project.

Preventing financial risks

2. Compliance management

2008 is the Year of Management of CDB, when it strengthened compliance management and guaranteed lawful and standard business operations. It strengthened the construction of the compliance system, and established the Compliance Leadership Group headed by Chairman Chen Yuan. A compliance office was set up under the Leadership Group to oversee the compliance of the whole Bank.

In 2008, in order to meet the needs of the commercialization reform, the Internal Audit Department undertook a series of adjustments and transitions in functional orientation, system framework, working systems and concepts of internal audit. Focused on the security of assets, liabilities, profits and losses, it started to shift to supervision on "major risks, major projects and major areas". As a result, it effectively promoted the completion of the international control system and the prevention of operational risks of the Bank.

As a corresponding organ to CBRC, it coordinates supervision inspections and rectification actions, helps stem reminded risks, and communicates for business entries.

The Compliance Office

It conducts researches on the compliance of the overall risk management system of the Bank, and makes proposals on the Preliminary Framework of the Compliance System of CDB.

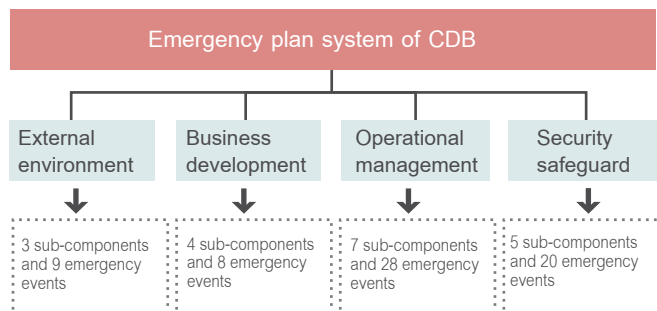
- In this Year of Management, comprehensive auditing was given to loans, funds, finance and accounting, investment, international cooperation and IT system to expose problems and risks at the policy, institutional, management and operational levels and further increased the coverage and depth of internal audit through overall analysis on safety, liquidity and profitability.
- It responded to the snow storms, the earthquakes and the financial crises, strengthened supervision inspections over people's livelihood finance, emergency loans and new loans, guaranteed the compliance of CDB loans with the state macro-management policies, and prevented the risks of lending fund misuse.
- It carried out evaluations on loan projects, not only to summarize the experiences and lessons of CDB lending management; but also, by looking into the technical and economic indicators of the lending projects, to evaluate the economic, social and environmental results of the loan projects, and verify the contributions of CDB loans to the economy and the society.
- To rectify problems concerning auditing and supervision, CDB made sure all rectification measures had been taken, and rectified 99.4% and 94% of the problems respectively. Through such rectification efforts, CDB significantly improved its loan management, reduced the occurrences of generic problems, and significantly elevated the bank's performance in operation management, internal control and compliance system building.
- In cooperation with the CBRC, it established the "Three-check" Lending Coordination Group and the Coordination Office, so as to timely reveal, communicate and handle problems found in the inspections, effectively mitigate project risks through on-site inspections and special coordination for major projects, and speed up the implementation of rectification measures.
- Continuous efforts had been made to improve the two-level (the headquarters and the branch levels) complaints-responding system. A total of 38 complaints were handled, helping the bank avoid or retrieve economic losses of RMB 90 million, and reinforced the main firewall that protected the safety of its loan assets and prevented financial risks.

3. Emergency management

CDB earnestly implemented the Emergency Response Law of China by improving its emergency response system, optimizing its advance plans and elevating its capability to respond fast and in a concerted manner so as to provide better guarantee to the smooth reform of the Bank.

In 2008, it established the three-level management system consisted of the Leading Group, the Office and the implementation units of emergency response, and formed a management system with "unified leadership, comprehensive coordination, complete structure, sensitive response capacity and highly efficient handling ability." It formulated 65 emergency plans that covered four major areas, namely external environment, business development, operation management and security safeguards; staged emergency drills; and appropriately responded to various

emergency events such as rain and snow storm in southern area wenchuan earthquake, and the train collision on the Jinan-Qingdao Line in Shandong Province.



4. Anti-corruption

Anti-corruption is an important component of the ten principles of the UN Global Compact, and is a necessary requirement for financial enterprises to prevent overall risks, maintain stability and achieve healthy development. In 2008, to satisfy the needs of commercialization reform and the overall development, CDB continued to tackle corruptions from both the surface and the roots, engage in comprehensive improvement, combination of prevention and punishment, prevention-based efforts, gave priorities to prevention without being lenient on punishments; and actively improved the anti-corruption system that laid equal stress on education, system construction and supervision.

> Completing the institutional systems of anti-corruption

According to the actual transitional needs of its commercialization reform, and based on dozens of existing anti-corruption stipulations, such as the Provisional Stipulations on Preventing Conflicts of Interests of CDB Staff and the Stipulation of CDB on Integrity and Self-Discipline in External-affair Activities, CDB issued the Opinion of CDB on Completing the Institutional Construction and Prevention of Rent-seeking Acts and the Guiding Opinions of CDB on Strengthening the Construction of the Joint Supervision Systems during the Reform, so as to further prevent corrupt acts in its business development processes.

> Completing the internal control system

CDB doubled its effort to strengthen the internal control system on four areas, namely credit lending, financial accounting, personnel and logistics management, exercised full-process control through advance regulation, in-event checks and post-event supervision and examination and paid special attention to whatever was vulnerable to major risks, effectively guarantee the prevention of business and integrity risks.

> Promoting joint supervision

CDB actively advanced joint supervision by cooperating with the auditing, finance, construction and judicial departments, and gradually expanding supervision targets to include governmental departments related to financing and SMEs in highly risky areas.

In 2008, about 6,993 projects, or 92.2% of total loan projects, were examined, with the loans outstanding aggregated at RMB 1.062647 trillion. Among them, there were 5,253 projects jointly funded by local government finance and CDB loans, having RMB 1.007947 trillion in the aggregate value of loans outstanding, 92 or 87.6% of the 105 projects detected problematic have gone through rectification.

> Handling conducts with transgression of regulations according to laws

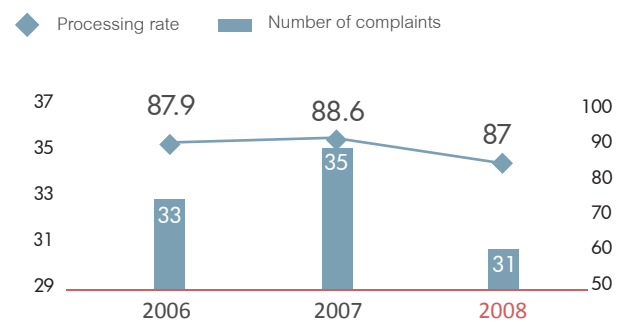
CDB intensified supervision over regulation- and discipline-breaching acts, and handled such acts through risk reminding, supervision proposals, criticism and educating, rectification orders and job removals. In 2008, four investigations were closed, with five people punished according to the Party and the administrative disciplines. Meanwhile, another 31 complaints were dealt with, with the proportion of closed complaints standing at 87% of all complaints.

It coordinated with the Central Commission for Discipline Inspection of the Central Committee of the Communist Party of China (CPC) and the Ministry of Supervision in their investigations over the case of former Vice-president Wang Yi, who was alleged of having made serious transgression of the CPC disciplines. It also formulated a package of rectification measures, including tightened supervision and education, so as to prevent the recurrence of similar acts.

> Strengthening anti-corruption education

CDB continued to strengthen anti-corruption education and improve its conversation-based reminding mechanism for managerial staff. In 2008, such conversations covered 100% of the staff at or above middle management, while all staff have received anti-corruption training.

Processing of complaints



5. Anti-money laundering

CDB has taken effective efforts to combat money-laundering by resolutely implementing the country's laws and statues on money laundering, enhancing institution building and internal control, demanding timely reporting over large-amount and suspicious transactions, and strengthening relevant supervision, publicity, training, inspection, and assessment.

Looking forward

2009 is a vital year in addressing the challenges of the financial crises, as well as a year of reform and development for CDB. The reformed CDB will continue to follow the scientific outlook on development, stick to the ideas and methods of development finance, better integrate the objectives of increasing national wealth and benefiting people with market and commercial means, and achieve new progress while sharing social responsibilities on its own initiative and serving the overall economy.

Responsibilities	Key objectives in 2009
Strengthening responsibility management	<ol style="list-style-type: none"> 1. Optimize corporate governance, and further incorporate social justice, economic equality and ecological constraints into the corporate strategies and core business areas; 2. Continue to promote the implementation of the ten principles of the UN Global Compact; 3. Set up a preliminary indicator system for social responsibility and conduct extensive exchanges and training on social responsibility.
Supporting economic development	<ol style="list-style-type: none"> 1. Implement various policy measures to “maintain growth, expand domestic demand and restructure the economy”; 2. Continue to support the construction of key state infrastructure projects, enterprise independent innovation and industrial upgrading, as well as key projects in the western and northeastern old industrial bases, and strengthen credit support to post-disaster recovery and reconstruction; 3. Promote international businesses, and grant more support to the infrastructure, agriculture, social undertakings and people’s livelihood in Asian, African and Latin American countries.
Financing projects to improve people’s livelihood	<ol style="list-style-type: none"> 1. Advance institution building and supporting system for grassroots businesses, promote the adoption of internationally advanced lending models, and digitalize the whole process of lending products. 2. Priorities will go to rural infrastructure construction including the renovations of power grids, road construction and telecommunication; start pilot projects for small-enterprise loan centers and loan companies to increase the lending for SMEs; expand housing loans to middle- and low-income households, with priority given to renovation of slums and old residential areas; and scale up student loans across the whole country.
Jointly building social harmony	<ol style="list-style-type: none"> 1. Strengthen communication with governmental departments, supervision agencies, investors and other stakeholders, and steadily advance the reform; 2. Establish a scientific incentive system in line with the characteristics of commercial banks; 3. Further elevate the customer satisfaction rate and loyalty rate; 4. Actively participate in social welfare activities and achieve concerted development with the stakeholders.
Promoting environmental - friendly efforts	<ol style="list-style-type: none"> 1. Vigorously expand environmental protection, energy saving and emission reduction businesses, with priorities given to the safety of drinking water resources, disposal of urban sewage and waste, and water pollution control in major river valleys; and to achieve a 20-40% growth from 2008 in loan issue for environmental protection, energy saving and emission reduction; 2. Strengthen green office practices, and manage to cut the per capita consumption of oil, power and water in 2009 by 5% from that of 2008.
Preventing financial risks	<ol style="list-style-type: none"> 1. Strengthen overall risk management and maintain the quality of assets; 2. Establish risk management strategies fitting in with mid- and long-term businesses, promote the overall implementation of the new Basel Capital Agreement, and closely track the negative impacts of the global financial crises and the economic slowdown; 3. Continuously improve the scientific and democratic decision-making system to uphold transparency in business operation and effectively ward off corruption risks; 4. Expand joint supervision to all lending projects to ensure sunlight operation.

1. The Audit Statement

DNV Assurance Statement



China Development Bank Social Responsibility Report 2008

Det Norske Veritas ('DNV') has been commissioned by the management of China Development Bank ("CDB") to carry out an assurance engagement on China Development Bank Social Responsibility Report 2008 ('the Report') in its printed format.

CDB has been published Annual Corporate Social Responsibility Report for the second times running and inviting third-party agency to conduct an independent assurance.

Scope of Assurance

DNV's scope of assurance is to assess if the disclosed critical information, data and management support systems are in compliance with the relevant reporting principles and criteria of reliability.

Scope of Assurance including:

- CDB's Head Office
- CDB's Branch Office in Sichuan
- CDB's Branch Office in Chongqing
- CDB's Branch Office in Zhejiang
- CDB's Branch Office in Guangxi
- CDB's Branch Office in Yunnan
- CDB's Branch Office in Jiangsu

During the assurance processes, DNV has also visited the following stakeholders: China Banking Association, Construction Bureau of Guangxi, Beichuan Middle School, Dujiangyan Xincheng Construction and Investment Ltd. Co, of Sichuan and the Senior Citizens' Home under the Daguan Street Office of Wuhua District, Kunming.

Limitation of Assurance

DNV visited six branch offices which were selected in accordance with risk principles and interviewed with some external stakeholders.

Assurance Approach

The assurance engagement was conducted in March 2009 and performed in accordance with requirements of "DNV Assurance Protocol for Sustainability Reporting". The Report has been evaluated against the following criteria:

- Adherence to the principles of stakeholder inclusiveness, materiality, responsiveness, completeness, reliability, neutrality, comparability and accuracy as set out in the "AA1000 Assurance Standards 2008".

- The Global Reporting Initiative ('GRI') 2006 Sustainability Reporting Guidelines Version 3.0.

To reach our conclusions, we have conducted the following work:

- Searched the relevant information of CDB in the public domain to find out the concerns of the stakeholders.
- Based on "DNV Assurance Protocol for Sustainability Reporting" evaluated and ranked material CSR risks of CDB.
- Interviewed with CDB's top level management team to understand the top level commitment and strategy approach to sustainability.
- Interviewed the departmental representatives to understand the procedures and their status of implementation.
- Visited selected stakeholders to understand their expectations and critics of CDB.
- Examined and tracked the reported data and information at the site to verify the methodology of data compiling and aggregating.
- Compared CDB's CSR reporting data over the years to understand the trends of corporate social responsibility performance.

Conclusions

In our opinion, the Report provides a fair representation of the level to which CDB's sustainability policies have been implemented throughout its business units. No material or systematic errors were observed from thereporting contexts.

It is noticed that in comparison to the 2007 report, more financial supplementation indicators were disclosed.

In the process of assurance engagement, DNV also identified some opportunities for improvement which were illustrated in the Assurance Report from DNV.

Stakeholder Inclusiveness

The Report illustrated CDB's commitment to be accountable to stakeholders and how to assure stakeholders' participation in identifying critical issues and finding solutions. However, the formal engagement mechanisms with stakeholders and the selection criteria of responding indicators should be improved further to coordinate and balance the expectations of the stakeholders.

Materiality

The Report, disclosed the performance indicators in relation to the mid-term and long-term economic development policies of the central government. However, CDB needs to improve the principles and standards of identifying the materiality, implement dynamic management and more quantitative way to express the management status of materiality issues.

Responsiveness

The Report responded objectively to the major concerns of the main stakeholders and disclosed CDB's work plan of the further development of CSR. However, CDB should enhance a PDCA approach to ensure continuous improvements.

Completeness

The Report disclosed the key issues and performance information of the 2008 reporting period which covered CDB head-office and all subsidiaries. However CDB should disclose more information about ESG performances.

Reliability

CDB has established dedicated a corporate social responsibility management office and processes to collect, compile and analyze data and information. These procedures are found to be effective.

Neutrality

We concluded that the information contained in the report

is unbiased and represented performances of corporate social responsibility in a balanced manner.

Comparability

The information in the Report is presented in a format that allows users to see positive and negative trends in performance on a year-to-year basis.

Accuracy

The qualitative and quantitative information presented in the report were aggregated and compiled by established procedures and processes without material mistakes.

It is noticed the report also disclosed some quantitative performance goals for the future.

DNV is confident that CDB will improve corporate social responsibility management system and the quality of the report continuously.

DNV's Independence

The independence of DNV's assurance engagement team is ensured by internal control procedures and the following principles:

- The total independence of assurance staff during working period.
- Keeping confidentiality of all the sensitive information of CDB;
- No conflicts of interests between Assurance staff and CDB.

DNV expressly disclaims any liability or responsibility for any decision a person or entity would make based on this Assurance Statement.



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2.The Third Party Evaluation

The Evaluation of China Development Bank Social Responsibility Report 2008

Chen Ying

China Development Bank (CDB) Social Responsibility Report 2008 (the report) has made a considerable improvement based upon its 2007 version not only in the presentation of the bank's performance results, institutional reform and innovations, spread of the corporate social responsibility concept and cultural building, but also in the data collection and page layout. Not resting on its past laurel of the Notable Report awarded by the UN Global Compact Office last year, the bank innovatively took the reporting process as a great training opportunity to enhance staff's responsibility awareness and their understanding of the relationship between socially responsible culture and corporate development strategies.

The report distinguishes itself from the following aspects:

Having clear-cut theme and being innovatively structured:
It was the first time that CDB revealed its social responsibility implementation model which stemmed from the bank's mission concept of "increasing national strength and improving people's livelihood" and took development finance as the way to put into place a sound and effective supporting system so that the bank could better facilitate the sustainable development of economy, society and environment. The report structure was also optimized to include the "2008 Highlights" in the introduction, offering an extensive response to the key public concerns over CDB work in social responsibility and allowing the readers to grasp the essence of the report much more easily. By presenting the subjects of people's livelihood finance and financial risk prevention separately in the text, the report highlighted the distinguishing features of both the financial industry and the CDB practice in implementing corporate social responsibility.

Comprehensive contents and resourceful data:
The report gives a thorough presentation of CDB's commitment to corporate social responsibility from mainly six aspects namely responsibility management, economic development, people's livelihood finance, social harmony, environmental-friendly efforts and financial risk prevention. The report also shows that CDB has drawn on the feedbacks and suggestions from the UN Global Compact Office, DNV and other industrial organizations over its previous year report, to strengthen the information disclosure on the supporting system for social responsibility implementation. The bank has

taken lead to release the correlation data extracted from staff's annual questionnaire of social responsibility, and in the parts of environmental-friendly efforts and risk management, it has not only raised the number of indicators but also provided horizontal comparison. This has significantly increased the report's accuracy and comparability and offered valuable insights for the establishment of social responsibility index system suitable to the characteristics of domestic financial institutions.

Fresh layout with excellent illustrations and photos:

Elegant and concise, the report layout innovatively uses cartoon pictures to vividly display a variety of areas covered by the CDB social responsibility activities, well manifests the distinctive feature of CDB development finance and changes the report into an easy read.

Report Evaluation:

The report proves that CDB has made viable exploration in facilitating the healthy development of national economy, the financial industry and society through development finance. It also proves with its own practices that conscientiously fulfilling social responsibility provides a solid base for the development of financial companies and opens the way for their sustainable development.

The report, with logical thinking, comprehensive contents and good readability, complies with the information disclosure requirements of the UN Global Compact, and stands to be an enlightening social responsibility report worth to be spread.

Suggestions:

We suggest CDB should make improvements in the following aspects:

Accelerate institution building to provide forceful support for a comprehensive advancement in social responsibility activities.

Enhance internal and external exchanges and communication to facilitate the spread of development finance concept, and to create a better business environment.

Deepen involvement in important global issues such as climate change, environment and anti-corruption so as to set a good example for other Chinese enterprises aiming to assume their global social responsibility.

Board member of the UN Global Compact Council,
Director of Center Office of Global Compact Network China

3. Use of GRI indicators

This report has been compiled according to the Guidelines for Sustainable Report (Version 3.0) of the Global Reporting Initiative and its supplementary guidelines for financial service sector.

	Serial NO	GRI	G3 and Index of supplementary financial sector guideline	Disclosure location	Use
1.Strategy and analysis	1	1.1	Statement from the most senior decisionmaker of the organization	P3-4	Fully used
	2	1.2	Description of key impacts, risks, and opportunities.	P3-4	Fully used
2.Organizational profile	3	2.1	Name of the organization.	P7-8	Fully used
	4	2.2	Primary brands, products, and/or services.	P-8	Fully used
	5	2.3	Operational structure of the organization.	P7-8	Fully used
	6	2.4	Location of organization's headquarters.	P7-8	Fully used
	7	2.5	Number of countries where the organization operates, and names of countries with either major operations or that are specifically relevant to the sustainability issues covered in the report.	P39-40	Fully used
	8	2.6	Nature of ownership and legal form.	P7-8	Fully used
	9	2.7	Markets served (including geographic breakdown, sectors served, and types of customers/beneficiaries).	P7-8	Fully used
	10	2.8	Scale of the reporting organization, including: Number of employees; Net sales; Total capitalization broken down in terms of debt and equity; and Quantity of products or services provided.	P9-10	Fully used
	11	2.9	Significant changes during the reporting period regarding size, structure, or ownership.	P11-12	Fully used
	12	2.10	Awards received in the reporting period.	P19-20	Fully used
3.GRI Content Index	13	3.1	Reporting period (e.g., fiscal/calendar year) for information provided.	P1-2	Fully used
	14	3.2	Date of most recent previous report (if any).	P1-2	Fully used
	15	3.3	Reporting cycle (CDB CSR report is an annual publication.)	P1-2	Fully used
	16	3.4	Contact point for questions regarding the report or its contents.	P1-2	Fully used
	17	3.5	Process for defining report content	P1-2	Fully used
	18	3.6	Boundary of the report (e.g., countries, divisions, subsidiaries, leased facilities, joint ventures, suppliers).	P1-2	Fully used
	19	3.7	State any specific limitations on the scope or boundary of the report.	P1-2	Fully used
	20	3.8	Basis for reporting on joint ventures, subsidiaries, leased facilities, outsourced operations, and other entities that can significantly affect comparability from period to period and/or between organizations.		Not involved
	21	3.9	Data measurement techniques and the bases of Calculations.	P1-2	Fully used
	22	3.10	Explanation of the effect of any re-statements of information provided in earlier reports, and the reasons for such re-statement .		Not involved
	23	3.11	Significant changes from previous reporting periods in the scope, boundary, or measurement methods applied in the report.		Not involved
	24	3.12	Table identifying the location of the Standard Disclosures in the report.	P1-2	Fully used
	25	3.13	Policy and current practice with regard to seeking external assurance for the report.	P1-2	Fully used
4.Governance	26	4.1	Governance structure of the organization.	P7-8	Fully used
	27	4.2	Indicate whether the Chair of the highest governance body is also an executive officer (and, if so, their function within the organization's management and the reasons for this arrangement).	P7-8	Fully used
	28	4.3	For organizations that have a unitary board structure, state the number of members of the highest governance body that are independent and/or non-executive members.	P7-8	Fully used

	Serial NO	GRI	G3 and Index of supplementary financial sector guideline	Disclosure location	Use
4.Governance	29	4.4	Mechanisms for shareholders and employees to provide recommendations or direction to the highest governance body.	P7-8	Fully used
	30	4.5	Linkage between compensation for members of the highest governance body, senior managers, and executives (including departure arrangements), and the organization's performance (including social and environmental performance).	P7—8	Fully used
	31	4.6	Processes in place for the highest governance body to ensure conflicts of interest are avoided.		To be used in future
	32	4.7	Process for determining the qualifications and expertise of the members of the highest governance body for guiding the organization's strategy on economic, environmental, and social topics.	P7—8	Fully used
	33	4.8	Internally developed statements of mission or values, codes of conduct, and principles relevant to economic, environmental, and social performance and the status of their implementation.	P23—24	Partially used
	34	4.9	Procedures of the highest governance body for overseeing the organization's identification and management of economic, environmental, and social performance.	P7—8	Fully used
	35	4.10	Processes for evaluating the highest governance body's own performance, particularly with respect to economic, environmental, and social performance.		To be used in future
	36	4.11	Explanation of whether and how the precautionary approach or principle is addressed by the organization.	P3—4, P33-34	Partially used
	37	4.12	Externally developed economic, environmental, and social charters, principles, or other initiatives to which the organization subscribes or endorses.	P27	Fully used
	38	4.13	Memberships in associations	P31	Fully used
	39	4.14	List of stakeholder groups engaged by the organization.	P30-31	Fully used
	40	4.15	Basis for identification and selection of stakeholders with whom to engage.	P30	Fully used
	41	4.16	Approaches to stakeholder engagement, including frequency of engagement by type and by stakeholder group.	P30-31	Fully used
	42	4.17	Key topics and concerns that have been raised through stakeholder engagement, and how the organization has responded to those key topics and concerns, including through its reporting.	P30-31	Fully used
5.Economic Performance Indicators	43	EC1	Direct economic value generated and distributed, including revenues, operating costs, employee compensation, donations and other community investments, retained earnings, and payments to capital providers and governments.	P33	Fully used
	44	EC2	Financial implications and other risks and opportunities for the organization's activities due to climate change.	P15-17	Fully used
	45	EC3	Coverage of the organization's defined benefit plan obligations.	P57-58	Fully used
	46	EC4	Significant financial assistance received from government.		Not applicable
	47	EC5	Range of ratios of standard entry level wage compared to local minimum wage at significant locations of operation.	P57-58	Fully used
	48	EC6	Policy, practices, and proportion of spending on locally-based suppliers at significant locations of operation.	P63-64	Fully used
	49	EC7	Procedures for local hiring and proportion of senior management hired from the local community at locations of significant operation.		Not applicable
	50	EC8	Development and impact of infrastructure investments and services provided primarily for public benefit through commercial, inkind, or pro bono engagement.	P35-36, P43-55	Fully used
	51	EC9	Understanding and describing significant indirect economic impacts, including the extent of impacts.	P35-38,P43	Fully used
6.Environmental Performance Indicators	52	EN1	Materials used by weight or volume		Not applicable
	53	EN2	Percentage of materials used that are recycled input materials.		Not applicable
	54	EN3	Direct energy consumption by primary energy source.		To be used in future
	55	EN4	Indirect energy consumption by primary source.		To be used in future
	56	EN5	Energy saved due to conservation and efficiency improvements.	P79	Partially used
	57	EN6	Initiatives to provide energy-efficient or renewable energy-based products and services, and reductions in energy requirements as a result of these initiatives.		Not applicable
	58	EN7	Initiatives to reduce indirect energy consumption and reductions achieved.	P79	Fully used
	59	EN8	Total water withdrawal by source.	P79	Fully used

	Serial NO	GRI	G3 and Index of supplementary financial sector guideline	Disclosure location	Use	
6.Environmental Performance Indicators	60	EN9	Water sources significantly affected by withdrawal of water.		Not applicable	
	61	EN10	Percentage and total volume of water recycled and reused.		Not applicable	
	62	EN11	Location and size of land owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas.		Not applicable	
	63	EN12	Description of significant impacts of activities, products, and services on biodiversity in protected areas and areas of high biodiversity value outside protected areas.		Not applicable	
	64	EN13	Habitats protected or restored.		Not applicable	
	65	EN14	Strategies, current actions, and future plans for managing impacts on biodiversity.		Not applicable	
	66	EN15	Number of IUCN Red List species and national conservation list species with habitats in areas affected by operations, by level of extinction risk.		Not applicable	
	67	EN16	Total direct and indirect greenhouse gas emissions by weight.		To be used in future	
	68	EN17	Other relevant indirect greenhouse gas emissions by weight.		To be used in future	
	69	EN18	Initiatives to reduce greenhouse gas emissions and reductions achieved.	P79	Fully used	
	70	EN19	Emissions of ozone-depleting substances by weight.		Not applicable	
	71	EN20	NOx, SOx, and other significant air emissions by type and weight.		Not applicable	
	72	EN21	Total water discharge by quality and destination.		Not applicable	
	73	EN22	Total weight of waste by type and disposal method.		To be used in future	
	74	EN23	Total number and volume of significant spills		Not applicable	
	75	EN24	Weight of transported, imported, exported, or treated waste deemed hazardous under the terms of the Basel Convention Annex I, II, III, and VIII, and percentage of transported waste shipped internationally.		Not applicable	
	76	EN25	Identity, size, protected status, and biodiversity value of water bodies and related habitats significantly affected by the reporting organization's discharges of water and runoff.		Not applicable	
	77	EN26	Initiatives to mitigate environmental impacts of products and services, and extent of impact mitigation.	P79	Fully used	
	78	EN27	Percentage of products sold and their packaging materials that are reclaimed by category.		Not applicable	
	79	EN28	Monetary value of significant fines and total number of non-monetary sanctions for noncompliance with environmental laws and regulations	P71-72	Fully used	
	80	EN29	Significant environmental impacts of transporting products and other goods and materials used for the organization's operations, and transporting members of the workforce.		To be used in future	
	81	EN30	Total environmental protection expenditures and investments by type.	P73-74	Fully used	
	7.Labor Practices and Decent Work	82	LA1	Total workforce by employment type, employment contract and region	P57-58	Fully used
		83	LA2	Total number and rate of employee turnover by age group, gender and region	P57-58	Fully used
		84	LA3	Benefits provided to full-time employees that are not provided to temporary or part-time employees, by major operation		Not applicable
		85	LA4	Percentage of employees covered by collective bargaining agreement		Not applicable
		86	LA5	Minimum notice period(s) regarding operational changes, including whether it is specified in collective agreements		To be used in future
		87	LA6	Percentage of total workforce represented in formal joint management-worker health and safety committees that help monitor and advise on occupational health and safety programs		To be used in future
		88	LA7	Rates if injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities by region	P59 — 60	Fully used
		89	LA8	Education, training, counseling, prevention and risk-control programs in place to assist workforce members, their families, or community members regarding serious diseases	P59 — 60	Fully used
90		LA9	Health and safety topics covered in formal agreements with trade unions	P59 — 60	To be adopted with alteration	
91		LA10	Average hours of training per year per employee by employ category	P57 — 58	Fully used	

	Serial NO	GRI	G3 and Index of supplementary financial sector guideline	Disclosure location	Use
	92	LA11	Programs for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings	P57—58	To be adopted with alteration
	93	LA12	Percentage of employees receiving regular performance and career development reviews	P59—60	To be adopted with alteration
	94	LA13	Composition of governance bodies and breakdown of employees per category according to gender, age group, minority group membership and other indicators of diversity	P57—58	Fully used
	95	LA14	Ratio of basic salary of men to women by employee category	P57—58	Fully used
8.Human Rights Performance Indicators	96	HR1	Percentage and total number of significant investment agreements that include human rights clauses or that have undergone human rights screening		Not applicable
	97	HR2	Percentage of significant suppliers and contractors that have undergone screening on human rights and actions taken		Not applicable
	98	HR3	Total hours of employee training on policies and procedures concerning aspects of human rights that are relevant to operations, including the percentage of employees trained		Not applicable
	99	HR4	Total number of incidents of discrimination and actions taken	P57—58	Fully used
	100	HR5	Operations identified in which the right to exercise freedom of association and collective bargaining may be at significant risk, and actions taken to support these rights		Not applicable
	101	HR6	Operations identified as having significant risk for incidents of child labor, and measures taken to contribute to the elimination of child labor	P57—58	Fully used
	102	HR7	Operations identified as having significant risk for incidents of forced or compulsory labor, and measures taken to contribute to the elimination of forced or compulsory labor		Not applicable
	103	HR8	Percentage of security personnel trained in the organization's policies or procedures concerning aspects of human rights that are relevant to operations		Not applicable
	104	HR9	Total number of incidents of violations involving rights of indigenous people and actions taken		Not applicable
9.Social Performance Indicators	105	SO1	Nature, scope, and effectiveness of any programs and practices that assess and manage the impacts of operations on communities, including entering, operating, and exiting		Not applicable
	106	SO2	Percentage and total number of business units analyzed for risks related to corruption	P87—88	To be adopted with alteration
	107	SO3	Percentage of employees trained in organization's anti-corruption policies and procedures	P87—88	Fully used
	108	SO4	Actions taken in response to incidents of corruption	P87—88	Fully used
	109	SO5	Public policy positions and participation in public policy development and lobbying	P33—34	Partially used
	110	SO6	Total value of financial and in-kind contributions to political parties, politicians, and related institutions by country		Not applicable
	111	SO7	Total number of legal actions for anticompetitive behavior, anti-trust, and monopoly practices and their outcomes		Not applicable
	112	SO8	Monetary value of significant fines and total number of non-monetary sanctions for noncompliance with laws and regulations	P85—86	Fully used
10.Product Responsibility Performance Indicators	113	PR1	Life cycle stages in which health and safety impacts of products and services are assessed for improvement, and percentage of significant products and services categories subject to such procedures		Not applicable
	114	PR2	Total number of incidents of non-compliance with regulations and voluntary codes concerning health and safety impacts of products and services during the life cycle, by type of outcomes		Not applicable
	115	PR3	Type of product and service information required by procedures, and percentage of significant products and services subject to such information requirements		Not applicable
	116	PR4	Total number of incidents of non-compliance with regulations and voluntary codes concerning product and service information and labeling, by type of outcomes		Not applicable
	117	PR5	Practices related to customer satisfaction, including results of surveys measuring customer satisfaction	P61—62	Fully used
	118	PR6	Programs for adherence to laws, standards, and voluntary codes related to marketing communications, including advertising, promotion, and sponsorship		To be used in future
	119	PR7	Total number of incidents of non-compliance with regulations and voluntary codes concerning marketing communications, including advertising, promotion, and sponsorship, by type of outcomes.		To be used in future

	Serial NO	GRI	G3 and Index of supplementary financial sector guideline	Disclosure location	Use
	120	PR8	Total number of substantiated complaints regarding breaches of customer privacy and losses of customer data	P61-62	Fully used
	121	PR9	Monetary value of significant fines for non-compliance with laws and regulations concerning the provision and use of products and services		Not applicable
Sustainability Reporting Guidelines & Financial Service Sector Supplement	122	FS1	Policies with specific environmental and social components applied to business lines	P30-31, P71-72	Fully used
	123	FS2	Procedures for assessing and screening environmental and social risks in business lines	P83-84	Partially used
	124	FS3	Processes for monitoring clients' implementation of and compliance with environmental and social requirements included in agreements or transactions	P61-62, P73-74	Fully used
	125	FS4	Process(es) for improving staff competency to implement the environmental and social policies and procedures as applied to business lines	P61-62	Partially used
	126	FS5	Interactions with clients/investees/business partners regarding environmental and social risks and opportunities		To be used in future
	127	FS6	Percentage of the portfolio for business lines by specific region, size (e.g. micro/SME/large) and by sector	P43-48	Fully used
	128	FS7	Monetary value of products and services designed to deliver a specific social benefit for each business line broken down by purpose	P43-55	Fully used
	129	FS8	Monetary value of products and services designed to deliver a specific environmental benefit for each business line broken down by purpose	P73-74	Fully used
	130	FS9	Coverage and frequency of audits to assess implementation of environmental and social policies and risk assessment procedures	P83 — 86	Partially used
	131	FS10	Percentage and number of companies held in the institution's portfolio with which the reporting organization has interacted on environmental or social issues		To be used in future
	132	FS11	Percentage of assets subject to positive and negative environmental or social screening	P73 — 74	Fully used
	133	FS12	Voting polic(ies) applied to environmental or social issues for shares over which the reporting organization holds the right to vote shares or advises on voting	P33 — 34	Partially used
	134	FS13	Access points in low-populated or economically disadvantaged areas by type	P55	Fully used
	135	FS14	Initiatives to improve access to financial services for disadvantaged people	P43-55	Fully used
	136	FS15	Policies for the fair design and sale of financial products and services	P37 — 40	Fully used

4. Action Performance of the UN Global Compact

Ten principles of the Global Compact	Results in 2008
Human rights	
Principle 1: Respect and safeguard various internationally recognized human rights	CDB strengthened compliance management, observed both national and local laws and statutes, guaranteed lawful and standard operations, and signed labor contracts with all the staff. It strengthened staff democratic management and democratic supervision, safeguarded staff legal rights and interests, and collected 2024 reasonable proposals from the staff in the whole year.
Principle 2: Do not participate in any act that disregards and infringes upon human rights	It observed the international conventions signed or acknowledged by the Chinese Government, followed international practices, and respected conventions and statements such as the Universal Declaration of Human Rights, International Covenant on Civil and Political Rights of the United Nations, and the International Covenant on Economic, Social and Cultural Rights of the United Nations.
Labor standards	
Principle 3: Safeguard the freedom of association, and acknowledge the right of collective negotiation between employees and employers	It established and perfected the system of workers and staff congress, set up the workers' unions at all levels of the Bank, and had all the staff joined the unions.
Principle 4: Refrain from all kinds of forced labor	It never allowed any form of forced labor.
Principle 5: Wipe out the use of child labor	It never allowed the use of child labor.
Principle 6: Prevent any employment and job discrimination	It established an open, fair, competitive and selective personnel promotion system; and prevented all kinds of staff discrimination by ethnics, gender, nationality, family responsibility, race, social origin, age, disability, religion, academic degree, cultural background and language.
Environment	
Principle 7: Be Prepared to meet environmental challenges	It continued to stick to prior scientific development planning, helped localities to realize scientific and leapfrog development, gave biological environment protection priority consideration when formulating all its plans, and reduced negative impact of economic activities.
Principle 8: Increase responsibilities for environment on own initiative	It actively increased responsibilities for environmental protection, strictly implemented the green loan policy, and controlled lending directions. It supported industrial restructuring and energy upgrading, promoted the comprehensive environment treatment around drainage areas and cities, and facilitated energy saving and emission reduction through financial products and services.
Principle 9: Encourage the development and spreading of environmental-friendly technologies	It integrated energy saving and emission reduction with enterprise technical renovation; actively promoted the construction of the financing system for environmental protection; extensively guided social capital to participate in and support energy saving and emission reduction; vigorously promoted energy efficiency; and provided loan support to ultra super-critical thermal power, wind power, solar power and hydro power generation to support large enterprises. Its loans for environmental protection, energy saving and emission reduction increased by 42.2% over the previous year, which took up 8.4% of all loans issued by the Bank in the year, and its end-of-year loans outstanding increased by 35% from the end the previous year, which took up 9.8% of all loans outstanding of the Bank.
Anti-corruption	
Principle 10: Oppose all kinds of corruptions, including racketeering and bribery	It continued to control corruption from internal and external sources with emphasis on prevention; actively constructed and perfect the anti-corruption system that focused on education, operational mechanism and supervision; perfected the internal control system; promoted the joint supervision initiative; and handled discipline-breaching acts according to law. In 2008, it closed four investigations and punished five people according to the Party and the administrative disciplines. It processed 31 complaints, which had 87% of the total complaints closed and provided anti-corruption training to all its staff.

5. Glossary

Two basics and one pillar:

“Two basics” refer to the infrastructure and the basic industries, and “one pillar” refers to the national pillar industries, which are the priority areas of CDB financial support.

Small and medium-sized enterprises (SMEs):

Enterprises that hire less than 300 people, with less than RMB50 million assets.

Reverse auction:

Or reverse bidding, refers to a transaction practice wherein several suppliers give their offers, and as the price goes down with each offer, the last bidder, namely the one who offers the lowest price, win the bid.

People's livelihood finance:

Also called grassroots finance, refers to the financial products and services of CDB that rely on social strength to serve the people at the grassroots and to increase their incomes, which include loans to SMEs and household businesses in urban and rural areas, the student loans, and other retail businesses.

Two highs and one resource:

“Two highs” refer to high-pollution, high energy-consuming enterprises, while “one resource” refers to resource-consuming enterprises.

Paper verification:

The report is printed on recycling paper, which proves that your products satisfy requirements of Law and Regulations about green products.



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